



## CYPRUS INTERNATIONAL TRUST

### BASIC INFORMATION

Trusts are governed and regulated by the Doctrines of Equity and Case Law as they were applied in England prior to 1960 and the Trustees Law, Cap. 193 enacted in 1955 and based on the English Trustees Act 1925.

The Cyprus Authorities have taken steps to introduce a new law headed “The International Trusts Law of 1992”. This law has been amended by the House of Representatives with the endorsement of the “International Trust (Amending) Law of 2011”.

Although there are various types of trusts, all types have one common fundamental feature:

The important parties of the trust are:

- (a) **The Settlor:** This is the person that creates the trust;
- (b) **The Trustee:** This is a person who agrees to hold certain assets (“the Trust Property”);
- (c) **The Beneficiary:** is part of a class of people entitled to a right or interest in property which is subject to the trust;
- (d) **The Protector:** This is the person(s) that has the power to restrict key powers (such as add beneficiaries, etc) of the trustee;
- (e) **The Enforcer:** This is a person whose duty is to enforce an international trust, with the exception of trust for charitable purposes.



The trust property managed in accordance with the instructions/wishes of the settlor which are given in writing or orally.

#### **DURATION**

The duration of an International Trust, notwithstanding any provision in the Law of Cyprus or of any other country, and subject to the terms of the trust, can be for a lifetime.

The Trust is irrevocable unless a creditor proves that it was made with the intent to defraud him.

#### **THE CYPRUS INTERNATIONAL TRUST**

The Cyprus International Trust is a trust whereby:

- The settlor and/or a beneficiary were not Cyprus tax residents in the year preceding the year of creation of the trust. There is no longer any prohibition on settlors relocating to Cyprus after the establishment of the Trust;
- At least one trustee is resident in Cyprus (Cyprus International Business Company) (IBC) or partnership is considered as a resident trustee); and
- The beneficiary(ies) may relocate to Cyprus after a year following the trust creation.

The nature of the Cyprus international trust is commonly “discretionary”. As the name suggests the discretionary trust allows the trustee to act upon his discretion and to have extensive investment powers such as to borrow, to invest, to employ etc.

The possibility to change the proper law of a Cyprus International Trust is expressly provided in the Law both as regards a change to the Law of the Republic of Cyprus as well as to a change from the Law of the Republic of Cyprus to any other jurisdiction.



However, for such a change to be allowed under the law the following requirements must be met:-

- (a) in case of a change from the law of the Republic the new law must recognise the validity of the trust and the respective interest of the beneficiaries; and
- (b) in the case of a change from another law to the law of the Republic such change is recognised by the applicable law of the trust previously in effect.

### **BENEFITS OF A CYPRUS INTERNATIONAL TRUST**

#### **a. Tax benefits**

- Dividends and interest received from a Cyprus international business company are not taxable and not subject to any withholding tax.
- No estate duty or inheritance tax in Cyprus
- Worldwide income, profit and gains are taxable in Cyprus only where the beneficiary is a Cyprus tax resident. Those who are non-residents are taxed only on Cyprus sourced income

#### **b. Asset protection**

An International Trust may be set aside by the settlor's creditors to the extent that is proven to the satisfaction of the Cyprus Court that the International Trust was made by the settlor with the intent to defraud the creditors. The burden of proof of this intent shall be on the creditors.



**c. Confidentiality and non-disclosure**

Confidentiality is of vital importance and is imposed on the trustees and on any other person not authorised by law to have knowledge of information or documents which disclose any of the matters referred to hereinbelow.

However, the court may order the disclosure of information or documents in criminal or civil proceedings cases.

**d. Firewall Provisions**

All matters relating to the validity or administration of an international trust or the transfer / disposal of trust property will be determined by the laws of Cyprus without reference to the law of any other jurisdiction.

Also the law relating to inheritance or succession in force in Cyprus or any other country will not in any way affect the validity of the international trust or any transfer or disposition of trust property.

Further, the trustees' fiduciary powers and duties and the powers and duties of any protectors of the trusts are exclusively governed by Cyprus law.

**e. Settlor Reserved Powers**

The settlor maintains extensive reserved powers, such as power to retain a beneficial interest in trust property, or to act as the protector or enforcer of the trust without affecting the validity of the trust. Such reserved powers also include the power to revoke, vary or amend essential terms of the trust, to change the governing law of the trust, to act as a director or



officer of any corporate entity wholly or partly owned by the trust and to appoint or remove any trustee, enforcer, protector or beneficiary.

**f. Stamp Duty**

The instrument creating an international trust shall be liable to a stamp duty. The amount is 430 euro only.

*The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.*

*For further information and professional assistance please contact us at [info@dfalegalservices.com](mailto:info@dfalegalservices.com).*