

The logo for Sovereign Group, featuring the word "SOVEREIGN" in a bold, white, sans-serif font on a black rectangular background. Below the text is a horizontal red bar.

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Case study in regard to a Chinese citizen and resident that desires to become resident of Cyprus, enabled by the Cypriot Permanent Residency Scheme and which is open to non-EU nationals

By Simon Denton, Managing Director of Sovereign UK
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Beijing and Shanghai, the 24th and 25th January, 2018

Introducing Mr Y and his family

- Mr Y agrees to purchase a NEW Cypriot home purchased from a developer for + Euro 300,000 being the minimum real estate value to qualify for a Permanent Residency Permit (PRP) that will also be extended to his wife, 2 children, one of which is 16 and the other is 24, who is able to demonstrate that he is still a student.
- Mr Y takes advantage of the express procedure, a 2 month process to obtain approval for PRP, therefore Mr Y appoints Sovereign in Cyprus to handle the approval process, to undertake a property search in Paphos to locate a property to purchase, to appoint an independent property lawyer known to Sovereign to deal with all purchase formalities, to secure a place for their younger daughter at one of the international schools so that come September, she can commence with schooling which will involve Mrs Y relocating to Cyprus to reside in Cyprus. Mr Y shall become permanently resident in Cyprus in the following tax year. The older son will frequent to Cyprus regularly especially in University holidays that he will continue to enjoy in China and the UK, for the latter, he has acquired a UK Student Visa.
- Mr Y can easily satisfy that he has an annual income of at least Euro 30,000, however given that his wife and 2 children are to be dependant, he can further evidence that he has extra income resources of Euro 5,000 per dependant, making it a requirement to evidence annual income of Euro 45,000 per year. In addition, the applicant is required to deposit a minimum of Euro 30,000 into a local bank account.
- At some stage in the future, the parents of Mrs Y, from 2020, may wish to relocate and take advantage of the PRP extended first to Mr Y, a fast track process that his in-laws can also enjoy.

Permanent residency decision for Mr, Mrs Y and their daughter

On 14 July 2017 the Cyprus Parliament voted for a Cyprus Tax Law Amendment for the purposes of determining Cyprus tax residency for individuals. Effective as from 1 January 2017.

Mr Y identifies that he can take advantage of the Cyprus non-domiciled regime, as such, a Cyprus tax resident individual is exempt from taxation in Cyprus on their worldwide dividend and 'passive' interest income where the individual is not domiciled in Cyprus.

Once Mr Y becomes resident in Cyprus, effective 2019, he shall instruct Sovereign to set up a new local company to undertake single Family Office services for his local and overseas requirements and the same company will engage in management consultancy services, thus employing Mr Y as its sole board member and employee. Mr Y will derive a salary and director fees in excess of Euro 100,000, since for a period of 10 years, generous Income Taxation concessions will apply, exempting 50% of income from regular taxation. Mr Y will also be the sole shareholder, as such, if the company is ever sold no local Capital Gains Tax will be suffered. Furthermore net profits generated by the company will only be subject to a Corporation Tax of 12.5%.

Long term residence in Cyprus may lead to eligibility for Cyprus citizenship by naturalization, currently after 7 years (2.555 days) of staying in Cyprus within 10 calendar years.

For a real estate investment of Euro 2M, applicants can obtain citizenship within 4 months.

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