Cyprus Real Estate Market Report

A summary of the significant factors and major drivers of the real estate market in Cyprus.

February 2016

Fifth edition

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Table of contents

Overview

The Cyprus economy has experienced positive growth rates in 2015 and the expectations are that this trend will continue in 2016. Fiscal indicators are improving, the yields of the Cyprus Bonds have been reduced, while the interest for investments is rebounding. As the Cyprus economy is entering a path of recovery, the Economic Adjustment Programme entered into in March 2013 is near to its completion in spring 2016. However, there are still challenges that need to be addressed such as the high levels of non-performing loans and unemployment.

Confidence in the real estate market seems to be improving. In particular, in 2015 the total property deeds of sale increased by 10% compared to 2014, whereas the interest of foreign investors in the real estate market keeps growing, since over one quarter of these transactions involved overseas residents.

Moreover, during the first ten months of 2015, the total value of building permits increased by 18,26% and the total area by 14,2% compared to the same period of 2014. However, property prices and rental rates have continued to fall at a slower pace, indicating that they are reaching their lowest levels and recovery is imminent.

In order to stimulate growth in the economy and, in particular, in the real estate sector it is important to attract foreign investments that will finance new projects, as well as existing projects whose development has been postponed as a result of the recession.

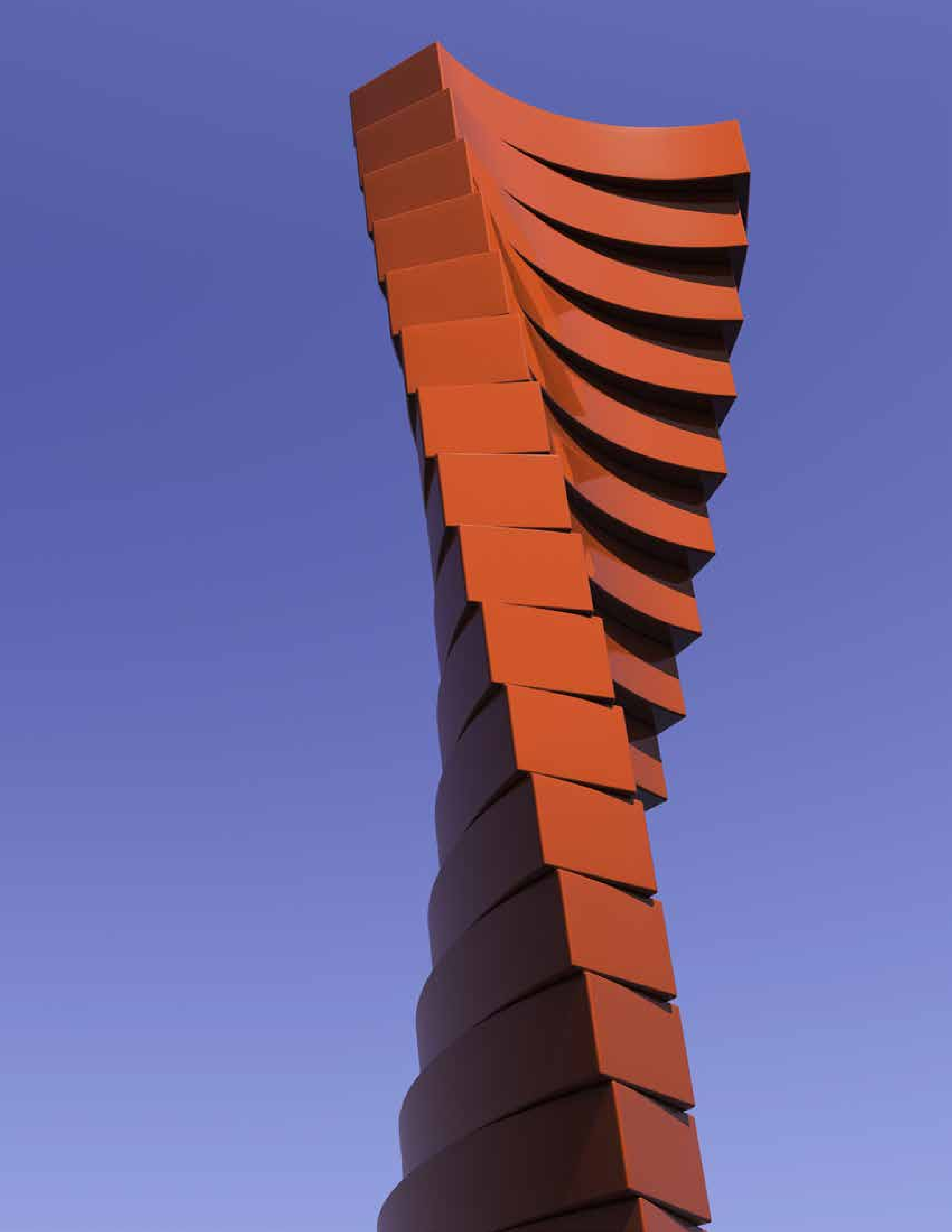
The incentives offered to investors in the property market, such as the 50% reduction in transfer fees for all sales and the 100% exemption from capital gains tax for profits on properties purchased until 31st December 2016 have stimulated the market. Moreover, the legislation that was adopted in autumn 2015 dealing with the long-standing problem of the inability to issue title deeds in the name of purchasers, who have paid the amount due in full to the land developer, has enhanced the credibility of the Cyprus real estate market.

However, despite the lifting of all capital controls imposed on the Cyprus' banking system, the key challenges remain in this sector which adversely affect liquidity in the market. In particular, dealing with non-performing loans is a top priority for credit institutions. Their efforts will be further facilitated by the legislation regulating the sale of credit facilities, the initiation of the first foreclosure proceedings, as well as the introduction of incentives for acquisition of mortgages in the context of restructurings.

The recovery of the economy is also evident by the fact that in October 2015 the Cyprus government successfully issued a €1 billion 10-year bond at an average yield of 4,25%, the lowest rate at which the Republic of Cyprus has ever issued a 10-year bond. Moreover, in autumn 2015 the Cyprus economy was upgraded by all main credit rating agencies, bringing it closer to an investment grade.

Following these developments, the yields on the Cypriot bonds reached a five year low, as the yield on the Cypriot 10-year bond (maturing in 2020) in the secondary markets fell below 3%. The falling yields are also a result of the fact that the Central Bank of Cyprus has begun purchases of Cypriot government bonds in the secondary market, in the context of the European Central Bank Quantitative Easing Programme (QE). Consequently, this will further facilitate its next attempts to issue government bonds and thus attract liquidity from the international markets.

Finally, the great natural environment of beaches and mountains, the highly developed infrastructure, the growing tourism market, the low property tax and the climate, make Cyprus ideal for property investment. Added to this, is the benefit of obtaining the Cypriot citizenship as a result of such or similar investment.



Cyprus Economy

It is expected that Cyprus will successfully complete its Economic Adjustment Programme within March 2016, three years after its commencement. The Cyprus economy has been steadily recovering and economic activity in 2015 has been better than initially projected, whereas fiscal targets have been met with substantial margins. In particular, the economy recorded growth for three consecutive quarters; in Q3 2015 the economy grew by 2,2% year on year ("yoy") compared to growth of 0,6% in the Q2 2015, at a faster rate than forecasted.

The restoration of the banking system continues and debt restructuring is picking up. However, the percentage of non-performing facilities ("NPFs") remains high and the pace of lending is subdued, despite the fact that demand for loans is slowly increasing.

Although the Economic Adjustment Programme is almost complete, the authorities have expressed their commitment to complete pending structural reforms, including the privatization of state-owned entities, as well as the reform of the public administration and the public health reform.

Economic update

Fiscal reforms

Following the progress made over the past year, the European Commission significantly revised its autumn forecasts in relation to the Cyprus economy, which are set out in Table 1 below.

Table 1

European Commission Forecast for Cyprus Autumn 2015				
	2014	**2015**	**2016**	**2017**
GDP Growth (%yoy)	-2,5	1,4	1,5	2,0
Inflation (% yoy)	-0,3	-1,6	0,2	1,3
Unemployment (%)	16,1	15,5	14,5	13,2
Public budget balance (% GDP)	-8,9	-1,0	0,1	0,4
Gross public debt (% GDP)	108,2	108,4	99,9	95,0
Current account balance (% GDP)	-4,6	-4,8	-4,9	-5,3

Source: European Commission (4 February 2016)

According to the European Commission's report, growth will gain momentum in the following years, while in 2016, domestic demand is forecast to shape growth, as the support to private consumption from low inflation is set to continue.

Moreover, following the eighth quarterly review of the financial assistance provided to Cyprus the fiscal targets set out in the Memorandum of Understanding on Specific Economic Policy Conditionality ("MoU") have been revised. In particular, according to the updated budgetary projection, a general government primary balance of at least €409 million, (2,4% of GDP) was achieved in 2015, compared to the previous projection of €334 million (1,9% of GDP). Subsequently, in 2016 a general government primary balance surplus of at least EUR 473 million (2,7% of GDP) will be achieved, whereas the goals for 2017 and 2018 are set at 3% of GDP and 3% to 4% of GDP respectively, also depending on debt dynamics.

Although deflation continued in 2015, the rate of inflation for December 2015 decreased by -1,2% compared to -2,1% in November 2015. Overall in 2015, the Consumer Price Index recorded a decrease of -2,1% compared to the corresponding period of 2014.

As a result of Cyprus' performance on its fiscal targets, the four main credit rating agencies, namely Standard & Poor's, Fitch, Moody's and DBRS have upgraded Cyprus' ratings in September, October, November and December 2015 respectively, bringing it closer to an investment grade.

Non-performing loans

Significant progress has been made in the financial sector as a result of the recapitalisation and restructuring of credit institutions. However, the key challenge involves dealing with the high level of NPFs, in order to restore the country's creditworthiness, economic growth and the creation of new jobs.

