



PANAYIOTIS Z. TOULOURAS LLC

***Cyprus  
International  
Trusts***

***We offer a Client  
focused approach.***





## WHO WE ARE

Our Trusts specialist team consults private individuals, families and international institutions on the creation of Cyprus International Trusts (CIT) and offshore trusts. We advise clients on the appropriate jurisdiction that best caters their needs, focusing on meeting their asset protection and tax demands.

Our team provides expert consultation regarding all ongoing trust issues affecting settlors, trustees and beneficiaries, appearing before courts and government authorities when necessary.

We act as trustees, protectors and represent international institutions, HNW families and individuals in the acquisition and disposal of property, globally, and advise our clients on all the associated legal and tax issues.



**CITs are used to benefit from the Cyprus advantageous tax system and allows entities acting as investment vehicles to maintain a level of privacy and confidentiality**



## TRUST REQUIREMENTS

For a valid trust to be created, the following three certainties must be present:

- a) Certainty of intention – evidence of the express intention of the Settlor to create the trust
- b) Certainty of subject matter – the assets part of the trust property must be easily identifiable
- c) Certainty of objects – the identity of the trust beneficiaries must be ascertained or ascertainable at the time of setting up the trust

## TRUST CONDITIONS

The restrictions imposed by the Law mainly focus on the residency status:

- The Settlor - Can be either a natural or legal person but must not be resident of the Republic of Cyprus during the calendar year immediately preceding the creation of the trust
- The Trustee - At least one of the Trustees must be resident of the Republic of Cyprus\* for the whole duration of the Cyprus International Trust
- The Beneficiary - Must not be resident/s of the Republic of Cyprus during the calendar year immediately preceding the creation of the trust and that applies equally whether the beneficiary is a natural or legal person

\*The term "resident of the Republic of Cyprus" has the same meaning as under the Income Tax Laws of Cyprus  
i.e. physical person considered a resident in Cyprus if they reside in Cyprus for a period exceeding in aggregate 183 days in any calendar year. A company is considered a resident provided its management and control are exercised in the Republic of Cyprus.

# POWER OF SETTLOR

New amendments of the Law provide more protection and flexibility for the CIT as the Settlor is able to reserve certain powers for himself, rights over or in the trust property either in his capacity as a Settlor, as Protector or Enforcer of the Trust without it affecting the validity nor the execution of the Trust:

- a) The revocation, amendment of the terms of the trust or any trusts or powers arising wholly or partly from the trust
- b) The allocation, distribution, payment or other disposition of income or capital from the trust property or issuance of directions to conduct any of these actions
- c) The exercise of powers of a director or officer or the issuance of binding directions regarding the appointment or removal of any Board member or officer of any company, which is owned by the trust, either wholly or partially conferred on such property
- d) The issuance of binding directions to the trustee in connection with the purchase, retention, sale, management, loan, pledge or charge over property of the trust or the exercise of any powers or rights
- e) The appointment or termination of any investment manager or investment adviser
- f) Changing the applicable law governing the trust or place of management of the trust
- g) The restriction of the exercise of any power or the discretionary power of the trustee (e.g. requesting that these be exercised only with the approval of the settlor or any other person expressly mentioned in the terms of the trust)

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# POWER OF TRUSTEES

Trustees are appointed by the Settlor. There are no rules as to how many trustees should be appointed.

Main Duties:

- a) To administer the trust property prudently, and
- b) To comply strictly with the terms of the trust

Trustees do not have the power to vary the terms of the trust under any circumstances. However, all beneficiaries of full age and capacity can authorise all together to alter the trust. Trustees in their private lives may not act in any way that brings them in conflict with their duties as trustees.

Under the Law, the Trustees can have extensive investment powers, e.g. to make capital distribution, to borrow, to guarantee, to mortgage, to employ, to invest/lend money. They may also hold, maintain or invest in movable and immovable property in Cyprus and abroad, including shares in companies incorporated in Cyprus.

Unless the trust instrument expressly provides otherwise, trustees are not entitled to any payment for their services but can be reimbursed from the trust property for any expenses they incur in performing their duties. Action taken by the trustee that is in excess of their powers or contravenes the terms of the trust instrument is a “breach of trust”.



