

PO Box 62427  
8064 Paphos

Hon. Neoclis Sylikiotis  
Minister of the Interior

2nd December 2009

Dear Minister,

### Land Registry – Transfer Taxes

Thank you for meeting with me and my CPAG colleague, Dr Maria Roussou, on the 27th November 2009, we were most grateful for your time.

During the meeting we brought up the issue of the Paphos Land Registry grossly overcharging on transfer fees and you requested that we write to you with details. Below are a few recent examples of this practice which appears to be becoming more and more prevalent.

1. Buyer DT – property bought for €258,000. The Land Registry valued it at an extra €100,000 (+39%!) and were requesting an additional €5,000 in transfer fees. CPAG helped Mr T challenge this and the Land Registry said they had made a mistake and then used the correct figure shown on the sales contract.
2. D F – developer quoted €6,800 transfer fees, based on the sales price, but the Land Registry demanded €13,600, i.e. double the fee, which he paid.
3. J G – paid an extra €4,000.
4. J S – bought from Aristo for €294,000 and the Land Registry ‘revalued’ it at €465,000 (58% *more*) meaning that instead of paying €1,278 he had to pay €25,531 – *more than 126% extra !*

### Land Registry Discretion

The following is copied from the Ministry’s website :

***Note: Where in the opinion of the Director, the declared sale price is below the market value (as at the date of the agreement), such market value, on which the fees are payable, shall be determined by the Director of the Department of Lands & Surveys. The transferee is entitled, upon payment of the above fees, apply to the Supreme Court to contest the Director’s decision.***

We understand that the Land Registry have discretion to ‘value’ properties at *market value* where they suspect the vendor and buyer of under declaring the real sale price in order to save tax (transfer tax and capital gains tax). In doing this the buyer and vendor are attempting to defraud the State out of legitimate taxes.

However, other than this a property is only worth what someone will pay for it and this is normally the price reflected in the sales contract. This is therefore the true market value – decided by the market! Obviously, in today's depressed market buyers will take much lower amounts for the sale of their property.

For example, Aristo is currently advertising and selling properties at 30% discount because this is all they are **worth** at the moment. Will the Land Registry decide this is the incorrect value at transfer time? Surely the transfer tax is a tax on the transfer value (sales contract) between the vendor and the buyer in a free market **and this is the true market value**.

Accordingly, if the Land Registry 'revalue' properties to a figure in excess of the sales contract price they are in effect accusing buyers and their developers of attempting to defraud the State, unless they have any proof of this serious and slanderous allegation.

#### Additional Implications

- a. Developer Income Tax – will the developer be charged extra income tax on the new *calculated market value*, i.e. on the extra profit the Land Registry imply he made?
- b. Capital Gains Tax – when the buyer sells in the future will the capital gains tax be calculated using the new *calculated market value*?

#### Possible Effects

- a. Many buyers in these hard times have reserved sufficient monies to pay the correct fees based on the sales (true market value!) price and will be unable to pay double this amount and therefore will not pay anything. In this case the State will miss out on the fees altogether.
- b. This practice will be added to the list of the frauds and scams which buyers of property in Cyprus have to endure and will add to the poor image of the property industry.

#### Summary

This practice is totally unjust, totally random in its execution and is yet another example of the exploitation of property buyers in Cyprus, this time by the State itself.

We respectfully request that you please either justify this unfair and random practice or have this exploitation by the Land Registry stopped immediately.

Thank you in advance for your consideration of this matter.

Yours,

Denis O'Hare