



Cyprus International Trusts

Main uses of Trusts

Trusts constitute ideal tools for managing the personal wealth of individuals as well as for tax mitigation and estate planning.

The main uses of Cyprus international trusts can be summarized below:

- Protection against high taxation for settlors who are tax resident in high tax jurisdictions
- Ensuring confidentiality as there is no requirement to register a trust arrangement, publish its financial results or disclose the relevant trust deed
- Organizing collective investment and managing and sharing profits and return on investment
- Management vehicle for the management of funds on behalf of others via a trustee
- Holding property that cannot personally be held
- Protection against spendthrifts and ensuring the safeguarding of family capital for the next generation
- Promoting causes and charities
- Protection of assets in case of litigation
- Managing profit sharing and pension schemes.

Definition of a Trust

The trust is a binding agreement between the settlor who is the owner of the property and the trustee. The settlor transfers the property under the control of the trustee for the benefit of one or more person/s which is/are the beneficiary/ies of the trust. Each trust can have different terms and conditions and can take the form of a fixed or discretionary trust. The distinction depends on whether the powers of the trustees as to the distribution of the income and capital of the trust fund for the benefit of the beneficiaries is left to the discretion of the trustees or they are set out expressly in the trust deed.

The Cyprus International Trust solution

Cyprus offers a very robust legal system which governs the formation of Cyprus international trusts and the duties and obligations of the trustee. In order for a trust to qualify as a Cyprus international trust the following should apply:

- a. The settlor should not be a permanent resident of Cyprus;
- b. At least one of the trustees should be a permanent resident of Cyprus;
- c. Beneficiaries, with the exception of a charitable institution, should not be permanent residents of Cyprus;
- d. The trust property does not include any immovable property situated in Cyprus.

Trust validity

A Cyprus international trust can be valid for up to 100 years from the date of its creation. In practical terms, this means that the trust will terminate at the expiry of 100 years from the date of its creation, if it has not been terminated pursuant to a relevant term in the instrument creating it.

Powers of the trustee

Subject to the provisions of the instrument creating the Cyprus international trust the trustee will be allowed at any time to invest the whole or any part of the trust funds in any kind of investment. The trustee is expected to exercise diligence and prudence that a reasonable person would be expected to exercise in making such an investment.

Applicable law

The applicable law of a Cyprus international trust may be changed to or from the law of the Republic of Cyprus provided that: (i) in case of a change from Cyprus law to any foreign law, such foreign law recognizes the validity of the trust and the respective interest of the beneficiaries and (ii) in case of a change from a foreign law to Cyprus law such a change is recognized by the previous trust law.

Taxation considerations

In accordance with the Cyprus tax legislation the following should be borne in mind in relation to the taxation of a Cyprus international trust:

- Income realized by a trust is considered to be income of the beneficiaries irrespective of whether this is paid to the beneficiaries or is accumulated by the trustee as capital
- No trust is subject to tax as a separate legal personality
- The tax assessment is issued in the name of the trustee as a representative of the beneficiary

- The income of a Cyprus international trust which is derived or is considered to be derived from sources outside of the Republic of Cyprus is exempt from Cypriot tax
- The beneficiaries of a trust may be taxable in Cyprus on income derived or considered to be derived from sources within the Republic of Cyprus e.g. rental income from Cyprus or profits of a Cyprus permanent establishment.

Our services

Each trust structure is tailor-made to meet the client's objectives, providing a long-term and valued service in the preservation and growth of the client's family wealth for the future. We can assist with the provision of the following services in relation to trusts:

- Tax and legal advice on the setting up of a trust structure and the specific provisions to be included therein
- Trust establishment and preparation of the trust deed, letter of wishes and other documentation required to put the trust into effect
- Safe custody of trust documentation and records
- Provision of protector to the trust as required
- Provision of trustees for charitable trusts
- Provision of successor or alternate trustees
- Trust administration and provision of corporate or personal trustee
- Trust accounting and portfolio valuation services as required



ioannides
demetriou
LLC

Ioannides Demetriou LLC, 2 Diagorou Street, ERA House,
floors 7-12, 1097 Nicosia, P.O.Box 20106, 1601 Nicosia, Cyprus.
Tel. +357 22022999, Fax +357 22022900
Email: info@idlaw.com.cy

www.idlaw.com.cy



NOBEL TRUST

Nobel Trust Limited, 2 Diagorou Street, ERA House,
floor 10, 1097 Nicosia, P.O. Box 20106, 1601 Nicosia, Cyprus.
Tel: +357 22022777, Fax: +357 22022700
Email: info@nobeltrust.com

www.nobeltrust.com

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