

Legal update

Cyprus International Trusts

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If you have any related questions/queries please do not hesitate to contact us.

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Michael Damianos & Co LLC is a Cyprus law firm, whose practice is highly international with a strong corporate, banking, energy and private client focus. Although a full service Cyprus law firm, its main areas of practice are international (and local) mergers and acquisitions, general corporate advice, insolvency/corporate recovery, capital markets, banking, energy, general commercial work, fiduciary services, real estate, and immigration to Cyprus for non-EU high-net-worth individuals.

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Cyprus International Trusts

- A Cyprus international trust ("CIT") is a very tax-efficient vehicle for non-Cypriot resident individuals to hold assets, including assets that produce income.
- A CIT is not taxed in Cyprus, and it is only the income and gains of the CIT which are earned or deemed to have been earned from sources within Cyprus that are subject to taxation imposed in Cyprus. So if the CIT does not earn any income in Cyprus, then it is not taxed at all in Cyprus.
- A CIT is a trust which:
 - (a) The settlor (an individual or a legal person) is not a resident of Cyprus in the calendar year which precedes the year in which the trust was created. This basically means that a settlor may subsequently relocate to Cyprus;
 - (b) At least one of the trustees (an individual or a legal person) is resident in Cyprus for the whole duration of the trust (and that trustee is a regulated person, e.g. a lawyer); and
 - (c) None of the beneficiaries (individuals or legal persons, other than a charitable institution) is a resident of Cyprus in the calendar year which precedes the year in which the trust was created. A beneficiary may, therefore, subsequently relocate to Cyprus.
- The trust property can include both immovable and movable property in Cyprus and abroad, including shares in a Cypriot company.
- The settlor is deemed to have the capacity to transfer an asset to a CIT if at the time of such transfer he/she/it is of full age and sound mind pursuant to the law of the country of which he/she/it is a resident.
- There is no limitation regarding the duration of a CIT.
- All matters arising in respect of a CIT are determined in accordance with the applicable laws of Cyprus, without reference to the laws of any other jurisdiction.
- A CIT may only be set aside by the settlor's creditors if the Court is satisfied that the CIT was created with an intention to defraud the settlor's creditors at the time when the assets were transferred to the CIT. If such action is made against the trustee of a CIT it must be brought within a period of 2 years from the date of the assets' transfer to the CIT.
- The instrument creating a CIT is currently liable to a stamp duty of €430.
- It should be noted that some kind of accounting records must be kept in relation to a CIT.