According to data published by the Central Bank of Cyprus ("CBC"), the non-performing facilities (NPFs) of banks in November 2015 reached 46,06% (€27,39 billion) of total facilities (€59,47 billion), compared to 48,02% in October 2015 (€27,43 billion). Banks are concentrating their efforts to speed up the restructuring of NPFs and according to CBC data, agreed restructurings have followed an upward trend. Whereby in the first quarter of 2015, the amount of restructured loans was €1 billion, during the second quarter of 2015 it rose to €1,2 billion and in the third quarter it reached €1,4 billion. In particular, in November 2015 restructured facilities amounted to 51,25% of total NPFs corresponding to €14,04 billion, of which however €10,78 billion are still considered to be NPFs, because when an NPF is restructured it is not immediately reclassified as a performing facility but it remains as an NPF for a further probation period of at least 12 months.

In order to further facilitate the reduction of NPLs and offer to credit institutions the necessary tools in order to effectively address this challenge, the legislature has adopted in November 2015, a law regulating the sale of credit facilities. In particular, this legislation sets out the criteria of eligible purchasers of bank loans and regulates the activities of such purchasers. Moreover, further legislative reform aiming to facilitate loan restructurings dictates that assets acquired by a financial institution in the context of such restructuring will be considered tax neutral transactions and no fees will be attached.

Moreover, the first foreclosures that are expected to take place within the first half of 2016 and which are expected to focus on commercial buildings and land plots rather than primary residences, will contribute to the improvement of the financial position of credit institutions.

In terms of total deposits, a net increase of €203,0 million was recorded in December 2015, compared with a net decrease of €67,9 million in November 2015. In parallel, total loans in December 2015 exhibited a net increase of €307,7 million, compared with a net decrease of €493,2 million in November 2015.

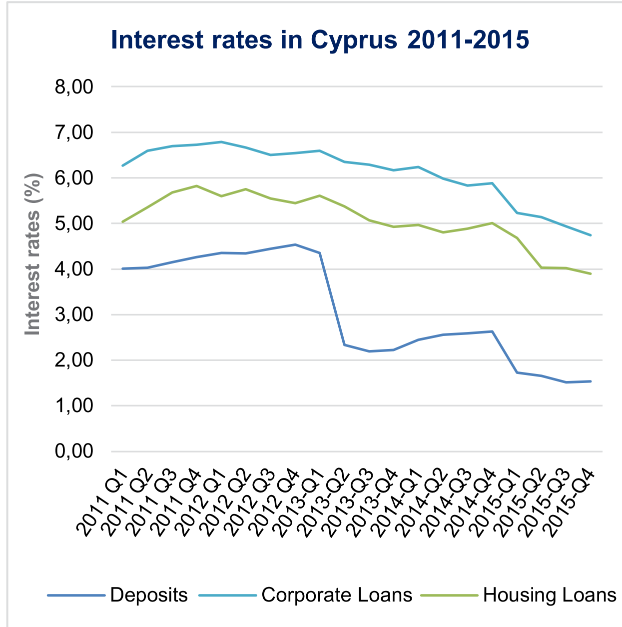
Economic indicators

Interest rates

The effect of the decision of the Central Bank of Cyprus ("CBC") in February 2015 to differentiate the maximum deposit rate by 1% is reflected in the declining trend of interest rates in 2015.

Interest rates have declined over the recent years, with interest rates on mortgages dropping to 3,91% in December 2015 from 5,04% in February 2015 when CBC announced its decision. There has also been a significant decrease in the interest rates on corporate loans from 5,79% in February 2015 to 4,75 in December 2015.

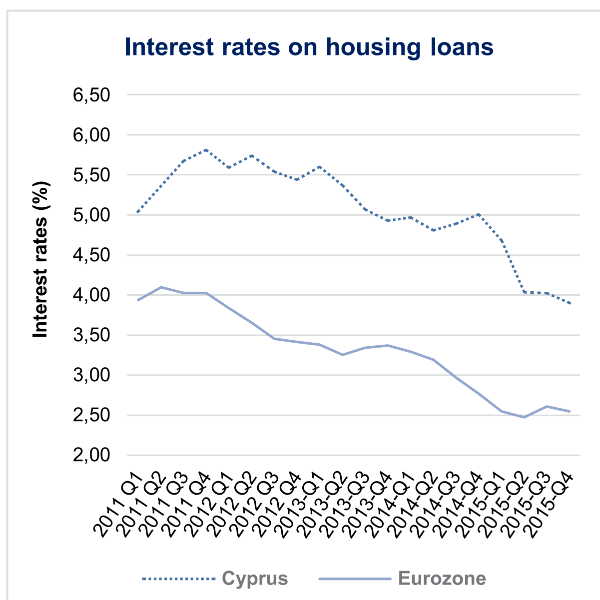
Graph 1



Source: CBC and ECB

However, interest rates in Cyprus are still higher than those in the eurozone. The divergence between the two in relation to housing loans, is seen in Graph 2, which is approximately 150 basis points higher in spite of recent declines. In particular, in December the average interest rate for housing loans in Cyprus was 3,91%, compared to 2,55% in the eurozone.

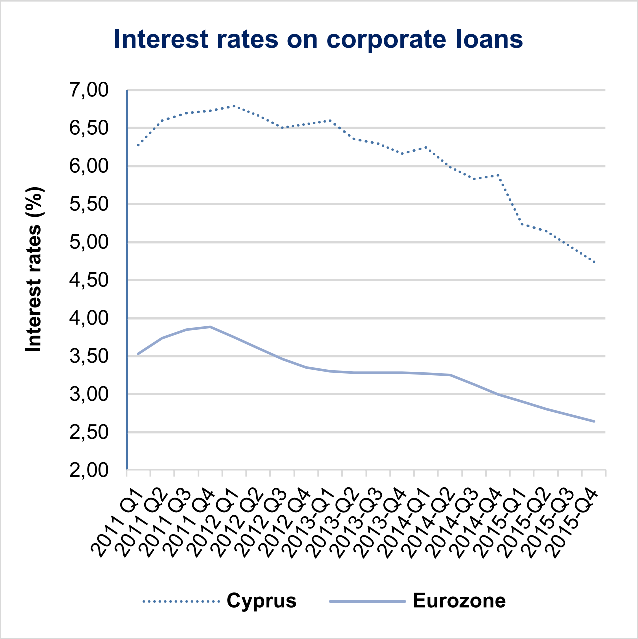
Graph 2



Source: CBC and ECB

Interest rates on corporate loans are also significantly higher in Cyprus when compared to the eurozone (Graph 3). In particular, the average interest rates for December 2015 in Cyprus were 4,75% compared to 2,65% in the eurozone.

Graph 3



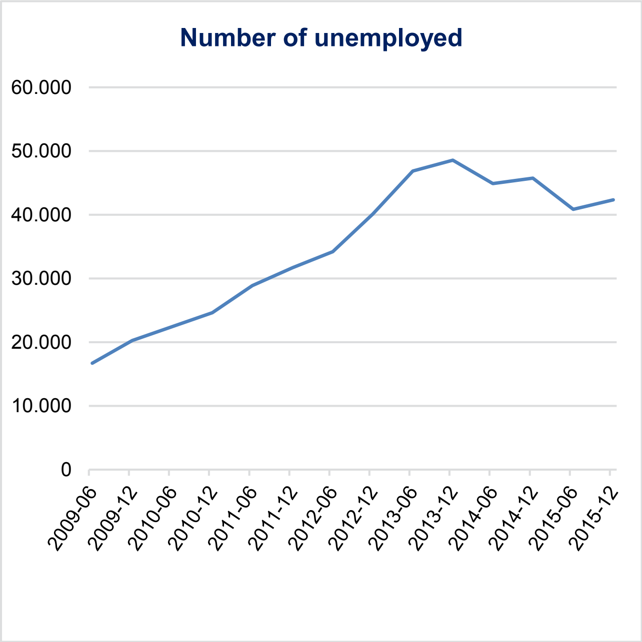
Source: CBC and ECB

The same applies to depository interest rates in Cyprus; the average depository interest rate in December 2015 in Cyprus was 1,54% whilst that of the eurozone was 0,65%.

Unemployment

It appears that unemployment in Cyprus reached its peak in 2013, with 48.580 registered unemployed in December 2013. A declining trend was recorded in the last two years, although it must be noted that there is a long way to go before reaching the low levels of December 2009, when registered unemployed amounted to 20.261.

Graph 4



Source: CYSTAT

In particular, according to data from the Statistical Service of the Republic of Cyprus (CYSTAT) the number of registered unemployed in Cyprus dropped to 42.361 in December 2015, which marks a 7% decrease in comparison to December 2014.

More specifically, an annual decrease in unemployment was observed in the construction sector, which dropped from an average of 5.755 in December 2014 to 4.613 in December 2015, marking a decrease of almost 20% in this sector. However, a slight increase of 3,6% was recorded in relation to unemployment in the real estate sector, from an average of 299 people in December 2014 to 315 in December 2015.

Tourism

In 2015 the tourism sector exhibited great growth and a record number of tourist arrivals was achieved. In particular, arrivals of tourists in 2015 totaled 2.659.405 compared to 2.441.239 in 2014, recording an increase of 8,9%.

The summer period, namely during April-October 2015, was the most successful summer period in the history of the Cyprus tourism industry as the arrivals of tourists reached 2.282.792, whereas July 2015 was documented as the best month in arrivals of all time.

As seen in Table 2 below, the largest increase in the number of tourists that was recorded in 2015 relates to tourists from Greece (38,21%) and Germany (29,88%).

