

CYPRUS INTERNATIONAL TRUST (CIT)

Cyprus is a respectable international financial centre with very attractive legislative framework for setting up and operating a trust. The recent amendment of the International Trusts Law in Cyprus provides maximum protection and flexibility to trust structures. At the same time premium professional services and support infrastructure are provided at very competitive cost.

Cyprus has a long history with the trusts. The Cyprus International Trusts Law is based upon the reputable English principles of equity and trusts and it is one of the most attractive trusts legal frameworks in the world. The current trust legislation in Cyprus offers the opportunity to create a trust that will suit the most complex situations and demands and enjoy many advantages that cannot be found aggregated in any other trusts jurisdictions. Important aspect of the legislation is that there are no restrictions on the duration of the Trust and the settlor has the option to take the role of beneficiary and/or protector. The law also offers the possibility of transfer the trust to another jurisdiction. This could be useful in cases where the legislation changes and make the Trust less attractive to continue holding it in Cyprus.

The Cyprus international trust may offer asset protection in a very effective legal way by placing assets beyond the reach of future potential claimants as well as to be used for tax planning, estate planning, for wealth management, investment, for charitable purposes and other.

The Trust law provides a duty of confidentiality on the trustee or any other person concerned as regards the identity of the settlor / beneficiary, the accounts and the assets of the trust. The above stated Information can only be revealed by a court order related to a civil or criminal proceeding, when the court is convinced that such information is material to the outcome of the proceedings.



A trust is a very useful tool to transfer legal ownership of assets in order to achieve a wide variety of goals. Trusts are widely employed for family purposes but also in commercial and business transactions and as a vehicle for charitable and other purposes. It can be used to plan an individual's inheritance, to protect assets, to manage investments or for efficient tax planning. Examples of Trusts that may be created are:

- ✓ to hold property for minors or successive generations of a family
- ✓ to protect property in cases that marriage is failing
- ✓ to protect property against reckless people
- ✓ to establish a fund for the benefit of family members as per their future needs
- ✓ to provide secrecy for others
- ✓ to be used as an investment vehicle
- ✓ to provide pensions for employees
- ✓ to make provision for abstract or charitable purposes
- ✓ as part of commercial arrangements (e.g. to protect commercial lenders)

A trust is created by a deed or will where an individual (the settlor) places his assets in the care of the trustee for the benefit of others. With the transfer of the assets the legal ownership is also transferred from the settlor to the trustee. This is the basic idea of a trust, but the options you have differ greatly between trust regimes in the world. The basic Trust structure is the following:

- I. The Settlor is the person who creates the trust and he is the owner of the initial property placed under trust.
- II. The Trustee is the person (individual or company) who agrees to hold the trust assets in its name for the benefit of the Beneficiary under the terms of the trust.
- III. The Trustee has the legal title to the trust assets, whereas the Beneficiary has beneficial title to the trust assets.
- IV. The Protector (not compulsory) is the person that has the power to restrict key powers of the trustee, such as the power to add beneficiaries to the trust.
- V. The Enforcer (could be the Protector) is the person whose duty is to enforce an international trust for a non-charitable purpose.

Conditions of a Trust

- I. The Settlor is a non-tax resident of Cyprus during the year preceding the year in which the trust was formed.
- II. No prohibition on settlors relocating to Cyprus after the establishment of the CIT as well as the Beneficiaries may also relocate to Cyprus after a year following the trust creation.
- III. The trust property can include all kinds of assets situated anywhere in the world and it can comprise of real estate property located in Cyprus.
- IV. At least one of the trustees must be a resident of Cyprus.

Trust benefits in Cyprus

Tax benefits

- I. Income, gains and profits from non-Cyprus sources are exempt from income tax, capital gains tax, special defense contribution or any other taxes in Cyprus.
- II. Worldwide income, profit and gains are taxable in Cyprus only where the beneficiary is a Cyprus tax resident.
- III. Dividends, interest or royalties received by a CIT from a Cyprus international business company are not taxable and not subject to any withholding tax.
- IV. Trust capital received in Cyprus by a foreigner resident or retired in Cyprus from trusts not resident in Cyprus is not taxable on the trustee.
- V. No estate duty or inheritance tax in Cyprus.

