



The Cyprus International Trusts

Christos Neocleous
Partner Integrated Services
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The Cyprus International Trusts

What is a Trust?

*“A **Trust** is a legal obligation created by a person called the **Settlor** who places certain assets under the control of the **Trustee(s)** to deal with it for the benefit of the **Beneficiaries**”.*

The Protector (optional)

“This is the person(s) with the power to restrict key powers of the Trustee”.

Trustee responsibilities

- To manage, maintain, invest, pay or dispose the Trust Property in a prudent manner and always in line with the terms of the Trust Deed and the special duties imposed upon them by applicable legislation;
- To comply strictly with the all the terms and provisions of the Trust Deed provided that these do not contradict with the applicable legislation and without paying regard to own self interests or interest of third parties, to govern their behaviour;
- Comply with any tax, legal and other obligations resulting from the nature of the assets kept in the trust property.

In accordance with the provisions of the Fiduciary Law introduced recently in Cyprus, the Trustee must be a holder of a professional license to act as such.

Types of Trusts

- **Discretionary Trusts**: Trusts in accordance with the terms of which the distribution of capital and income between the beneficiaries is determined at the **discretion** of the trustees.

Important features: Confidentiality, Flexibility combined with the ability of the Trustee to change the terms and objects of the trust, Letter of Wishes.

It is possible for settlements to be both fixed and discretionary at the same time.

- **Fixed Trusts**: The Trustees do not have power to exercise any discretion as to how to apply the income or capital of the Trust. Beneficiaries are entitled to the income from the whole or a fixed share of the trust fund which is fixed in advance.
- **Protective Trusts**: The purpose is to protect the beneficial interest of persons who are not able to manage their own affairs.
- **Trading Trusts**: The trustee is usually a limited liability company that has power to carry on business and the trust has trading functions and employs staff to manage its business.

The Cyprus International Trust

The Cyprus international trusts are governed by the International Trust Law of 1992 and by the International Trust (Amending) Law of 2012.

An International Trust is defined as one in which:

- The settlor is *not* a resident of Cyprus during the year preceding the year in which the trust is created
- The beneficiaries are *not* residents of Cyprus during the year preceding the year in which the trust is created
- At least one of the trustees is a permanent resident of Cyprus.

As a result of the recent amending law:

- No limits exist on the duration of the Trust
- Both the settlor and the beneficiaries can take up residence in Cyprus
- Trust property can include immovable property in Cyprus
- The settlor can reserve powers to himself, retain a beneficial interest or act as a protector of the Trust.

Characteristics of Cyprus International Trusts

The main characteristics of Cyprus International trusts are the following:

- **Duration**: The duration of an international trust is unlimited unless a special provision is made in the Trust Deed.

- **Anonymity**: According to the Fiduciary Law, no reporting requirement exists for the disclosure of the names of the Settlor, the Beneficiaries or the Protector. However, the Trustee has to provide information to the Supervisory Body, which are kept on a confidential basis, with respect to:
 - a. the name of the Trust
 - b. the date of establishment
 - c. the name and address of the Trustee
 - d. the date of termination.

- **Flexibility**: Cyprus Law allows the removal of a trust from its jurisdiction and vice versa, thus providing the necessary flexibility in cases where a change of circumstances may require such transfers for fiscal or other reasons.

Procedure for establishing a Cyprus International Trust

The procedure for establishing an International Trust in Cyprus is straight forward and can be completed in a relatively short period of time.

The documents that must be provided in order to set up the trust are:

1. Trust details which will assist in the preparation of the trust instrument. These usually include:

- Settlor's name and address
- Beneficiaries' names and addresses
- Names and addresses of trustees
- Trust property.

2. A letter of wishes from the settlor which will assist the trustees in carrying out the wishes of the settlor. We can assist in drafting such letter.