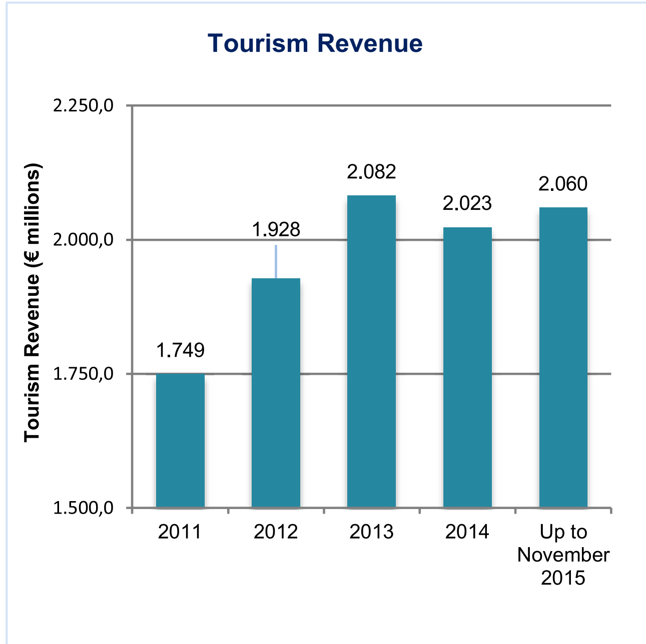
Table 2

Country	2015	2014	% change
UK	1.041.203	871.517	19,47%
Russia	524.848	636.759	-17,58%
Sweden	108.600	106.661	1,82%
Greece	139.534	100.949	38,22%
Germany	112.214	86.394	29,89%
Total (All Countries)	2.659.400	2.441.231	8,94%

Source: CYSTAT

It is interesting to note that, although Russia remains the second largest tourist market for Cyprus, after the United Kingdom (Table 2), a decrease has been recorded over the past year. This decrease, however, was anticipated due to the political and economic situation in Russia, as a result of the imposed sanctions against Russia by the U.S.A. and the European Union and the weakened rouble. In spite of this significant reduction of tourists from Russia, the strong increase in the total arrivals of tourists in 2015 is attributed to the increase of arrivals from other countries, including Poland (49,27%), Israel (43,27%), Austria (35,30%) and the Netherlands (32,04%).

Graph 5



Source: CYSTAT

Tourism revenue has increased steadily year-on-year up to 2013 as exhibited in Graph 5. In 2014 a slight decline of 2,8% was recorded. In the first eleven months of 2015, revenue from tourism is estimated at €2.059,5 million, compared to €1.979,8 million in the corresponding period of 2014, recording an increase of 4%.

The Real Estate Sector

Factors affecting the sector

Construction

The latest data regarding the "Indicators of confidence and economic sentiment" published by the European Commission in January 2016 shows that the construction confidence indicator in Cyprus exhibited an improvement from -49,8 in December 2014 to -21,3 in December 2015.

Moreover, according to the real estate report of the Central Bank of Cyprus "[t]he recovery of the economy, improving financial conditions, reduced lending rates and progress in structural changes to improve the framework for issuing title deeds are developments that are expected to have a positive impact on demand for real estate and on house prices."

However, despite the fact that the Cyprus economy is recording growth, the real estate industry has not fully recovered yet. The decline in the construction activity in recent years has been affected by the lack of liquidity, the strict lending criteria, as well as the high unemployment that leads to low consumer confidence. However, as these are improving, the sector is stabilizing therefore showing growth potential. Furthermore, certain regions also have suffered from oversupply in light of excessive construction during the prior years when the industry was at its peak.

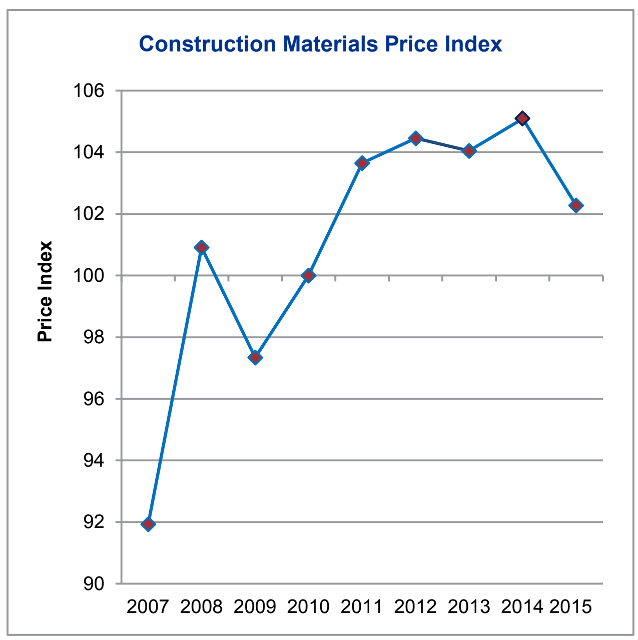
The construction production index witnessed a 23,1% fall in 2014 compared to 2013. This trend has been followed throughout the first two quarters of 2015 for which a 16,9% and a 4,2% drop was witnessed for Q1 2015 and Q2 2015 compared to Q1 2014 and Q2 2014 respectively. This has been in line with lower inflation figures experienced over the same periods. However, Q3 2015 exhibited an increase of 6,8% compared to the relative Q3 2014 quarter.

A more in-depth analysis distinctly shows that civil engineering projects have been the main factor for the index drop (Table 4). The market witnessed a 51%, 51,4% and 25,6% decrease in Q1, Q2 and Q3 2015 respectively compared to the relevant 2014 quarters.

The overall decrease has been offset to a great extent by smaller in proportion increases in the building construction market, which exhibited increases of 2,4%, 18,1% and 20,9% for Q1, Q2 and Q3 2015 respectively compared to the relevant 2014 quarters.

The cost of construction materials increased from 2006 onwards. This is depicted in the Construction Materials Price Index with an increase from 97,34 to 104,46 from 2009 to 2012, as shown in Graph 6. From 2011 to 2014 the price index remains at approximately the same levels. The price Index dropped slightly by the end of 2015 by 2,68% to 102,27.

Graph 6



Source: CYSTAT

Comparing material average prices for 2012 to average prices for 2013, there was a slight increase in minerals and mineral products, whilst other types of basic construction materials exhibit either a small decrease or remain at the same levels (Table 3). A similar trend continued in 2014, whilst a small increase in the prices of products made of timber, insulating materials, chemicals and plastics, as well as of minerals and mineral products. During 2015 there was a slight decrease in average prices of all basic materials compared to 2014. Most notably metal products and mineral products which dropped by 3,17% and 3,13% respectively.

Table 3

Construction Materials Price Index (Basis 2010 = 100)				
Construction Materials	**2012**	**2013**	**2014**	**2015**
Minerals	103,75	105,49	109,89	106,81
Mineral products	106,63	108,10	112,19	108,67
Products (timber, insulating materials, chemicals and plastics)	99,53	98,78	100,27	98,74
Metal products	107,32	104,52	101,19	97,98
Electromechanical products	102,99	101,80	100,80	98,50

Source: CYSTAT

Building permits

Total building permits up to November 2015 amounted to 4.581. This is marginally lower by 0,15% from the January-November 2014 equivalent figure. Residential building permit numbers decreased by 1,21%, whereas non-residential building permit numbers decreased by 1,19% in the relevant period.

Furthermore, civil engineering project permits decreased by 6,78%. Numbers of permits in plot division and road construction projects increased by 14,88% and 17,74% respectively in the relevant period.

In terms of value and area (m2) building permits in the January-November 2015 period exhibited large increases signifying that even though the number of permits granted roughly remained the same, their contribution was disproportionately greater.

Specifically, a 10,85% increase in total area and 14,51% increase in total value regarding the permits granted was witnessed for January-November 2015 compared to the respective 2014 period. Furthermore, the proportion of large project permits increased by 9,44% in numbers, 31,93% in area m2 and 42,55% in value whereas smaller projects decreased by 0,54% in numbers, 1,08% in area m2 and 2,40% in value.

Table 4

Details of Building Permits in 2015 (January - November)			
Category	**Number**	**Area (m^2)**	**Value (€000)**
Residential Buildings	3.094 *(-1,21%)*	617.617 *(+13,11%)*	607.023 *(+17,03%)*
Non-Residential	917 *(-1,19%)*	172.695 *(+4,83%)*	218.951 *(+14.26%)*
Civil Engineering Projects	165 *(-6,78%)*	9.220 *(-12,27%)*	57.842 *(-11,21%)*
Division of Plots	332 *(+14,88%)*		25.416 *(+26,79%)*
Road Construction	73 *(+17,74%)*		6.218 *(+57,82%)*
Total	4.581 *(-0,15%)*	799.532 *(+10,85%)*	915.450 *(+14,51%)*
Large Projects	197 *(+9,44%)*	344.053 *(+31,93%)*	428.673 *(+42,55%)*
Small Projects	4.384 *(-0,54%)*	455.479 *(-1,08%)*	486.777 *(-2,40%)*
Note: % in brackets is the annual change from 2014 to 2015			

Source: CYSTAT

Building permits by area show that both values and area (m²) have generally increased. In relation to values, Famagusta witnessed the most impressive increase by 82,49% in value of total permits granted in January-November 2015, compared to the corresponding period of 2014. Moreover, Limassol, Paphos and Nicosia follow with increases of 17,66%, 12,74% and 12,27% respectively during the same period. Larnaca is the only district for which the values of total permits granted has fallen by 3,81%. Regarding the total areas (m²) Nicosia witnessed the most impressive increase by 15,60% over the first eleven months of 2015, compared to the same period in 2014. Famagusta, Limassol, Paphos and Larnaca follow with increases of 13,16%, 11,71%, 6,17% and 5,75% respectively.

Deeds of sale

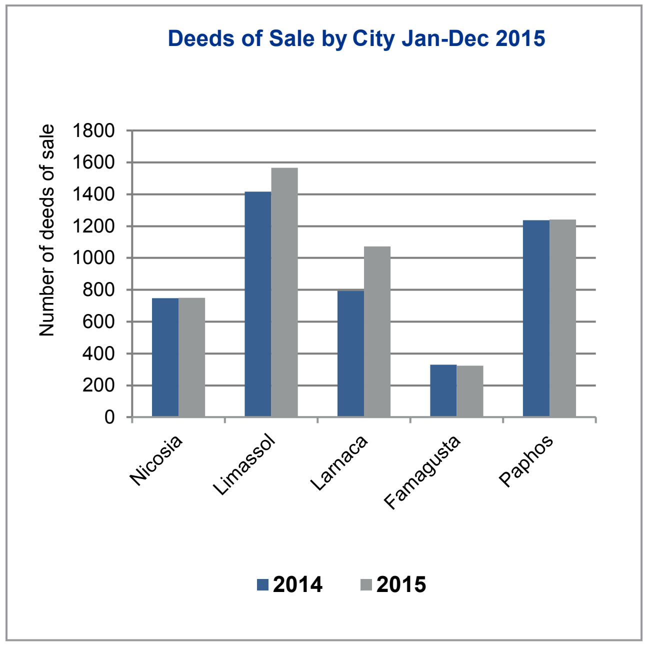
In relation to deeds of sale, the 2015 volume of transactions accumulated to 4.952, a 77% decrease in comparison to 2007, when the economy and especially the real estate sector, were thriving and transaction volumes reached a total of 21.245. However, a 9,4% increase was exhibited in comparison to the 2014 total figure.

