

Scheme for Naturalisation of investors in Cyprus by exception



1 Introduction

- 1.1** As a part of its policies aiming to further encourage foreign direct investment and to attract high net worth individuals (the “**Investors**”) to settle and do business in the Republic of Cyprus (the “**Republic**”), the Council of Ministers of Cyprus has on 13 September 2016 revised the criteria for acquisition of Cypriot citizenship based on investments (the “**Naturalisation**”). The revisions relaxed the financial threshold for eligible investments while in parallel reducing the categories of eligible investments to a narrower, streamlined list.
- 1.2** The Naturalisation scheme also extends to the Investor’s spouse/civil partner, financially dependent adult children, minor children and parents.
- 1.3** This memorandum aims to provide a complete guide of the conditions that need to be fulfilled by the Investor in order to successfully complete the Naturalisation process, the process for doing so and the timeframes involved.

2 The Conditions

- 2.1** The conditions for the Naturalisation may be fulfilled by the Investor:
- (a) personally (or through a company/ies in which the Investor is a member (pro rata based on the Investor’s shareholding in such company/ies (the “**Eligible Company**”)); or
 - (b) through investments done by his/her spouse (or done jointly with his/her spouse); or
 - (c) by virtue of the Investor’s position as a high-ranking senior officer of Eligible Company (but provided that the Investor receives such remuneration that generates for the Republic tax revenue of at least EUR100,000 for a 3-year period and provided this tax has already been paid or prepaid).
- 2.2** The Conditions are that the Investor:
- 2.2.1** has a clean criminal record and the Investor’s name is not included on the list of persons whose assets have been frozen within the boundaries of the European Union as a result of sanctions;
 - 2.2.2** holds a permanent, privately-owned residence in the Republic the purchase price of which must be worth in excess of EUR500,000¹ (plus VAT)^{2 3};

¹ In case that the purchase value of the permanent privately owned residence in Cyprus exceeds the amount of EUR500,000, 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 set out in paragraph 2.2.4 below (Criteria A1 to A4).

2.2.3 prior to his/her Naturalisation as a Cypriot citizen, the Investor must hold a residence permit in Cyprus⁴; and

2.2.4 satisfies any one of the following criteria:

(i) Criterion A.1: Investment in real estate, land under development and infrastructure projects

The Investor has made an investment of at least EUR2,000,000 (excluding VAT and any transfer duties on land purchases) for the purchase or construction of buildings⁵ or for the construction of other land development projects (residential or commercial developments or developments in the tourism sector)⁶ or other infrastructure projects, including properties purchased after their initial sale (i.e. re-sales)⁷; OR

(ii) Criterion A. 2: Purchase or establishment or participation in Cypriot companies or businesses

The Investor has made a purchase or has participated in companies⁸ or organisations established and operating in the Republic with investment costs of at least EUR2,000,000. The invested funds need be channelled towards the financing of the investment objectives of these companies exclusively in Cyprus, based on a specific investment plan. Such companies or organisations must have proven physical presence in Cyprus, with significant activity and turnover and employ at least five (5) Cypriot or citizens of European Union member-states⁹. The minimum number of employees will be increased if more than one applicant invest simultaneously (or almost simultaneously) in the same business or company.

(iii) A.3: Investment in Alternative Investment Funds (“AIFs”) or financial assets of Cypriot companies or Cypriot organisations that are licensed by the Cyprus Securities and Exchange Commission (“CySec”)

The Investor has bought units with a value of at least EUR2,000,000 from AIFs established in the Republic, licensed and supervised by CySec and whose investments are made exclusively in the Republic, in investments that meet the criteria of this Scheme¹⁰ or in areas approved by the Minister of Finance.

Note that the purchase of financial assets¹¹ of Cypriot companies or organisations with a value of at least EUR2,000,000 fall under this criterion provided that (a) such companies have proven physical presence and substantial economic activity in the

² Note 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 EUR500.000 per each applicant.

