

SCHEME FOR NATURALISATION OF INVESTORS IN CYPRUS BY EXEPTION

On the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015

One of the main objectives of the economic policy of the Republic of Cyprus is to further encourage Foreign Direct Investment and to attract high net worth individuals to settle and do business in Cyprus.

Key factors that make Cyprus an attractive destination for investment, is the highly specialized human capital, the reliable legislative and regulatory framework, the stable tax system, the safety and stability conditions prevailing in the country.

Within this framework and taking into account the strong investor interest, the Government of Cyprus has established and revised a "Scheme for Naturalization of non-Cypriot investors by exception" on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2015, with specific incentives, terms and conditions and control procedures in order to prevent abuse.

On the basis of the Scheme, a non-Cypriot citizen, who meets one of the following economic criteria (A), either personally or through a company/ companies in which he/she participates as a shareholder – in proportion to his holding percentage, or through investments done by his/her spouse or jointly with the spouse or even as a high-ranking senior manager of a company/ companies that meets one of the economic criteria (A), may apply for the acquisition of the Cypriot citizenship through naturalization by exception.

A high-ranking senior manager may apply, provided that he/she receives such a remuneration that generates for the Republic tax revenues of at least €100,000 over a three-year period and provided that this tax has already been paid or prepaid.

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The applicant should have made the necessary investments during the three years preceding the date of the application and must retain the said investments for a period of at least three years as from the date of the naturalization.

In addition, the applicant must fulfil the Terms and Conditions set out in Part B.

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In the case where, following a periodic inspection, it has been established that a criterion, term or condition of the Scheme has been breached, the granted naturalization may be revoked.

A. CRITERIA

A.1 Investment in real estate, land development and infrastructure projects:

The applicant must have made an investment of at least €2,0 million for the purchase or construction of buildings or for the construction of other land development projects (residential or commercial developments, developments in the tourism sector) or other infrastructure projects.

It is noted that investment in land under development is included in this criterion, provided that an investment plan for the development of the purchased land will be included in the application. It is understood that investment in land that is situated in a building zone of zero development, is excluded.

A.2 Investment in financial assets of Cypriot companies or Cypriot organizations:

The applicant should have made a purchase or should have participated in companies or organizations established and operating in the Republic of Cyprus with investment costs of at least €2,0 million. The invested funds shall be channeled towards the financing of the investment objectives of these companies exclusively in Cyprus, based on a specific investment plan.

The applications shall be evaluated to verify that the companies or organizations have proven physical presence in Cyprus, with significant activity and turnover and employ at least five (5) Cypriot or citizens of European Union member-states. The minimum number of employees shall increase, if more than one applicant invests simultaneously or almost simultaneously in the same business or company. In addition, the employees of the

companies need to have legally and continuously resided in Cyprus during the five years preceding the application submission date.

A.3 Investment in Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by CySec:

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The applicant should have bought units of at least €2,0 million from alternative investment funds (AIF) established in the Republic of Cyprus, licensed and supervised by the CySec and whose investments are made exclusively in the Republic of Cyprus, in investments that meet the criteria of this Scheme or in areas approved by the Minister of Finance.

In order to confirm that the investments that meet the criteria of the current Scheme will be kept for at least three years, the manager or the auditor of the Fund shall inform in writing and on an annual basis, the Ministries of Finance and Interior with reference to the value of the initial investment.

The purchase of financial assets of Cypriot companies or organizations of at least €2,0 million, such as bonds, bills and securities, issued with the approval of the CySec, by companies that have proven physical presence and substantial economic activity in the Republic of Cyprus, and have as a purpose the financing of the investment plans of these companies or organizations exclusively in Cyprus, based on an investment plan, fall under this criterion.

It is noted that the purchase by an AIF of units of other AIFs is not considered eligible.

A.4 Combination of the aforementioned investments:

The applicant may proceed with a combination of the above investments, provided that the total investment will amount up to at least €2,0 million.

Within this criterion (combination of investments) the applicant may purchase special government bonds of the Republic of Cyprus, up to €500.000, which will be issued by the Public Debt Management Office of the Ministry of Finance, on condition that the investor will retain these bonds for a three-year period. The characteristics and the terms of these special bonds will be determined by the General and Special Issue Terms of the

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Government Bonds of the Republic of Cyprus. Investments in government bonds through the secondary market are not considered eligible.

As of February 14th 2019, the Council of Ministers in Cyprus announced the following revisions to the Cyprus Citizenship programme which will take place as of 15th May 2019. The most significant change is that the total investment required will increase from €2,000,000 to €2,150,000. This includes an additional donation of €75,000 to the county's Research and Development fund and a €75,000 donation to the Land Development Organisation.

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The changes include the following:

- A donation of €75,000 for research and development shall be mandatory;
- A donation of €75,000 to the land development organisation to fund affordable housing schemes shall be mandatory;
- Applicants should be in possession of a Schengen visa;
- Applicants who have been previously rejected by another EU country will not be eligible to apply for the CIP;
- The investment should be maintained for 5 years following the date of naturalisation, as opposed to 3 years;
- During the 5-year period the investor will be able to change his investment, provided that a consent will be granted in this regard by the Ministry of Finance;
- A planning permit shall be mandatory for properties under construction;
- If a residential property had already been purchased under the CIP, the required investment amount is increased from €2,000,000 to €2,500,000; Newly built properties investment will remain at €2,000,000
- Shipping will be included in the investment sectors, while Investment in government bonds will no longer be available.
- Due diligence and background checks shall be carried out by specialist foreign firms on each applicant.