According to data of the Department of Land and Surveys, Limassol has had the highest number of transactions in Cyprus in 2015 representing a 31,62% (1.566 transactions) of the total transactions (Graph 7).

Paphos, Larnaca and Nicosia follow second, third and fourth with 25,06%, 21,65% and 15,13% of the total number of transactions respectively.

Famagusta being strongly correlated to seasonal demand especially for holiday homes, which are considered luxury purchases, even more so, post bail-in period, has exhibited the lowest number of transactions at 6,54% (324 transactions) of the total number of transactions.

Graph 7



Source: CYSTAT

Of the total volume of transactions it is noteworthy that 31,3% (1.549) related to sales to foreign buyers. This is a 9,39% increase from last year's comparative figure and this can be attributed to the fact that Cyprus has attracted foreign investors in the framework of the naturalisation scheme for naturalisation of investors in Cyprus by exception.

The largest proportion of foreign sales of deeds is exhibited in Paphos reaching 37,1% of the total number, followed by Limassol 29,9%, Larnaca 22,8%, Nicosia 6,9% and finally Famagusta with 3,3%.

It must be noted that foreign interest is primarily focused on the residential sector in prime locations with close proximity to the beach.

Property Price Indices

The Royal Institute of Chartered Surveyors ('RICS') Cyprus Property Price Index is published on a quarterly basis and focuses on both residential and non-residential property (including retail and offices) and also tracks trends on rental rates.

The information provided by RICS is based on the average price and rent of the sub-districts monitored per urban centre per sector.

The yearly average comparison of the first three quarters in 2015 and 2014 indicate that prices have dropped in all types of property in the industry.

A. Residential Property

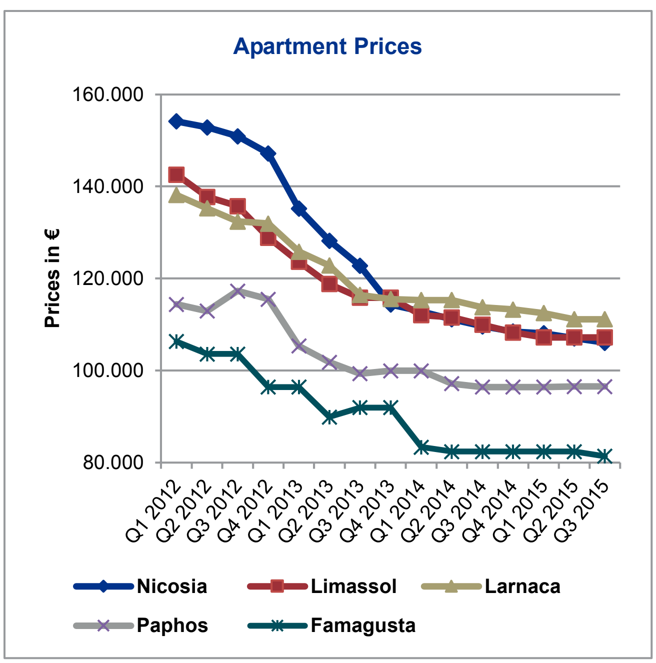
Apartment prices according to RICS are based on 85 m^2, two-bedroom apartments of medium quality.

i) Apartments

Sales Prices

The average price for an apartment in Cyprus in the first three quarters of 2015 was €100.866, whilst in the first three quarters of 2014 it was €103.550. This corresponds to a 2,57% fall in prices (Graph 8).

Graph 8

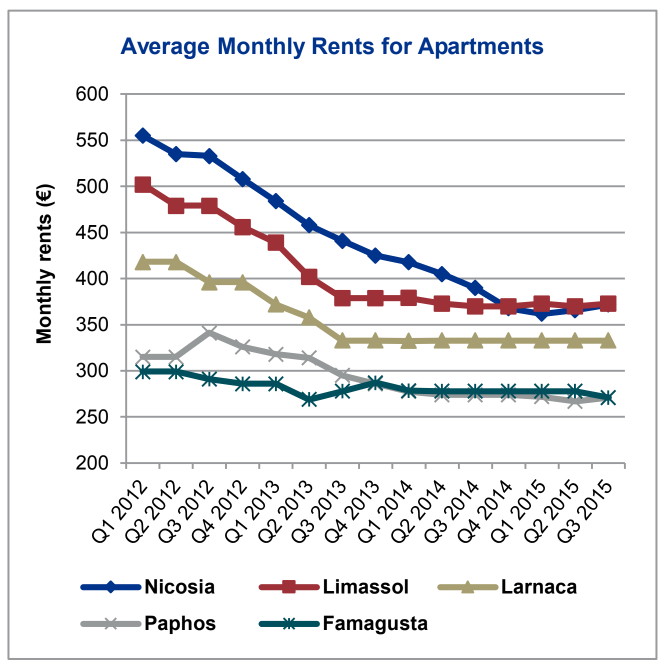


Source: RICS

Rental Rates

Average monthly rates for the first three quarters of 2015 for all apartments in Cyprus have dropped 2,78% from €333 in 2014 to €324. The biggest drop was observed in Nicosia where there was a 13,34% drop in Q1 (2015 vs 2014) as well as a 9,63% and a 4,62% drop in Q2 (2015 vs 2014) and Q3 (2015 vs 2014) respectively (Graph 9). The remaining cities have shown less than 2% average fluctuations.

Graph 9



Source: RICS

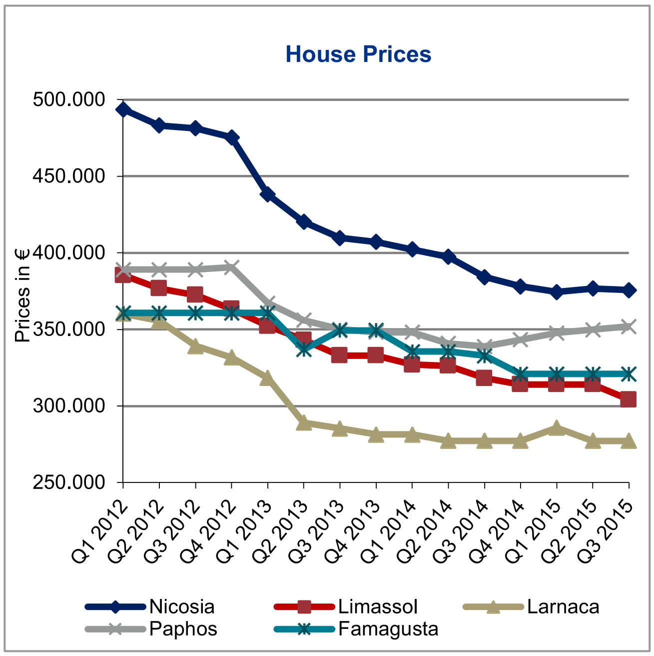
ii) Houses

Housing prices according to RICS Index relate to semi-detached, three-bedroom houses (250m²) of medium quality with garden.

Sales prices

The average price for a house in Cyprus in the first three quarters of 2015 was €327.439, whilst in 2014 first three quarters it was €334.881. This corresponds to a 2,22% fall in prices (Graph 10).

Graph 10

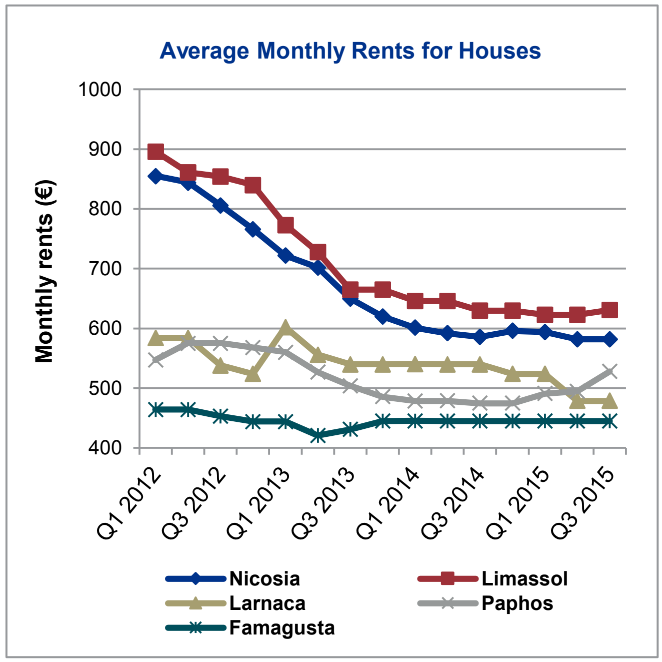


Source: RICS

Rental rates

Average monthly rates for the first three quarters of 2015 for all houses in Cyprus have dropped from €539 in 2014 by 1,47% to €531. The biggest drop was observed in Larnaca where there was an 11,30% drop in Q2 and Q3 (2015 vs 2014), whereas Paphos is the only city which has seen an increase in rents in all quarters of 2015 compared to 2014 and most notably Q3 (2015 vs 2014) increased by 11,16% (Graph 11).

Graph 11



Source: RICS

B. Retail Property

The outline of a retail property used by RICS is a high-street shop consisting of 100m² ground floor and 50m² mezzanine.

