

## Cyprus International Trust

*Trust is an instrument which brings about a legal relationship created by a person, known as settlor, when he places assets under the control of one or more trustees for the benefit of a beneficiary or beneficiaries or for a specific purpose.*

Under the International Trusts Law a trust can qualify as a Cyprus International Trust if:

- (a) The settlor is not a permanent resident of Cyprus
- (b) at least one of the trustees is a permanent resident of Cyprus
- (c) None of the beneficiaries is a permanent resident of Cyprus
- (d) The trust property does not include any immovable property in Cyprus

The Law provides that a Cyprus International Trust can run for 100 years. Charitable (as defined in the said Law) and purpose trusts are not subject to any perpetuity period.

In addition it seems that the Law also authorizes a perpetual trust to accumulate income in a perpetual non-charitable purpose trust irrespective of whether such a trust could qualify as a purpose trust at all under normal trusts law principles.

The advantages of an international trust are as follows:

- (a) Income and gains of an International Trust derived from sources outside Cyprus shall be exempted from all kinds of tax in Cyprus.
- (b) No estate duty shall be chargeable in respect of the assets belonging to an International Trust.
- (c) The only fee payable to the Cypriot Inland Revenue is a one-off stamp duty for the creation of the trust.

(d) An international trust is irrevocable unless special provision to the contrary is made in the instrument creating the trust.

(e) An international trust may last for 100 years.

(f) Accumulation of income is valid for any period for the entire duration of the trust and there is no limitation on the kinds of investments in which the assets of the international trust may be put.

(g) Purpose trusts are valid and are enforceable either by the settlor or his personal representatives or by the individual designated in the trust instrument as having the right to enforce (who may be the beneficiary).

(h) If the terms of the trust so permit, the proper law may be changed from or to the law of Cyprus provided that:

(i) in the case of a change from the law of Cyprus to the law of another jurisdiction the new proper law would recognise the validity of the trust and the respective interests of the beneficiaries

(ii) in the case of a change from the law of another jurisdiction to the law of Cyprus this change is recognised by the proper law of the trust previously in effect.

(i) variation of the provisions of the trust is possible by order of the court.

(j) There are no registering or reporting requirements of any nature. Nor the government, nor the Central Bank of Cyprus may disclose to anybody any information pertaining to the identity of the settlor, the beneficiaries, the trustees and their duties or the accounts or assets of the trust.

Only a court may order the disclosure of information or the presentation of documents pertaining to the above in civil or criminal proceedings and to do so, disclosure must be deemed very important to the outcome of the case.

(k) Notwithstanding the provisions of any bankruptcy or insolvency laws in Cyprus or in any other country and notwithstanding that the trust is voluntary and without consideration, an international trust is not void or voidable unless it is proven to the Court that it was made with intent to defraud persons who at the time when the payment or transfer of assets was made to the trust were creditors of the settlor.

Any action however must be instituted within 2 years from the date of transfer or disposal of the assets to the trust.

## Reasons for setting up an International Trust in Cyprus

A Cyprus International Trust is definitely a vehicle to sophisticated tax planning and in the following situations it can prove very advantageous:

- An individual who has income arising overseas which he does not wish to remit to his country of permanent residence can arrange for such income to be directed to a Trustee to be held on a Discretionary Trust, in accordance with the Trust Deed and his letter of wishes;
- An individual with assets outside his country of residence ensures that any exchange control restrictions in his country will not affect such assets;
- An individual may wish to deprive himself of assets for fiscal or other reasons;
- An individual who wishes to invest overseas but wishes to ensure that profits and dividends received are not remitted to his country of permanent residence;
- An individual who wishes to keep the ownership of a company anonymous and confidential can have the shares held by a Discretionary Trust;
- An individual, through the use of a Trust, can arrange to be inherited by persons who, due to the legislation of his country, would otherwise be excluded from the inheritance;
- An international Trust can be created for a purpose which need not necessarily be a charitable purpose;
- The law applicable to a Cyprus International Trust can be changed to a foreign law and an existing foreign Trust can select Cyprus law;
- Disclosure of information is strictly prohibited, subject to some exceptional cases where a court may order disclosure of such information;
- The income and gains of a Cyprus International Trust derived outside Cyprus are exempted from all taxes and estate duty. There is at present only a fixed stamp duty of Euro 430 payable on creation of the Trust.

### **Contact us**

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