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B. TERMS AND CONDITIONS

1. Clean Criminal Record: the applicant must have a clean criminal record. Furthermore, his name must not be included in the list of persons whose assets, within the boundaries of the European Union, have been frozen as the result of sanctions.

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2. Residence in the Republic of Cyprus: In all cases listed in Part A, the applicant must possess a permanent privately-owned residence in the Republic of Cyprus, the purchase price of which must be at least €500.000, plus V.A.T.

It is noted that members of the same family, who apply separately as investors, can collectively acquire a residence, provided that the total value of this home-property covers the amount of €500.000 per each applicant.

In case that the purchase value of the permanent privately-owned residence in Cyprus exceeds the amount of €500,000, part of this additional amount can be used for purposes of supplementing the total amount of the investment made on the basis of the criteria of Part A above.

Additionally, it is noted that if the applicant has invested in housing unit/units on the basis of the aforementioned criterion A.1, the purchase of another permanent residence in Cyprus will not be required, if at least one of these housing units is worth at least €500,000, plus VAT, provided that the applicant retains the possession of the residence for life.

3. Residence Permit in Cyprus: The applicant, prior to his/her naturalization as a Cypriot citizen must hold a residence permit in Cyprus.

If the applicant does not already hold a residence permit, he/she may apply for an immigration permit on the basis of Regulation 6 (2) of the Aliens and Immigration Law, simultaneously with the application for naturalization. If the application for acquiring an immigration permit is made solely for purposes of acquiring the Cypriot citizenship, in accordance with the provisions of this Scheme, there are no other conditions than those stated in both Part A and Part B of this Scheme.

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It is noted that all of the above also apply for the adult members of the family of the investor, who will apply for naturalization.

In case the application for naturalization is rejected for any reason, the immigration permit, obtained in accordance with the provisions of this Decision, will be canceled immediately.

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C. SUBMISSION OF DOCUMENTS

For the evaluation of the applications the form (M127) as well as the following documents must be submitted:

1. Clean Criminal Record: Certificate of Clean Criminal Record from the country of origin and the country of residence (if different).

2. Residence in the Republic of Cyprus:

(a) Contract of Sale.

(b) Title Deeds or Proof of Registration of the contract with the Lands and Surveys Department.

(c) Proof of payment of the agreed purchase price.

(d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the seller or the seller's company.

(e) An evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.

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3. Criteria regarding the investment (when applicable):

- (a) Certificate of Registration of the company/ companies by the Registrar of Companies.
- (b) Certificate of shareholders by the Registrar of Companies or certificates evidencing that the applicant is the beneficiary owner of the company/ companies.
- (c) Audited accounts of the company (or companies) for the last three years preceding the year of the application
- (d) If the applicant is a high-ranking senior manager, the submission of the employment contract and the receipt from the Department of Inland Revenue are additionally required.
- (e) If the investment is made by the spouse of the applicant or jointly, a marriage certificate is required.

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Furthermore, depending on the case, the following are required:

1. Investment in real estate, land development and infrastructure projects:

- a) Contract of sale.
- (b) Title Deeds or Proof of Registration of the contract with the Lands and Surveys Department.
- (c) Proofs of payment of the agreed purchase price.
- (d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the seller or the seller's company.
- (e) An evaluation certificate from an independent registered land surveyor, if required by the Ministry of Interior or the Ministry of Finance.

2. Investment in financial assets of Cypriot companies or Cypriot organizations

- (a) Contract of sale.
- (b) Proof of payment of the agreed purchase price.
- (c) Certificate of shareholders by the Registrar of Companies.
- (d) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the company or the organization.

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- (e) Specific investment plan.
- (f) Copies of the employment contracts of the Cypriot or European Union citizens employed by the company in which the applicant has invested.
- (g) Confirmation from the Social Insurance Department as to the insurable income of the Cypriot or European Union citizens employed in the company.
- (h) Copy of the Social Insurance Contributions for every Cypriot or European Union citizen employee.
- (i) Registration Certificate (MEU₁) or Permanent Registration Certificate of Union Citizen (MEU₃) for employees that are European Union citizens.

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3. Investment in Alternative Investment Funds or financial assets of Cypriot companies or Cypriot organizations that are licensed by CySec:

- (a) Title/Titles and other relevant documents of the financial assets / units purchased.
- (b) Copy of the wire transfer to a Cypriot commercial banking institution in the name of the company or the organization.
- (c) Specific investment plan.
- (d) Confirmation by the CySec.

4. Investment in government bonds:

- (a) Proof from the Public Debt Management Office for the purchase of special government bonds.
- (b) Copy of the wire transfer into a bank account of the Treasury of the Republic of Cyprus.

Any other document that might be requested either by the Ministry of Interior or by the Ministry of Finance.

None of the above affects the absolute discretion of the Cabinet of Ministers on taking a decision.

For any further clarifications or to arrange a private consultation please do not hesitate to contact us at: info@vardikos.com