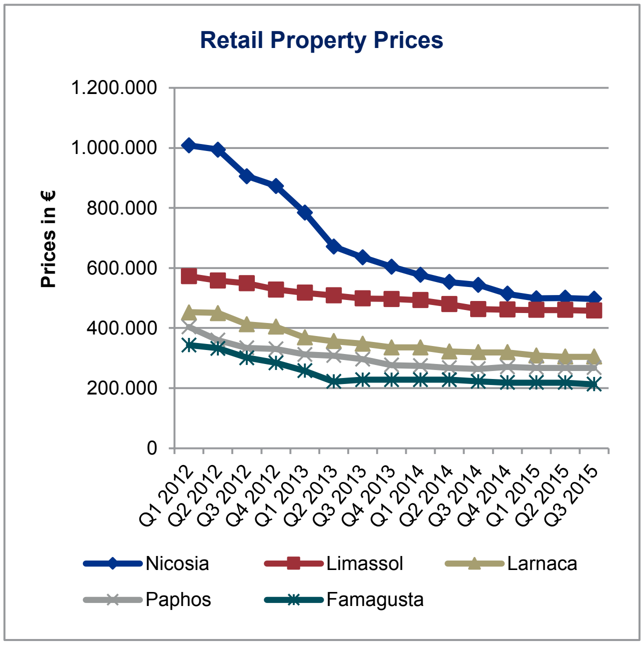
Sales prices

The average price for retail properties in Cyprus in the first three quarters of 2015 was €349.951, whilst in the first three quarters of 2014 was €371.600. This corresponds to a 5,83% drop (Graph 12).

Rental rates

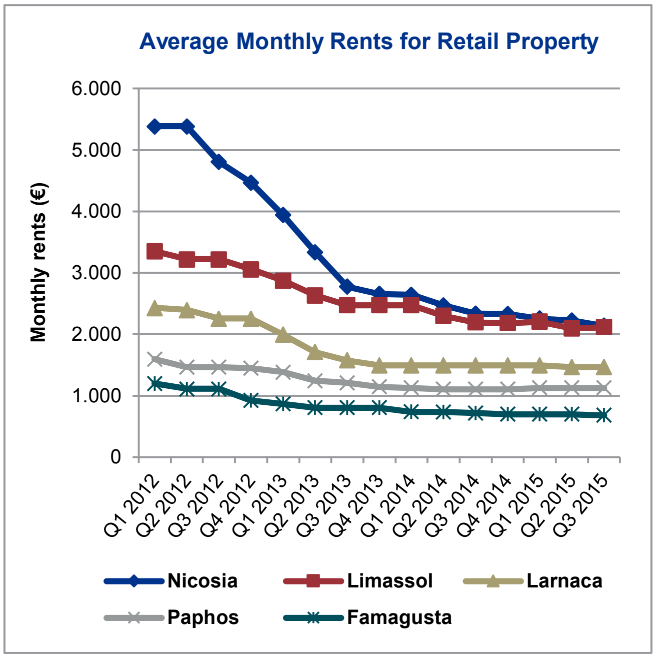
Average monthly rental rates for the first three quarters of 2015 for retail properties in Cyprus have dropped by 4,97% from €1.630 in 2014 to €1.549. Largest drops were evidenced primarily in Nicosia followed by Limassol and Famagusta (Graph 13). Specifically, Nicosia exhibited drops of 14,64%, 9,95% and 8,51% in Q1-Q3 (2015 vs 2014) respectively, Limassol exhibited drops of 10,84%, 8,82% and 3,51% in Q1-Q3 (2015 vs 2014) respectively and Famagusta an average of 5% in Q1-Q3 (2015 vs 2014).

Graph 12



Source: RICS

Graph 13



Source: RICS

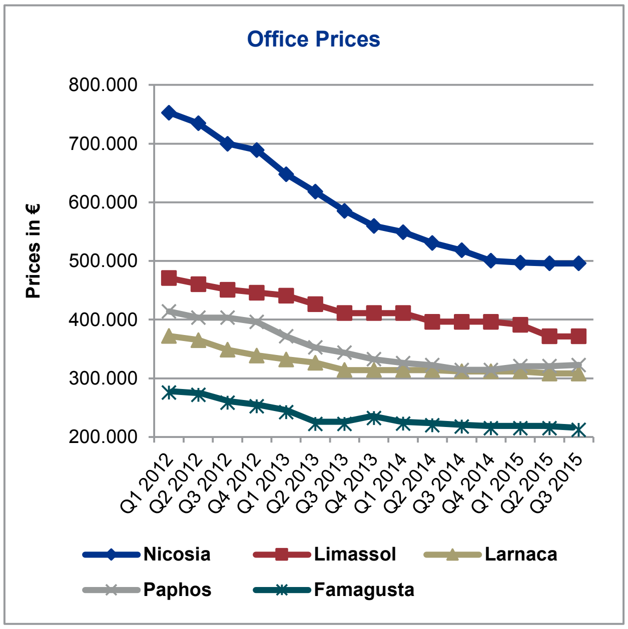
C. Offices

An average office used by RICS in the preparation of its Index is a Grade A one with city centre location comprising 200m².

Sales prices

The average price for office properties in Cyprus in the first three quarters of 2015 was €343.978, whilst in the first three quarters of 2014 was €357.749. This corresponds to a 3,85% drop.

Graph 14

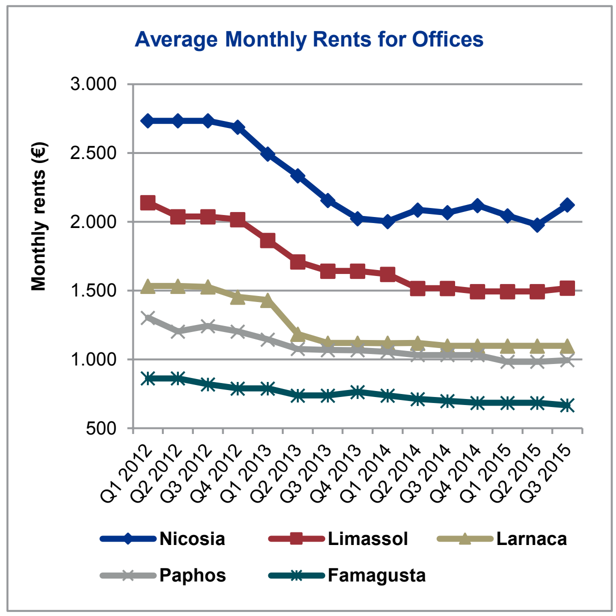


Source: RICS

Rental rates

Average monthly rental rates for the first three quarters of 2015 for office properties in Cyprus have dropped by 2,29% from €1.294 in 2014 to €1.265. Largest decreases were exhibited in Nicosia Q2 (2015 vs 2014) by a 5,27% drop, in Limassol Q1 (2015 vs 2014) by a 7,72% drop, in Paphos Q1 (2015 vs 2014) by a 6,91% drop and in Famagusta Q1 (2015 vs 2014) by a 7,26% drop (Graph 15).

Graph 15



Source: RICS

Other Matters

Cyprus citizenship

The Cyprus Government released, in March 2014, a revised set of criteria for granting the Cypriot citizenship by exception to foreign investors in an effort to promote foreign investment in Cyprus.

The main benefits of granting the Cypriot citizenship include:

- It is an express procedure, it takes 3 months to be approved.
- The investment is as low as €2,5 million.
- The investor must retain the investment for just 3 years after which s/he is free to realise it.
- Citizenship is granted to the spouse of the investor and minor children, as well as to the financially dependent adult children up to the age of 28, who are full time students.
- There is no requirement to reside in Cyprus.
- Visa-free travel to over 150 countries worldwide.
- Access to all the rights of an EU citizen protected by EU legislation: freedom to work, study, reside in any EU-member state, as well as Switzerland, Norway, Iceland and Liechtenstein.
- There are no language proficiency tests.
- Dual citizenship is permitted and the acquisition of citizenship in Cyprus is not reported to other countries.
- There are low government fees for the filing of the application.
- There is a wide choice of investment options.

Cyprus citizenship criteria for granting the Cypriot citizenship to foreign investors "by exception"

There are two schemes available for the applicant:

- Collective scheme with the threshold of €2,5 million; and
- Individual scheme with the threshold of €5 million.

The minimum investment for the family (including spouse of the investor and minor children, as well as financially dependent adult children up to the age of 28 who are full time students) to obtain Cyprus citizenship can be as low as €2,5 million.

Criteria of the individual scheme (€5 million investment)

1. The applicant should have direct investments in Cyprus of at least €5 million in Cyprus government bonds (it should be noted that the Cyprus bonds must be acquired only from the primary market); or
2. The applicant should have direct investments in Cyprus of at least €5 million in financial instruments of companies and shares of public companies registered in Cyprus; or
3. The applicant should have direct investments in Cyprus of at least €5 million in real estate and land developing (e.g. residential, commercial and other infrastructure); or
4. The applicant should have direct investment in Cyprus of at least €5 million through the purchase, establishment or participation in businesses/companies that are based and have activities in Cyprus; or
5. The applicant should have deposits in Cypriot banks amounting to €5 million, for a period of three years. The deposits can be either personal or deposits of a private entity or of a trust whereby the applicant is the beneficiary; or
6. The applicant may choose to have a combination of any of the above criteria, amounting to €5 million; or
7. The applicant was a holder of deposits in Laiki Bank and suffered an impairment in value of his/her deposits of at least €3 million as at 15 March 2013 as a result of the measures imposed on the bank. In the instance that the applicant has suffered an impairment in the above-mentioned bank which is lower than €3 million, s/he may still apply for the Cyprus citizenship, provided that s/he invests the remaining amount (i.e. sum up to €5 million) in any of the Criteria 1-5 above.

The conversion of deposits held in Bank of Cyprus, which were compulsorily converted into shares, is included under Criterion (4) above;

Criteria of the collective scheme

The applicant is required to invest a reduced amount of €2,5 million in any of the mentioned categories:

1. Investment in Cyprus Government Bonds; or
2. Investment in financial instruments; or
3. Investment in real estate and land development; or
4. Investment in Cyprus businesses and companies;

on the basis that they participate in a collective investment scheme with a total value of at least €12,5 million.

