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Newsletter
5 | 13 Aug, 2014

We welcome you to our August Newsletter. With the holidays in full swing, we thought that this might be a good time to give you something to read on the beach. This month our very own Dr. George Mountis, director of business development and a banking, corporate finance and strategy veteran, provides us with a brief overview of the circular effect tight credit and declining property values have on a banks' balance sheet. Definitely something to think about.

One important development in the property sector is the recent passing of the new Immovable Property Tax (IPT) Law. Under the revised provisions of the Law, all property owners in Cyprus with property value that exceeds €12,500 (as per the 1980 valuations) are liable to pay annual IPT. The amount that they have to pay is in accordance with the total 1980 value of all immovable property registered in their name on January 1, 2014. Although there are some important changes to the IPT, compared to the 2013 legislation, in effect, the tax rates remain the same as those in 2013. (The rates appear in the table below or on the side bar). Our research team has also put together a more detailed bulletin on the new legislation that is available on our website.

We hope you will get a chance to relax and if your idea of relaxing involves any aspect of financial planning (?) we are here to help.

Dr Mike Balm, Managing Director

The Recent Cypriot Property Boom & Bust

Upcoming Events

12

Sept

Eurogroup Meeting

19

Sept

Emergo Wealth
Conference (Hilton Park,
Nicosia)

31

Oct

Last day for settlement of
property tax with discount
of 10%

The financial stability of the Cypriot banking system is highly correlated to the real estate sector as the lending criteria that the banks applied reinforced the real estate crisis. The large credit expansion of the years 2006-2008, especially to the real estate sector, led to a real estate "bubble". As a result, the real estate prices collapsed, causing a large increase in the non-performing loans (NPL) that were collateralised by real estate. To date, loan origination remains at extremely low levels and consequently the ability of buyers to buy property is low and the property prices remain depressed. This is what I had described as the "cyclical" effect of the lending criteria and policies employed by the Cypriot banks during the boom.

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Emergo Wealth presents

The
INVESTMENT
Expert Conference 2014

| Value of Property (€) | Immovable Property Tax Rate* | Tax (€) | Accumulated Tax (€) |
|-----------------------|------------------------------|---------|---------------------|
| 1 - 40,000 | 6% | 240 | 240 |
| 40,001 - 120,000 | 8% | 640 | 880 |
| 120,001 - 170,000 | 9% | 450 | 1,330 |
| 170,001 - 300,000 | 11% | 1,430 | 2,760 |
| 300,001 - 500,000 | 13% | 2,600 | 5,360 |
| 500,001 - 800,000 | 15% | 4,500 | 9,860 |
| 800,001 - 3,000,000 | 17% | 37,400 | 47,260 |
| Over 3,000,001 | 19% | | |

* The persons whose immovable property in the Republic does not exceed €12,500 in value they do not pay any IPT.

About Emergo Wealth

Emergo Wealth Ltd. is a fully-fledged financial services and investment advisory company, built on world-class professional expertise, integrity and transparency. We provide investment advisory, asset and portfolio management, brokerage and administrative services that enable our clients to rely on turnkey, total solutions to manage their business and grow their wealth.

We offer corporate finance advisory and management consulting services, including advice on debt restructuring and on M&A transactions. Our research desk offers a range of proprietary reports on a number of sectors of the Cyprus economy as well as ad hoc analysis reports upon request.

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