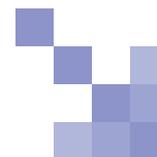


Cyprus

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THE CORPORATE REAL ESTATE MARKET

1. What have been the main trends in the real estate market in your jurisdiction over the last 12 months? What have been the most significant deals?

In the last two years there has been strong growth in all kinds of real estate, fuelled by foreign and local investors. Most investors are buying land with the intention of building houses or blocks of flats and selling them.

There are now good opportunities for investing in real estate in Cyprus. An investor can invest in real estate to reduce capital gains tax on a sale (20% of the profit) by registering a limited company and using it for this purpose only. To this effect, this company is only subject to income tax, which is 10% on the net profit it makes every year.

CORPORATE REAL ESTATE INVESTMENT

2. Please briefly outline the opportunities for investing in real estate in your jurisdiction. In particular, consider:

- The structures commonly used (for example, property companies and partnerships).
- Are real estate investment trusts (REITs) and real estate derivatives available? If so, are they commonly used?
- The role of institutional investors.
- The role of private investors.

Real estate investment trusts and real estate derivatives are not commonly used in Cyprus. Both direct and indirect purchases of property are commonly used.

Institutional and private investors are beneficial to the Cyprus economy. Institutional investors and groups of investors do invest in the Cypriot real estate market, mostly in the last couple of years due to the strong growth of this kind of investment. Private investors also invest heavily in the Cypriot real estate market, mostly in the last couple of years.

SOURCES OF LAW

3. What are the main sources of real estate law?

General legislation

The main general sources of real estate law are the:

- Constitution of Cyprus.
- Civil Procedure Law, Cap.6, and Rules.
- Contract Law, Cap.149.
- Administration of Estates Law, Cap.189.
- Probates (Re-Sealing) Law, Cap.192.
- Trustee Law, Cap.193.
- Wills and Succession Law, Cap.195.
- Stamp Law, Cap.228.
- Central Bank of Cyprus Law, 138(I) of 2002.
- Movement of Capital Law, 115(I) of 2003.

Specific legislation

The main specific sources of real estate law are the:

- Acquisition of Immovable Property (Aliens) Law, Cap.109.
- Immovable Property (Tenure, Registration & Valuation) Law, Cap.224.
- Sale of Land (Specific Performance) Law, Cap.232.
- Immovable Property Tax Law, Cap.322.
- Immovable Property (Towns) Tax Law, 89 of 1962.
- Immovable Property Transfer and Mortgage Law, 9 of 1965.
- Capital Gains Tax Law, 52 of 1980.
- Rent Control Law, 23 of 1983.

TITLE

4. Please briefly state what constitutes real property in your jurisdiction. Is title to land and any buildings on it (owned by the same entity) registered together or separately?

Real property includes land and buildings on it, such as houses, flats, factories, hotels, offices and shops. Land can be:

- Private property.
- Communal property.
- Property of the Republic of Cyprus (which includes lakes, rivers, streams, natural water resources not privately owned and public roads and seashores).

Title to land and any buildings on it owned by the same entity are registered together.

5. How is title to real estate evidenced, for example by registration in a public register of title?

Title to real estate is evidenced by entry in the register of the government department called the Lands Office. There is a Lands Office in each city in Cyprus called a District Lands Office. Each Lands Office issues an official document called a title deed in the name(s) of the registered owner(s).

6. Please outline what information and documents are registered in the public register of title, for example a description of the real estate, the owner, matters affecting the title and any relevant documents.

The following information is recorded in a title deed issued by a Lands Office:

- District (code and name).
- Municipality or community (code and name).
- Parish (code and name).
- Area, if any.
- Address, if any.
- Extent in square metres.
- Borders as shown on each title deed official land plan.
- Registration number.
- Sheet or plan, part, plot and scale references on the land plan.
- Identity card number or registration number of the owner.
- Share owned by the registered owner.

- Date of registration.
- File number.
- Description of the real estate.
- Value on 1 January 1980.
- Estimated current value.
- Rights and servitudes.
- Notes.

7. Can confidential information or documents be protected from disclosure in the public register of title?

The register is not open to the public. A copy of the title deed can only be issued on the application of the registered owner or, in the case of a deceased person, the executor/administrator of the estate.

A search on the property can be requested and an official document can be issued by the Lands Office showing all the information found in a title deed and any mortgages, memos or contracts of sales burdening the property. However, this can only be given to:

- The registered owner.
- A plaintiff who has filed an action against the registered owner.
- A judgment creditor.
- A person with a relevant court order.