Terms and conditions

It is noted that in addition to satisfying any one of the above criteria, either under the individual scheme or the major collective investment scheme, the applicant must:

a) Have a clean criminal record; and

b) Own a permanent residence in Cyprus of a market value of at least €500.000 excluding VAT (this condition does not apply if the investment under category 3 is exclusively in a single piece of real estate residential property).

Other useful notes

The investor is obliged to retain the investment for at least three years following the acquisition of the Cyprus citizenship, with the exception of the residential property of at least €500.000 that should not be disposed of at any point in time or if disposed the investor should substitute with another property of equal or higher purchase price.

In a nutshell: Competitive advantages of the Cyprus Citizenship:

- Investments in a variety of sectors of the Cyprus economy.
- Combination of investments is available.
- Low risk of investments in the Cyprus economy with the potential of high returns.
- No donation to the Cyprus Government is required.
- The investments may be realized after 3 years have elapsed.
- The amount of investment required is reasonable (as low as EUR 2,5 million).
- Express procedure-EU Passport within 3 months.
- Residence in Cyprus is not required at any point in time.
- The Cyprus Citizenship may be granted with only one visit to Cyprus.
- Once the application is approved it has immediate effect.

Immigration permits

The Ministry of the Interior released a more efficient procedure for granting an immigration permit to third country nationals that intend to take up permanent residency in Cyprus, provided that they fulfill certain criteria.

The application form must be accompanied by a title deed or a contract of sale that has already been submitted to the Department of Lands and Surveys, for the acquisition of a house, apartment or any other building situated in Cyprus, of a minimum market value of €300.000 (plus VAT). Further, the applicant must submit proof of payment for at least €200.000 (plus VAT) in respect of the above mentioned property.

Transfer of immovable property

Fees on transfer of immovable property are imposed by the Department of Lands and Surveys in order to transfer the ownership of the property to the purchaser. The fees are payable upon transfer of ownership. The purchaser is responsible for the payment of transfer fees, except if other arrangements are made between the purchaser and the vendor. The rates used for the calculation of fees on transfer of immovable property are shown on Table 5.

Table 5

Immovable Property Value	Rates
Up to €85.000	3%
€85.001 - €170.000	5%
€170.001 and over	8%

No transfer fees are imposed for the transfer of property that is subject to VAT.

Where transfer fees are imposed, they are reduced by 50% in the case that the transfer relates to land or buildings that are:

i) sold for the first time from the date of issue of the planning permission or building permit; and

ii) the date of the conclusion of the sale agreement and the date submitted for the first time to the District Land Registry both fall during the period from 2 December 2011 through 31 December 2016, inclusive.

Moreover, following the reform of the tax regime in July 2015 further reductions of transfer fees on real estate transactions were introduced. In particular:

i) a 50% reduction from transfer fees will apply to all transfer applications effected until 31st December 2016.

ii) the transfer fee payable on immovable property from parent to child has been abolished;

iii) the fee payable in cases of exchange of immovable property of equal value is abolished;

iv) in cases of family companies, the refunding of fees on property transfer after the period of five years is abolished. As a result the right for reduced fees from a family company to a shareholder is abolished.

The above exemptions and reductions are applicable until 31st of December 2016.

Property taxes

Immovable property tax

Immovable property tax is imposed on all types of immovable property in Cyprus. The tax is estimated using the tax rates multiplied by the value of the property (based on market values as at 1st January 1980, until 2015) for each proprietor. Proprietor is defined as a person who is entitled to be registered as the owner of the immovable property, whether s/he is registered as such or not.

According to the law, immovable property includes land, buildings built on land, trees planted or grown on land, privileges, rights of use, any rights and benefits relating to land or are considered to be related to land or buildings or any type of works, wells, manholes, drill wells, etc.

Immovable property tax rates

The immovable property tax is imposed on an annual basis, on the value (until 2015 the calculation was based on market values as at 1st January 1980) of immovable property owned by each person as at 1st January of each year.

Table 6

Value (€) – 1.1.1980	Tax rate (%)	Tax(€)	Cumulative Tax(€)
1 - 40.000	0,6	240	240
40.001 - 120.000	0,8	640	880
120.001 – 170.000	0,94	450	1.330
170.001 – 300.000	1,1	1.430	2.760
300.001 – 500.000	1,3	2.600	5.360
500.001– 800.000	1,5	4.500	9.860
800.001 – 3.000.000	1,7	37.400	47.260
3.000.001 and over	1,9		

Immovable property owners with total immovable property value (1st January 1980) not exceeding €12.500 as at 1st January of each year, are exempt from immovable property tax. Immovable property owners with total immovable property value of €12.501 and over are subject to immovable property tax on the total value of their property, according to the table above.

Every proprietor is required to submit to the Tax Department the tax form as well as the tax due that arises in accordance with the immovable property declared within.

In 2015 a discount of 20% was granted for timely payments made either online or at a financial institution and a discount of 17,5% was granted for timely payments made at the relevant district tax offices until 30th November 2015. On the other hand, a 10% penalty plus interest and other administrative fines was chargeable if immovable property tax was not paid by 31st December 2015.

Moreover, all assessments not exceeding EUR 25,00 per owner received full exemption and this provision exempts approximately 12% of immovable property owners.

It is noted that the Department of Lands and Surveys has published the new property values based on valuations as at 1st January 2013.

Immovable property tax reform under the MoU

In accordance with the MoU the immovable property tax will be reformed and in particular within the first quarter of 2016, the House of Representatives is anticipated to adopt the relevant legislation with effect for the 2016 collection, based on the most updated General Valuation for all immovable properties (1st January 2013). Moreover, within the same period, the House of Representatives is scheduled to adopt legislation specifying the frequency of the mandatory update of the cadastral values to three years maximum from 2018 onwards. In parallel, the assessment of the relevance of the parameters used in the Computer Assisted Mass Appraisal (CAMA) model for the General Valuation, on a quarterly basis, will continue.

Municipal tax

Proprietors also incur municipal tax on immovable property (Town Rate). This is an annual tax which is levied as a result of property ownership within the limits / boundaries of each municipality, with certain exceptions included in the legislation.

However, as above-mentioned, it is expected that a unified tax rate will be implemented next autumn and following its adoption the municipal tax will be abolished.

Proprietor's obligations

In cases where a property is subdivided, it is considered to be owned by its proprietors according to their respective physical shares therein.

In case an immovable property has been developed and sold but the corresponding title deed has not yet been issued, or issued but the transfer of ownership to the new proprietor has not yet been effected, the existing owner may submit to the Commissioner of Taxation on or by 31st March of each year, a statement listing such properties for which a sales contract was in place as at 1st January of the respective year.

One needs to submit such a statement during the following year only if changes relating to the previously submitted statement have occurred.

Where the existing owner completes and submits the above-mentioned form within the prescribed due date, the payment obligation of the immovable property tax with respect to such properties will be transferred to the respective purchaser, assignee or beneficiary and the Commissioner should issue the relevant immovable property tax assessment in the name of the purchaser, assignee or beneficiary.

Where an existing owner fails to submit the required form mentioned above prior to the deadline, he/she remains liable to pay the immovable property tax.

The above provisions of the Law shall not apply in cases where the issue of the title deed was wilfully delayed by the existing owner or in cases where the existing owner is a legal person under liquidation.

Capital Gains Tax

Capital gains tax of 20% is charged on gains upon sale of immovable property located in Cyprus, which is incurred during the year in which the property is disposed of. Depending on the type of property being disposed of, lifetime exemptions applicable to individuals for gains from the sale of immovable property are as follows:

(a) Disposal of property: €17.086;

(b) Disposal of agricultural land: €25.629;

(c) Disposal of permanent residence: €85.430.

A full exemption from capital gains tax will be granted for the sale to an independent party, of immovable property consisting of land, or land with a building or buildings, which will be acquired from an independent party, at market value, in the period between 16th July 2015 and 31st December 2016. That is, regardless of when the property will be sold; in essence it is sufficient that it was acquired within the above-mentioned period and, if so, no capital gains tax will be payable. The exemption does not apply to immovable property that was acquired not by purchase or by purchase agreement but by a donation/gift or by way of an exchange.

VAT rates

In general, VAT is imposed on the supply of goods and services in Cyprus, as well as on the acquisition of goods and services from suppliers established outside Cyprus. The current standard VAT rate is 19%.

As per the Cyprus VAT Act, the acquisition of land plots is exempt from VAT. However, the acquisition of buildings and residential properties is subject to 19% VAT. Nonetheless, the VAT rate on the acquisition of residential properties can be reduced to 5% provided that the following conditions are collectively met:

Condition regarding the use

The qualifying residential property is used or is intended to be used by the beneficiary as his/her main and permanent place of residence.

Condition regarding the process

The beneficiary must submit a declaration with the Cyprus VAT authorities for certification.

Conditions regarding the rightful person

For an applicant to be considered a beneficiary, the following requirements must be met:

- Be a physical person.
- At the time of submission of the declaration (on a form specially designed for this purpose), be 18 years of age.
- Be a citizen of the Republic of Cyprus or of any another Member State and be a permanent resident in the Republic of Cyprus.

Extension of the reduced VAT rate to citizens from third countries

With effect from 8th June 2012, the reduced VAT rate of 5% may also be applied on the supply or construction of residential properties to citizens of third countries (e.g. Russian Republic, USA, China, etc.) if the said residences will be used by the applicant as his/her principal and permanent place of residence whilst in the Republic.

Conditions regarding the property

- The application for the planning permission or building permit must have been submitted after 1st May 2004.
- It must be intended for the property to be used after its purchase or construction as the permanent and main place of residence.
- The total area of the property should not exceed 363 m².
- In the cases of families with more than 3 children, the area is increased by 15 m² for every child after the third child.
- The 5% reduced VAT rate is applied only on the first 200 m².