Asset Protection

- I. The CIT may be used to protect assets from risks arising in relation with transactions of the Settlor. Types of claims may include negligence, breach of contract, claims of spouses or former spouses, expropriation, breach of statutory duty and so on.
- II. A transfer of trust assets may only be set off by the settlor's creditors in court proceedings in cases with the intention to defraud creditors.

Confidentiality and reporting

- I. Registration of the CIT is optional and therefore confidentiality is safeguarded.
- II. No reporting requirements in Cyprus for the CITs.
- III. The trust may hold shares of a Cyprus company with Cypriot nominee shareholders who will hold the shares of the company for the real owner, i.e. the trust.

Other benefits

- I. The CIT is ideal for high net-worth individuals with complicated family structures such as divorced spouses and children from different weddings.
- II. No limitation upon the CIT's duration.

The main categories of Trusts are the following:

Private Trusts

They are expressly created by the settlor based upon a written deed or will or in some exceptions, orally. The intention of the settlor must be made absolutely clear.

Express Private Trusts

Express trusts are private trust, which as their name suggests, are created expressly by the settlor.

Resulting Trusts

Resulting trusts arise from the implied, rather than the express intention of the settlor. This intention can be inferred by the way the settlor acts or behaves.

Constructive Trusts

They are imposed by law independently of what anyone intended. An example of a constructive trust would be where Person A gives money to Person B to hold for Person C. If Person B then gives the money to Person D and Person D knows that Person B was holding the money for Person C, then Person D will be construed as to also hold the money on trust for Person C.

Implied Trusts

These are trusts that arise from the implied intention of the settlor and will either be resulting or constructive trusts.

Charitable Trusts

There is no legal definition of what constitutes a charity. Usually a trust that is set up for the relief of poverty, the advancement of education or religion or any other purpose that is beneficial to the community is considered to be a charitable trust. In particular they are set up for certain public purposes.

Fixed Trusts

These are trusts where the share or interest of the beneficiaries in the trust property is specified by the settlor.

Discretionary Trusts

These are trusts where the trustees may, at their discretion determine what share or interest of the trust property should go to each member of a class of beneficiaries.

British Virgin Islands

The trust in the British Virgin Islands has no specific legislation for asset protection, no requirements for registration, settlor residency, beneficiary residency or trustee residency. Furthermore, the name of the trustee is not disclosed to Authorities, and the trustee is not obliged to be licenced. Consequently, trusts are constructed more freely, but this creates a sense of uncertainty when compared to Cyprus trusts since there is far less supervision and protection. In the absence of such requirements the security in these trusts is limited. The Perpetuity period is 360 years.

Cayman Islands

The trust in Cayman Islands has no requirements for registration, settlor residency, beneficiary residency or trustee residency. The name of the trustee is not disclosed to Authorities where the trustee has no obligation to be licenced. This leads to the same drawbacks as the trust in British Virgin Islands, which they are constructed more freely, creating thus a sense of uncertainty and low levels of security, compared with Cyprus trusts. The Perpetuity period is 150 years.

Guernsey

The trust in Guernsey has no specific legislation for asset protection, no requirements for registration, settlor residency, beneficiary residency or trustee residency. Further the name of the trustee is not disclosed to Authorities. Concluding this type of trust is also far less secure when compared to Cyprus trusts.

Singapore

In this type of trust the name of the trustee is not disclosed to Authorities. Further there is no registration requirement, but there is a reporting requirement of declaration of compliance with exemption criteria on an annual basis. Cyprus trusts are considered more convenient and do not require such a hassle every year, as there is no reporting requirement. The Perpetuity period is 100 years.

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