8. Is there a state guarantee of title? Is title insurance available? If so, is it commonly used?

A title deed is an official document proving that someone is the registered owner of the property described in it. It can only be changed without the owner's consent by a court order, and so in this sense it is a state guarantee of title.

Title insurance is not commonly used.

9. How can real estate be held (that is, what types of tenure exist)?

Real estate can be held as owner, tenant, trustee, licensee or under right of use by law.

SALE AND PURCHASE OF CORPORATE REAL ESTATE

10. What are the main stages in the sale and purchase of corporate real estate? In particular, consider:

- **Marketing of corporate real estate, commercial negotiation and pre-contractual arrangements.**
- **Due diligence (including title investigation and searches of public authorities).**
- **Negotiation and execution of a sale contract.**
- **When the parties are legally bound.**
- **Registration.**
- **When title transfers.**

Marketing

In Cyprus the real estate business has grown substantially in recent years. Property for sale can be found in newspapers, licensed estate agents' offices and developers' shops and on the internet, both in Cyprus and abroad.

Commercial negotiation

Commercial negotiations are usually carried out between the lawyers for the parties.

Pre-contractual arrangements

The parties usually sign an option to buy and the buyer makes a down payment for the seller to hold the property for an agreed period of time, until the lawyers negotiate the terms and draft the sale agreement to be signed by the parties. The option to buy does not prevent the seller from selling the property to someone else. If the seller breaches the option to buy contract and sells the property to someone else, it is liable only in damages.

Due diligence

The buyer can ask the seller to provide an official search of the property to be sold. Only the owner of the property can apply for such a document (see *Question 7*). There is no other official investigation or search to this effect.

Sale contract and when legally binding

The contract of sale is the most important document in the process. Due to the enormous growth in real estate transactions in Cyprus, a separate title deed for a new property takes some considerable time to be issued and even then, if the buyer is a foreign company requiring permission from the Council of Ministers to acquire real estate in Cyprus (see *Question 21*), it cannot take title immediately. The buyer's security is, therefore, the contract of sale.

A contract of sale must be officially stamped within one month of its signing (if not, penalties are imposed). It must then be deposited within two months of its signing at the Lands Office in the district where the property is situated, to secure the buyer's right to specific performance (see *the Sale of Immovable Property (Specific Performance) Law, Cap.232, as amended*).

Registration

Transfer and registration of the property in the name of the buyer can be done as the parties agree, provided there is a separate title deed issued for the property. For example, if a developer starts to build a block of flats, the title deed for each flat can only be issued after the whole block has been completed according to the building permits, so the issue of each title deed may take some time.

When title transfers

Once a separate title deed is issued, and all the terms of the contract of sale have been fulfilled, the parties meet at the District Lands Office to proceed with the transfer.

11. What are the main legal documents? What are the formal requirements to transfer real estate (for example, in writing and signed by the parties)? Is notarisation required?

The main legal document is the written contract of sale, signed by the parties with their signatures attested, and stamped (see *Question 11*). Notarisation is not required.

12. What kind of warranties is a seller usually required to give a buyer:

- **On the sale of an individual commercial property?**
- **In sales of large real estate portfolios or companies holding real estate (consider due diligence, disclosure and contractual issues)?**

The most important warranty required by a buyer is the search at the District Lands Office to show whether the property has any encumbrances (see *Question 7*).

If there is no separate title deed for the property, a buyer may ask for a bank guarantee that the seller will issue the separate title deed within an agreed period.

13. How are acquisitions of large real estate portfolios or companies holding real estate generally financed?

Acquisitions of large real estate portfolios or companies holding real estate are generally financed by bank loans.

14. Can an owner or occupier be liable for matters relating to the real estate even if they occurred before it bought or occupied it? For example, environmental liability, or liability under a lease.

The current owner or occupier is liable for all matters relating to the property, to the extent that the contract does not impose any continuing liabilities on the seller or landlord, and in the absence of fraud by the seller or landlord.

15. Does a seller or occupier have any liabilities relating to the real estate after it has disposed of it? For example, environmental liability, defects in the real estate, contractual liability to the buyer, or liability for releasing charges secured on the real estate.

A seller or occupier can only have liabilities after disposing of the property if the contract of sale provides for this, or if it has acted fraudulently.

16. What costs are usually paid by the buyer? What costs are usually paid by the seller?

The buyer usually pays:

- Its lawyer's fees.
- The stamp duty on the contract of sale (see Question 18).
- The cost of any application to the Council of Ministers that may be required (see Question 21).
- The registration fees for the transfer procedure.

The seller usually pays its lawyer's fees, the estate agent's fees if any and any capital gains tax.