3. When all the information is available, a draft Trust Deed can be prepared for approval by the settlor.

4. Once the Trust Deed is approved and signed by the settlor, the Trust becomes fully operational.

Taxation of Cyprus Trusts

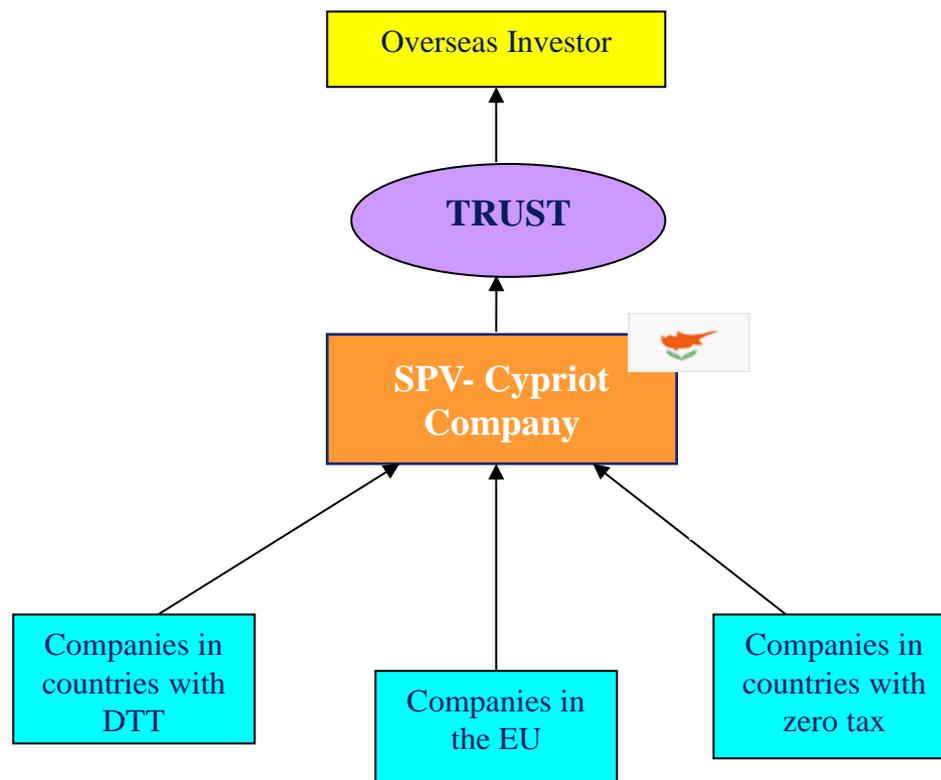
Cyprus International Trusts enjoy important tax advantages and provide significant tax planning opportunities to interested parties.

More specifically:

- Where the beneficiary is not a tax resident of Cyprus the income and gains of an International Trust arising on sources outside of Cyprus are not taxed
- Where the beneficiary is tax resident of Cyprus the income and gains of an International Trust arising on sources inside and outside of Cyprus are taxed in Cyprus
- International Trusts are not subject to Estate Duty in Cyprus
- The income of the trust is not taxable in Cyprus even where the settlor is a beneficiary, as long as the beneficiary is not resident in Cyprus and the income arises on sources outside of Cyprus.

The only tax imposed on the International Trust is a Fixed Stamp Duty of **EUR €430** which is payable on creation of the trust.

Use of Trusts in International Tax Planning



The above diagram clearly demonstrates how the Cyprus International Trust can be used for tax planning purposes. As we can see from the diagram above any dividends received by a Cypriot Company from other companies in countries where Cyprus has a double tax treaty with countries in the EU, or countries with zero tax benefit from either zero or low treaty withholding tax rates and are tax free when received in Cyprus. Moreover any income transferred from the Cypriot company to the International Trust is also tax free. Also, any income of the trust paid to an overseas investor is exempt from any tax.

Conclusion

The use of the Cyprus International Trust offers a number of benefits, the most important of which are as follows:

- Complete Anonymity and Confidentiality
- Asset Protection
- Preservation and proper management of family wealth
- Succession planning
- A completely tax free environment
- Low establishment and running costs
- Revocability (it can be cancelled at any time).

Thank you!

For more information you may contact me at:

Tel: + 357 25 868686

Fax: + 357 25 868815

Mob: + 357 99 531193

E-mail: cneocleous@deloitte.com



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