Basic requirements for the application of 5% VAT to non-EU citizens

- The property must be used as the main and permanent place of residence in the Republic.
- There is no time limit for non-European citizens to stay in the Republic. Thus, the reduced VAT rate of 5% may be applied even if the non-European buyer has not completed 183 days of residency in the Republic, so as to be considered tax resident in the Republic.
- The reduced rate of 5% cannot be applied if the property is used for investment or leasing purposes or to exercise any other economic activity.

Moreover, as of 4th December 2015 the reduced rate of 5% applies for renovations and repairs of all private dwellings, for which at least three years have passed from the first use, including those that are not used as a principal and permanent place of residence.

Note that until 3rd December 2015 the reduced rate covered only houses that were used as "principal and permanent place of residence."

By deleting from the definition of residence, in paragraph 11, of the phrase "principal and permanent", the reduced rate of 5% covers holiday houses as well.

The reduced VAT rate of 5% is relevant to work performed by plumbers, electricians, carpenters, house painters and construction workers, provided that the value of the materials does not exceed fifty percent (50%) of the total value of the renovations or repairs. It is clarified that the definition of residence covers multiple property buildings (apartment buildings).

It is noted that in order for the above work to qualify for the reduced rate, it should be carried out within the scope of renovation or repair of private residence.

Stamp duty

Stamp duty is a tax which is charged on certain types of instruments which deal with Cyprus situated immovable property, irrespective of whether executed in Cyprus or outside Cyprus. As from 1st March 2013, the stamp duty levied is 0% for amounts up to €5.000, 0,15% for amounts between €5.000 and €170.000, and 0,2% for amounts over €170.000, up to a maximum stamp duty of €20.000.

Amendments of tax legislation

According to these amendments any benefit, surplus or profit which may arise under a restructuring (repossession of immovable property) is exempt from income and corporation tax (i.e. in case where the borrower's main activities are construction or land development). On subsequent disposal of an asset which was acquired in the context of restructuring, the base cost is deemed to be the restructuring price, reduced by any amount refunded to the borrower.

A similar amendment has been made in the Capital Gains Tax legislation so that any restructurings with borrowers, whose activity does not include property trading, is also tax neutral.

Additionally, any Special Contribution for Defence for deemed dividend distribution on accounting profit which arises under a restructuring is not payable. This is, in case where the restructuring price is higher than the original cost, any deemed profit is not subject to deemed dividend distribution. It is reminded that Defence Law only applies to Cyprus tax residents.

Finally, any immovable property repossession by the financial institutions during a loan restructuring is neither subject to transfer fees nor stamp duty.

Abolition of fees and stamp duty in certain cases of loan transfer

The law of the Department of Land and Surveys (Fees and Charges) has been amended in order to provide that no fee shall be imposed on the amount of the initial loan facility contract in certain instances when a mortgage is canceled and a new mortgage is created, namely:

- where a mortgage on an immovable property is canceled and on the same day a new mortgage is created on the same property for the same purpose, regardless of whether it is in favour of the same or any other mortgagee.
- where a mortgage on an immovable property is canceled and on the same day a new mortgage is created on the same property for the same purpose in favour of the same mortgagee and the amount of the new mortgage, excluding any interest, is less than or equal to the amount of the mortgage that has been canceled.
- in the case of transfer of a mortgage (including transfer from parent to child) for any amount that remains unpaid on the date of the transfer.

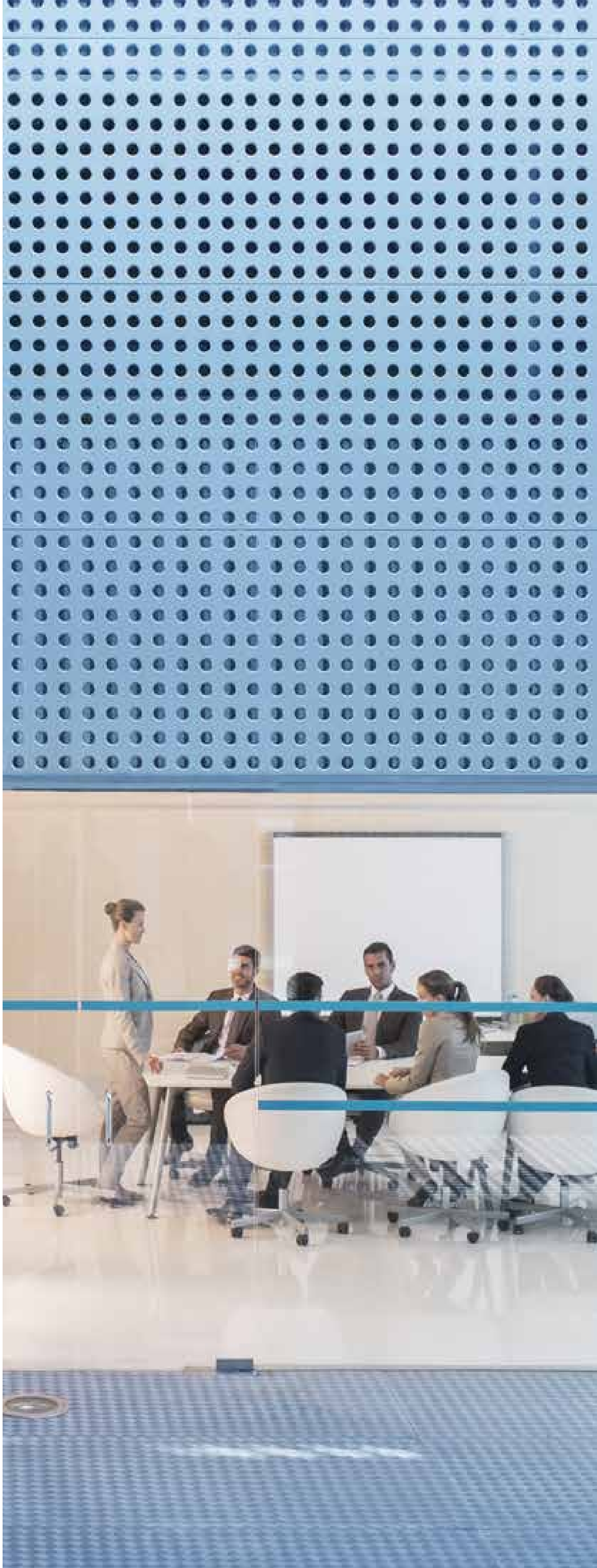
Moreover, the Stamp Duty Law has been amended so that no stamp duty is payable in cases where the mortgage on an immovable property is canceled and a new mortgage is created on the same property for the same purpose on the same day, regardless of whether it is in favour of the same or any other mortgagee.

Introducing the Non-Domicile Principle

The current Special Contribution for Defence (SCD) provisions exclude from SCD, dividends, interest and rents (as well as from deemed dividend distribution provisions), of individuals who are Cyprus tax residents but are not domiciled in Cyprus (as defined in the SCD Law) irrespective of the origin of the relevant income (i.e. from sources within Cyprus or abroad).

The new provisions define domicile in accordance with the rules of the Wills and Succession Law under which two main kinds of domicile are identified:

- A domicile of origin (i.e. the domicile received by him at his birth); and,
- A domicile of choice (i.e. the domicile acquired by him by establishing a home with the intention of a permanent or indefinite residence).



A person who has his domicile of origin in Cyprus will be treated as "domiciled in Cyprus" for SCD purposes with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for a period of at least 20 consecutive years prior to the tax year in question; or
- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to the entry into force of the introduced provisions (i.e. prior to 6th July 2015).

An individual who is resident in Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year in question shall be deemed as domiciled in Cyprus for SCD purposes regardless of whether or not he has his domicile of origin in Cyprus.

The above provisions result in the complete exemption from SCD of a Cyprus tax resident individual, who, in adopting the rules above is not domiciled in Cyprus for SCD purposes.

However, the exemption from SCD will not apply in the event of any assets that may give rise to SCD have been transferred from an individual domiciled in Cyprus to an individual not domiciled in Cyprus where one of the main reasons for the transfer was to benefit from the exemption. In such a case, SCD will be imposed on the income derived from such assets and may be collected either from the transferor or the transferee accordingly.

Notional Interest Deduction

In an attempt to reduce excessive debt financing and encourage the investing of equity in corporate structures (hence reducing the overall debt exposure and de-leveraging the economy), the new amendments provide for a deduction on new equity by way of a Notional Interest Deduction (NID) as of 1st January 2015. The NID will be calculated on the basis of a reference interest rate on new equity held by the company and used in the business.

Property foreclosure legislation

The modernized property foreclosure legislation came into effect in April 2015. The amended law allows for the auction and sale of mortgaged property collaterals by the mortgage lenders without the related government agency's involvement.

The law sets out the time-frame that needs to be adhered to in accordance with the new procedure, and establishes a procedure for valuating properties. In particular, the secured creditor (i.e. the financial institutions) will be able to initiate foreclosure proceedings once the loan is terminated and the payments due are exceeding 120 days. After the relevant notices have been served and relevant publications are made in the official government newspaper and daily press, within the time-frames provided for in the law, the secured creditor can initiate the proceedings.

The valuation process as set out by the law provides that both the secured creditor and the borrower shall appoint a valuer each in order to establish the market value of the asset in question. The borrower has the right, instead of appointing a valuer, to opt for the market value of the asset to be considered as the value according to the latest general valuation (currently made on 1st January 2013). The market value of the asset will be the average of the two estimates, provided that the difference between the two valuations does not exceed 25%. In such a case, a third valuer will be appointed and the market value of the asset will be considered to be the average of the two closest valuations.

The initial attempt to sell the asset must be made by auction and there will be a reserved sale price corresponding to 80% of the market value of the asset. The auctioneer will be randomly selected by the secured creditor. If the asset is not sold during the first auction, then the secured creditor may proceed with the sale either via additional auctions or via a direct sale. However, during the first 3 months from the date of the first auction the reserved sale price of 80% of the market value remains. After this three month period elapses, then there will be no applicable reserved sale price. If the asset is not sold within one year from the completion of the first auction, then the market value of the asset will need to be re-estimated following the prescribed procedure. Any asset that falls under the modernized foreclosure legislation cannot be sold (either by auction or by direct sale) below 50% of the estimated market value. The successful purchaser of the auction will need to immediately pay 20% of the purchase price.