Capital gains tax is 20% of the profit made on the sale, adjusted for inflation and any costs of renovation. The first CYP10,000/EUR17,086 (about US\$23,200) of the profit is exempt on a first sale. The first CYP50,000/EUR85,430 (about US\$116,000) is exempt if the seller has occupied the property.

REAL ESTATE TAX

17. Is value added tax (VAT) (or equivalent) payable on the sale or purchase of corporate real estate? Who pays? What are the rates? Are there any exemptions?

VAT at 15% of the purchase price is payable on new buildings with a building permit dated after 1 May 2004. From 1 January 2008, VAT at 15% will also be payable on the purchase price of land.

18. Is stamp duty/transfer tax (or equivalent) payable on the sale or purchase? Who pays? What are the rates? Are there any exemptions?

Stamp duty is payable at the rate of:

- CYP1.50/EUR2.56 (about US\$3.50) per thousand of the price up to CYP100,000/EUR170,860 (about US\$232,000).
- CYP2/EUR3.42 (about US\$4.65) per thousand of the price above CYP100,000/EUR170,860.

Transfer fees are payable on the registration of the property in the name of the buyer, at the rate of:

- 3% on prices up to CYP50,000/EUR85,430 (about US\$116,000).
- 5% on prices from CYP 50,000/EUR85,430 to CYP100,000/EUR170,860.
- 8% on prices over CYP100,000/EUR170,860.

The fees are calculated on the value of the property at the date of the contract, provided that it is properly stamped. If it is not, the buyer must prove that the purchase took place on the date of the contract, by producing documents such as receipts, payment slips, banker's drafts and remittances, satisfactory to the District Lands Office.

Stamp duty and transfer fees are payable by the buyer. There are no exemptions.

19. Are any methods commonly used to mitigate real estate tax liability on acquisitions of large real estate portfolios?

Corporate structures can be created to mitigate real estate tax liability on acquisitions of large real estate portfolios.

HOLDING BUSINESS PREMISES

20. Is it common for companies to manage their real estate portfolios and their accommodation needs by using third parties, for example through outsourcing transactions?

It is common for companies to manage their real estate portfolios and their accommodation needs by using third parties.

21. Are there restrictions on foreign ownership or occupation of real estate, or on foreign guarantees or security for ownership or occupation?

Since Cyprus became a member state of the EU on 1 May 2004, companies operating in and from other EU member states have preferential rights over foreign companies in relation to ownership or occupation of real estate. After 1 January 2009, they will have the same rights as companies whose management and control is exercised in Cyprus.

A foreign company or a Cypriot company owned by foreigners can only acquire one immovable property in Cyprus, and this requires the permission of the Council of Ministers. In the case of a piece of land it must not exceed 4,014 square metres in area. The following information must be submitted to obtain this permission:

- Certificates of registration.
- Details of shareholders and directors and of the company's registered office.

- A copy of the articles of association.
- Written information about the activities and the personnel of the company.

22. Does change of control of a company affect its holdings of real estate?

Change of control of a company does not affect its holdings of real estate, unless a foreigner buys the shares of a company owned by Cypriots holding more than one property (see *Question 21*).

23. In what circumstances can local or state authorities purchase business premises compulsorily? Is the purchase price market value?

Such authorities can compulsorily acquire the whole or part of a private property in the public interest, for example for roads, schools, parks or parking places. The price paid by the authorities in such cases is often very low, but the owner of the property can apply to court for compensation at the real value of the property taken.

24. Are municipal taxes paid on the occupation of business premises, for example business rates? Are there any exemptions?

The occupier of business premises in Cyprus pays:

- A municipal tax.
- A sewerage tax in areas where there is a sewerage system.
- A fee for practising a business.
- Certain other taxes, depending on what the business is.

REAL ESTATE FINANCE

25. How can corporate real estate be used to finance a business? In particular through:

- Secured lending.
 - Sale and leasebacks.
 - Other financing such as real estate securitisation.
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Corporate real estate can be charged to secure finance for a business. Banks will usually lend up to two-thirds of the value of the property. The valuer is appointed by the bank.

CORPORATE REAL ESTATE LEASES

26. Are rents or lease terms regulated or freely negotiable?

Rents and lease terms are freely negotiable. The Rent Control Law regulates conflicts between landlords and tenants.

27. Please state the typical terms of a lease of business premises relating to:

- Length of lease term.
 - Rent review.
 - Disposal.
 - Repair.
 - Insurance.
-

Length of lease term

There are no legal limitations on the lease term. It is freely negotiable between the landlord and the tenant.