³ Note that if the Investor has invested in housing unit(s) on the basis of Criterion A1 (see paragraph 2.2.4(i) below), the purchase of another permanent residence in Cyprus will not be required, if at least one of these housing units is worth at least EUR500,000, plus VAT and provided that the Investor retains the possession of the residence for life.

⁴ If the Investor 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 of Cyprus, simultaneously with the application for Naturalisation.

⁵ In case the Investor satisfied this condition via the purchase of a house, the Investor need not fulfil Condition 2 (see paragraph 2.2.1).

⁶ Investment in land under development is included in this criterion, provided that an investment plan for the purchased land will be included in the application. Investment in land that is situated in a building zone of zero development, is excluded.

⁷ The relevant amount is the purchase value and not the market value, if this is different.

⁸ Through the purchase of existing shares or via issue of new shares.

⁹ The employees of the companies need to have legally and continuously resided in Cyprus during the five years preceding the application submission date.

¹⁰ In order to confirm that the investments that meet the criteria of the Naturalisation 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.

¹¹ Such financial assets include bonds, bills and securities, issued with the approval of the CySec.

Republic and (b) such financial assets have as a purpose the financing of the investment plans of these companies or organisations exclusively in the Republic, based on an investment plan.

Also note that the purchase by an AIF of units of other AIFs is not considered eligible.

(iv) A4: Combination of the above investments

The Investor satisfies the EUR2,000,000 requirement by a combination of the Criterion in A1 to A3. Also, the Investor may reach the EUR2,000,000 amount by (in addition to the investments in A1 to A3 above) purchasing special government bonds of the Republic, up to EUR500.000, 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 period¹².

2.3 The investments should have been made 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 Naturalisation¹³.

3 Process of Application

3.1 The process of reviewing an application commences upon it being submitted. The application must be submitted to the Ministry of Interior together with a fee EUR2,000 and the original documents supporting the application.

3.2 The process is as follows:

3.2.1 The documents relating to the business and investments activities of the Investor are sent to the Ministry of Finance for evaluation and views on whether the Investor meets the business and investment criteria.

3.2.2 At the same time, the Ministry of Interior reviews the submitted documents to establish whether the rest of the criteria are met.

3.2.3 In case all the criteria are met, the Minister of Interior submits a proposal to the Council of Ministers for the approval of the application and the granting of citizenship.

3.2.4 Once the application is approved, the Investor will be able to take all actions for the acquisition of the citizenship and the issue of a Cypriot passport. The procedure for the acquisition of the Cypriot citizenship will be completed, provided that the applicant holds a residence permit for a period of at least six months. If the applicant does not hold a residence permit for this period, he/she will need to wait until the six-month period is completed.

3.2.5 Following the completion of the above actions, the Civil Registry and Migration Department issues the Certificate of Naturalisation upon payment of the amount of EUR5.000 that constitutes the Naturalisation Certificate issuing fee.

3.2.6 Once the Certificate of Naturalisation is issued, the applicant will need to give the Oath of Faith to the Republic before a Registrar of a Cypriot court or a consular officer of the Republic. Once this procedure is completed the applicant will be able to acquire a Cypriot passport and Identity Card.

3.3 Provided that the application is completed and submitted with all the necessary supporting documents and the Investor meets the criteria, the time frame for the completion of the Naturalisation

¹² Note that investments in government bonds through the secondary market are not considered eligible.

¹³ If it is established (following a periodic inspection by the authorities) that a condition of the Naturalisation scheme has been breached, the granted citizenship may be revoked.

procedure is approximately 3 months from the date of submission of the application (which is deemed to be the date on which the submission fees are paid (and this is noted on the receipt issued by the Cashier's Office of the Ministry of Interior)).