It is expected that the first auctions will take place within 2016 and will relate to commercial buildings and land plots.

Insolvency framework

The adoption of the insolvency framework has modernised the insolvency legal regime of Cyprus, through the introduction of five pieces of legislation, including two new and three amending laws. In particular:

1. Insolvency of Natural Persons (Personal Repayment Schemes and Debt Relief Order) Law of 2015

This Law provides for the establishment and operation of two new mechanisms in relation to natural persons. The first mechanism provides for the establishment of Personal Repayment Schemes, in order to facilitate the restructuring of debt of natural persons, so as to ensure the repayment of creditors and, where possible, protect the primary residence. Under strict eligibility criteria and if the Repayment Scheme is not accepted by creditors, then the law allows for its enforcement on the creditors by the court in order to safeguard the primary residence.

The second mechanism provides for a debt relief order scheme for debts up to €25.000. There are strict eligibility criteria in order to allow for such debt relief, which in essence are available for those debtors who do not have any disposable income or assets that may be used to repay the debt.

2. Bankruptcy (Amending) Law of 2015

The main amendment introduced by the Bankruptcy (Amending) law, is the introduction discharging a person who was declared bankrupt three years after the bankruptcy order, if the person was cooperative and operated in good faith. Moreover, the procedure is now simpler, as the old two-stage procedure has been eliminated and the new law provides that upon issuance of the bankruptcy order the Official Receiver becomes the legal owner of all assets, without further court involvement.

3. Companies (Amending) Law of 2015, regarding liquidation

The aim of this law is the modernisation of the liquidation up legislation. One of the main amendments relates to the decision-making during creditors' meetings. The law introduced decision-making by a majority of value, whereas under the old system a majority in number and in value was necessary, which often resulted in delays. Moreover, liquidators will now be Insolvency Practitioners, licensed under the new law and also their powers are enhanced, for instance to include the power to sell charged assets.

4. Companies (Amending) Law (No. 2) of 2015, regarding a appointment of an examiner

This amendment introduces a restructuring procedure for viable companies which have run into financial difficulties. In particular, the law provides for the appointment of an examiner to a company by the court, when the company has a reasonable prospect of survival as a going concern. In essence, it provides an opportunity for companies that are insolvent to explore all options available to them without the threat of any legal proceedings being initiated against the company, including the appointment of a receiver or the filing for a winding-up petition.

5. Insolvency Practitioners Law and Insolvency Practitioners Regulations of 2015

This law and regulations provide for the authorisation, licensing and regulation of the profession of Insolvency Practitioners. These set out the minimum qualification criteria, as well as the duties of Insolvency Practitioners, whereas provisions have also been introduced governing the transitional period for the implementation of the insolvency framework laws.

The Sale of Credit Facilities and related matters Law

In November 2015, the House of Representatives adopted legislation on the sale of credit. Under the law, any person with the intention to establish a credit acquiring company must obtain the prior approval of the CBC. It is also noted that for all sales of loans irrespective of the outstanding loan amount, in the case of a loan sale, borrowers maintain all rights provided by existing legislation and CBC's directives, including the code of conduct for arrears management and insolvency framework.

The scope of the law covers credit facilities granted to:

i. natural persons who received loans from licensed credit institutions with a total loan balance at the time of acquisition of the loan not exceeding €1.000.000;

ii. very small and small businesses that received loans from the licensed credit institutions with a total loan balance (including the loans granted to the connected persons, "Group of Companies") of up to €1.000.000.

There are exempted credit facilities from the scope of the law and they include those that are granted by licensed credit institutions, including their branches, to a natural person who is not a Cypriot resident or to a legal person who is not registered in the Republic of Cyprus; or relate with operations and/or investments outside the Republic of Cyprus; or have included as primary security, mortgage and/or charge on immovable property which is located outside the Republic of Cyprus; or are governed by the Law of another country.

According to the Law, the legal entities that are allowed to acquire credit facilities are:

i. A credit acquiring-company including an asset management company, either with private or public funds, in accordance with the European law on state aid and taking into account the sustainability of the public debt, which is incorporated in Cyprus and is granted prior authorization by the CBC pursuant to the provisions of the law.

ii. An authorized credit institution in Cyprus.

iii. A credit institution authorized and supervised by the competent authority in another EU member state that has the right to provide services or to establish branches in the Republic of Cyprus.

iv. A financial institution that is a subsidiary of a credit institution registered in an EU member state and which has the right to provide services or establish a branch in the Republic of Cyprus.

Authorisation for the operation of a credit acquiring-company will only be granted to legal persons that have been incorporated in the Republic of Cyprus, provided that the CBC is satisfied, inter-alia, that: these legal persons are in a position to fully comply with the provisions of the Law; they are able to maintain at all times a minimum paid up share capital of at least one hundred thousand euro (€100.000); their shareholders and directors meet the criteria of fitness and probity; they have an organisational structure that enables them to provide services in accordance with the provisions of the Law; and their planned operations do not raise concerns regarding financial stability in the Republic of Cyprus.

In order to establish a credit acquiring company in Cyprus, a legal person may submit to the CBC an application with the accompanying documents specified in the Law and in the relevant Directive on the Authorisations of Credit Acquiring Companies Directive of 2016 (the "Directive"). The Directive regulates, inter alia, the procedures for granting an authorisation by virtue of the provisions of the Law, the criteria for the fitness and probity of shareholders, directors and key function holders, the internal organisation and governance of the CAC and the outsourcing of operational functions to third parties.

On grounds of national interest the CBC may (i) deny legal persons the granting of the authorization regarding the acquisition of credit facilities in the Republic, or (ii) not permit the acquisition or increase of a special interest in a credit acquiring-company, and (iii) not permit the appointment of a director at a governing body of a credit acquiring-company.

Before the total or partial sale of the credit facilities, the credit or financial institution must notify its intention to sell or dispose of all or part of its portfolio, giving the right to the borrowers and to their guarantors, if they wish so, within a time period of forty five (45) days, to submit a proposal for the acquisition of the credit facility which is under sale. Alternatively, the credit or financial institutions may invite the borrower involved and its guarantors, within a period of forty-five (45) days, to submit a proposal for the acquisition of the credit facility which is under sale with a letter to the borrower and its guarantors. The borrower is not required to submit a proposal for the acquisition of the credit facility which is under sale; if within the period of forty five (45) days the proposal is not submitted, then it shall be presumed that the borrower does not wish to submit a proposal.

Any credit facility transferred by a credit institution, financial institution or a credit acquiring-company (hereinafter referred to as "the transferor") to any acquirers, is considered to be transferred to the acquirer at the time of transfer, and all rights and obligations arising from the credit facility contract of the account which is in this way transferred, are transferred automatically and bind the acquirer and the borrower.

The acquirer of credit facilities substitutes the transferor in respect of all the rights relating to the collateral which are attached to the credit facility agreement and which are held for securing repayment of the credit facility and for the same purpose, the collateral is transferred to the acquirer. The acquirer of credit facilities has the same rights, the same priority rankings and is subject to the same obligations relating to the collateral held for securing repayment attached to the credit facility agreements that the transferor had.

Finally, each credit institution, financial institution or credit acquiring-company has an obligation to inform the borrower within a maximum of five working days from the date of the acquisition, that the credit facility agreement and the related collaterals have been transferred to another person. Every credit acquiring-company provides to the borrower all relevant information-contact details of the persons responsible for handling credit facilities that have been transferred as well as the new account numbers of the credit facilities.

Who we are

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We have more than 174.000 professionals worldwide working together to deliver value in 155 countries.

KPMG's dedicated practice in Cyprus was set up more than a decade ago with the aim to advise clients on a diversity of issues relating to the real estate, hospitality, leisure and tourism industries. Our global coverage, the network and international experience of our team, combined with the ability to draw upon local know-how within the KPMG international network, give us unparalleled strength in advising in the real estate, leisure and tourism fields. KPMG clients range from international hotel chains to independent hoteliers; from individual hotel investors to international private equity houses investing in hotels and resorts; from financial institutions to real estate developers.

How can KPMG help?

KPMG operates through fully integrated teams that include professionals across our Audit, Tax and Advisory practices who combine a wide range of skills and experience tailored to meet the individual needs of our clients. We believe in bringing our clients to the centre of our activity and positioning ourselves at the heart of their business. This enables us to fulfil our role of providing advice based on a thorough understanding of their objectives.

Particularly KPMG can assist you through a number of projects, including the following:

- Market and financial feasibility studies – strategic market assessment and comprehensive financial analysis to assess potential investment returns for different projects in different target markets;
- Project conceptualization and investment planning – development of realistic and implementable concepts with short, medium and long term investment planning;
- Project Management and Business plans – strategic direction for the realization and delivery of project concepts, from financing to staffing and marketing and sales;
- Business performance improvement – assessing existing facilities and providing approaches for cost savings whilst simultaneously enhancing market opportunities;
- Valuation services – preparation of asset and business valuations for financing assessment;
- Deal structuring – advice as to the efficient legal and tax structuring of a transaction;
- Investor search – preparation of the information memorandum for the investment opportunity, as well as approach and selection of interested investors and assistance in the transactions process.
- Immigration services – for both EU and third country nationals, including applications for immigration permits relating to EU nationals registration certificate and residence card, as well as third country nationals immigration/residence permit, family reunification and Cyprus citizenship.
- Tax services –advice, including in relation to transfer of immovable property and property taxes.
- Corporate recoveries – for local and foreign companies and institutions on issues of involuntary and voluntary corporate liquidations as well as receiverships and company administrations, aiming at the recovery of debt while avoiding the winding up of the affairs of a corporation
- Examinerships - provide assistance to companies by restructuring their loans and liabilities based on a feasible restructuring plan to be approved by the creditors and provide protection to the company on possible liquidation.
- Restructuring - assist the companies to restructure rapidly asset, loans or operations and get their business back on track, identifying and addressing critical issues and seizing opportunities presented by current economic conditions.

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