# FORMALITIES

The formalities that need to be met for the creation of a Cyprus International Trust are:

- a) Comply with the residency requirements of the International Trusts law
- b) Provide the information related to the Trustees to the relevant competent authority
- c) If the Cyprus International Trust is created by a will, the formal requirements indicated in the relevant law on wills must be complied with
- d) Payment of stamp duty of €430
- e) Make sure that the CIT satisfies the “Three Certainties”

# TYPE OF TRUSTS

- a) Private Trusts (Express, Resulting, Constructive, Implied)
- b) Charitable Trusts
- c) Fixed Trusts
- d) Discretionary Trusts

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**The Cypriot international Trust regime is designed to make Cyprus more attractive to clients living outside Cyprus.**

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# PURPOSES

- Tax Planning
- Protection of Assets
- Preservation of Family Assets
- Administration of Estate/Avoidance of Forced Heirship
- Confidentiality Investment
- Pension Schemes - Employees or Dependents
- Charitable Initiatives
- Reward Schemes - Employees or Dependents
- Continuation of a Family Business

**Divesting of personal assets** - An individual who wishes to divest himself of personal assets can achieve this by transferring them to a CIT.

**Investing in business overseas** - An individual can invest in business overseas to ensure profits and dividends received are not remitted to the country of his residence, by setting up a CIT to invest in overseas business

**Investment Holding company** - A trust can be used in one country to own an underlying investment holding company in another. This can provide maximum protection for both settlor and beneficially alike.

**Flexibility** - The Cyprus law allows the removal of a trust from its jurisdiction and vice versa. This gives the necessary flexibility where transfer becomes advantageous because the change of circumstances.

# BENEFITS

## Income

- If Beneficiary is not a Cyprus tax resident, the income CIT receives from outside of Cyprus will not be subject to tax. Income received from Cyprus is subject to tax.
- If Beneficiary is a Cyprus tax resident, the income CIT receives from outside/inside of Cyprus will be subject to tax.
- CIT does not pay tax on income received from outside of Cyprus.
- CIT does not pay tax on interest received, provided beneficiary is not a Cyprus tax resident.

## Double Taxation

International Trusts come under the scope of double taxation treaties with more than 60 countries.

## Dividends

Dividends, interest and other income received by a trust from a Cyprus company are not subject to tax.

## Payments to beneficiaries

No withholding tax on payments to beneficiaries provided that they are not resident in Cyprus.

## Capital Gains

Any gains from asset disposal, other than immovable property situated in Cyprus, made by the CIT are not subject to capital gains tax in Cyprus.

## Estate Duty

No estate duty is payable by a CIT that was formed for the purposes of estate duty planning.

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**Confidentiality is of supreme importance as the law prohibits disclosure of any information or documents regarding the Trust by the Trustees or any other person.**

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# BENEFITS

## Convenience

- a. CIT laws does not require Settlor or Beneficiary to be resident of Cyprus and requires one trustee to be Cyprus resident
- b. CIT can last for an indefinite time

## Confidentiality

Confidentiality is of supreme importance as the law prohibits disclosure of any information or documents regarding the Trust by the Trustees or any other person. Only the Court may order and result in disclosure of such information e.g. in cases of fraud.

# REGISTRATION

Trusts must be registered to 3 competent authorities, one being the Cyprus Bar Association. To ensure confidentiality, only the 3 authorities will have access to trust information and it will not be made publicly available under any circumstances.

The Settlor and Beneficiaries are not registered and this is kept confidential. Trustee's responsibility is to notify the relevant competent authority fifteen (15) days after the creation of the Cyprus International Trust and to notify for any amendment made to the Trust.

## WHAT WE DO

- Trust creation
- Trust management
- Trust termination
- Trust disputes
- Trustee and Protector services
- Preparation of Trust accounts and annual tax returns
- Family asset protection and inheritance advice
- Tailor made wealth management structures
- Opening, administrating and monitoring all bank accounts
- Distributions to beneficiaries



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## CONTACT US

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