4 Application for Naturalisation of the spouse / partner of the Investor

- 4.1** The Naturalisation scheme also provides for the grant of the Cypriot citizenship to the spouse/partner¹⁴ of the Investor who does not need to meet any financial criteria.
- 4.2** The application for Naturalisation of the spouse of the Investor is submitted to the Ministry of Interior, together with the original documents supporting the application and a fee of EUR2,000.
- 4.3** The application of the spouse may be submitted at the same time as the application of the Investor so that they both acquire Cypriot citizenship at the same time.
- 4.4** The spouse of the Investor must also hold a resident permit for the purpose of acquiring a Cypriot citizenship under this scheme.
- 4.5** Provided that the application is completed and submitted with all the necessary supporting documents, the time frame for the completion of the Naturalisation procedure is approximately 3 months from the date of submission of the application.
- 4.6** In case the application is approved, a fee of EUR5,000 is payable for the issuing of the Certificate of Naturalisation.

5 Application for Naturalisation of the financially dependent adult children of the Investor

- 5.1** The Naturalisation scheme also provides for the grant of the Cypriot citizenship to the financially dependent adult (over the age of 18) children of the Investor who, as in the case of the spouse/civil partner of the Investor, do not need to meet any financial criteria.
- 5.2** Adult children of an investor are considered as financially dependent, if they are:
 - 5.2.1** students up to the age of 28; and
 - 5.2.2** attending an institution of higher education aiming to obtain a diploma or an undergraduate or a master's degree.
- 5.3** The Naturalisation scheme excludes individuals who are studying for the acquisition of a professional qualification (e.g. chartered accountants or barristers).
- 5.4** In addition, an Investor's child with severe physical or mental disability that makes him/her unable to work is also considered as financially dependent.
- 5.5** The financially dependent children of the Investor must also hold a resident permit for the purpose of acquiring a Cypriot citizenship under this scheme.
- 5.6** The application for Naturalisation of the financially dependent adult children of the Investor is submitted to the Ministry of Interior after the Investor had acquired the Cypriot citizenship. The application must be submitted together with the original documents supporting the application and a fee of EUR2,000.

¹⁴ For the purposes of the Naturalisation scheme the term partner is interpreted in accordance with the provisions of the Civil Partnership Law 184(I)/2015, which recognises any civil partnership that had been concluded in the Republic or any other state in accordance with the legislation of that state and is still in power.

5.7 Provided that the application is completed and submitted with all the necessary supporting documents, the time frame for the completion of the Naturalisation procedure is approximately 3 months from the date of submission of the application.

5.8 In case the application is approved, a fee of EUR5,000 is payable for the issuing of the Certificate of Naturalisation.

6 Application for Naturalisation of the parents of the Investor

6.1 The Naturalisation scheme also provides for the grant of the Cypriot citizenship to the parents of the Investor.

6.2 The parents of the Investor must also hold a resident permit for the purpose of acquiring a Cypriot citizenship under this scheme.

6.3 They must also hold a permanent, privately-owned residence in the Republic the purchase price of which must be worth in excess of EUR500,000 (plus VAT). Note that the Investor and his/her parents may collectively acquire a residence, provided that the total value of this home-property is at least EUR1.000.000, plus VAT.

6.4 The application for Naturalisation of the parents of the Investor is submitted to the Ministry of Interior after the Investor had acquired the Cypriot citizenship. The application must be submitted together with the original documents supporting the application and a fee of EUR2,000.

6.5 Provided that the application is completed and submitted with all the necessary supporting documents, the time frame for the completion of the Naturalisation procedure is approximately 3 months from the date of submission of the application.

6.6 In case the application is approved, a fee of EUR5,000 is payable for the issuing of the Certificate of Naturalisation.

7 Application for Naturalisation of the minor children of the Investor

7.1 The minor children (under the age of 18) of an Investor have the right to acquire the citizenship according to the provisions of section 110 (3) of the Civil Registry Law.

7.2 The application for Naturalisation of the minor children of the Investor is submitted to the Civil Registry and Migration Department, after the Investor had acquired the Cypriot citizenship. The application must be submitted together with the original documents supporting the application and a fee of EUR80. There are no fees for the issuance of the Certificate of Naturalisation of a minor child of the Investor.

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