Rent review

The rent can be reviewed by mutual agreement between the landlord and tenant or by law. Leases fall within the Rent Control Law if the tenant is a Cypriot physical or legal person and the premises were first offered for rent after 1 January 2000 and are in a certain area. A lease within the Rent Control Law gives the tenant a right after the expiration of the lease to remain in the premises, on the same terms without the landlord having the right to evict the tenant.

Disposal

There are no legal limitations on disposal of the lease. It is freely negotiable between the landlord and the tenant.

Repair

The landlord is not liable for any damage caused to the premises, apart from reasonable wear and tear.

Insurance

There are no legal limitations on the insurance of the leased premises. It is freely negotiable between the landlord and the tenant.

28. Is VAT (or equivalent) payable on rent?

No VAT is payable on rent.

29. Can tenants usually share their business premises with companies in the same corporate group? If so, on what terms?

Tenants can usually share their business premises with companies in the same corporate group, but only as agreed between the landlord and the tenant.

30. What events typically give the landlord and the tenant a right to terminate the lease (under general contract terms and any applicable legislation)?

The landlord has a right to terminate the lease in a number of circumstances, including if:

- Any rent lawfully due is in arrears for 21 days or more, after written notice of demand has been given to the tenant and no rent has been tendered before the start of court action. Rent is deemed to be tendered if it is sent by prepaid registered post to the person entitled to receive it. No court judgment or order is given if the tenant pays, within 14 days of service of the application for the order, all the money owed or payable, unless during the tenancy the tenant has not regularly paid the rent legally owed.
- The tenant or any person occupying the premises under the tenant is guilty of conduct constituting a nuisance or persistent annoyance, or use of the premises for illegal or immoral purposes.
- The condition of the premises has, in the opinion of a court, deteriorated owing to acts of waste by, or the neglect or default of, the tenant, or the tenant has wrongfully caused or suffered to be caused substantial damage to the premises. No court judgment or order is given if the tenant pays, within two months of service of the application for the order, the cost of the damage.
- The tenant has sublet the premises in breach of a specific obligation not to do so and a court finds it reasonable to issue a judgment or order.
- The premises are required by the landlord for their substantial alteration, reconstruction or demolition, and a court is satisfied that the landlord has, where necessary, obtained the necessary permit for and has given at least four months' notice in writing to the tenant to vacate the premises.

The tenant has no right to terminate the lease.

31. What is the effect of the tenant's insolvency (under general contract terms and insolvency legislation)?

If the tenant is a physical person, his insolvency has no effect on the lease, provided that he fulfils his obligations under the lease. If the tenant is a legal person, the lease is terminated immediately.

32. Do tenants of business premises have security of occupation or rights to renew the lease at the end of the contractual lease term? If so, please give details.

Tenants of certain business premises do have security of occupation or rights to renew the lease at the end of the contractual lease term (see *Question 27, Rent review*).

PLANNING LAW/ZONING

33. What is the institutional framework of planning control?

The Planning and Building Law contains the main legislative framework, and there are diverse and detailed regulations relating to planning control. The town planning authority draws up layout plans, and detailed development plans that contain directions about regional development and building construction.

34. When is planning permission required?

Planning permissions and building permits are required for reconstruction and/or change of use of an existing building, demolition of a building and construction of a new building.

A building permit belongs to the property and is valid for future owners.

When the work covered by the building permit has been completed, the municipality must be notified. It then inspects the work and eventually issues a certificate of compliance.

35. If planning permission is required:

- **To which body or bodies are initial planning applications made?**
- **Do third parties have the right to object?**
- **In what circumstances is there a public inquiry?**
- **After how long from the application does an initial decision take?**
- **Is there a right of appeal?**

Applications

Applications are made first to the town planning authority for a town planning permit and then to the municipality for a building permit. Some municipalities have the power to issue town planning permits.

Third party rights

Any member of the public has a right to object after the relevant legal procedure has been followed.

Public inquiries

Public inquiries are only held when constitutional rights are violated.

Initial decision

By law, the initial decision must be given within three months of the application.

Appeals

A right of appeal lies first to the Ministry of the Interior and then to the Supreme Court.

REFORM

36. Please summarise any proposals for reform and state whether they are likely to come into force and, if so, when.

There are no current proposals for reform.

CORPORATE REAL ESTATE WEBSITES

37. Please list a maximum of five website addresses for government authorities and industry bodies relevant to corporate real estate.

Department of Lands and Surveys. This department manages the major land matters of Cyprus relating to surveying. This includes maintenance of the state survey infrastructure, mapping, investigation of title, registration, conveyancing and valuations.

W www.moi.gov.cy/dls

Department of Town Planning and Housing. This department supervises town planning and housing matters in Cyprus.

W www.moi.gov.cy/tph

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