



## NEWSLETTER

### Cyprus International Trusts

#### 1 International trusts and the tax aspect

International trusts are governed by the International Trusts Law of Cyprus. International Trusts are **not taxed** in Cyprus.

In fact, Cyprus International Trusts enjoy important tax advantages, providing significant tax planning possibilities. The following advantages are indicative of the possible options for tax minimisation.

- all income whether trading or otherwise of an International Trust, (i.e. a Trust whose property is located and income is derived from outside Cyprus) is not taxable in Cyprus
- dividends, interest or other income received by a Trust from a Cyprus international business company are also neither taxable nor subject to withholding tax
- gains on the disposal of the assets of an International Trust are not subject to capital gains tax in Cyprus
- an alien who creates an International Trust in Cyprus and retires in Cyprus is still exempt from tax on all the property settled and the income earned is abroad, even if he is a beneficiary
- an International Trust created for estate duty planning purposes would not be subject to estate duty in Cyprus

Trusts are usually used by high networth individuals for the purpose of protecting their estate from inheritance or capital gains taxes in their home country. They can also be used by expatriates settling into a trust before repatriating assets acquired while working abroad, to protect such assets from the tax net of their home country.

#### 2 International trusts and other aspects

There are many situations other than saving in taxes where Cyprus Trusts can prove advantageous. These include the following.

- an individual, through the use of a Cyprus Trust, can ensure that minors, mentally handicapped persons or persons that cannot be trusted with the management of the individual's estate are well provided for, even after the individual's death
- an individual, through the use of a Cyprus Trust, can arrange to be inherited by persons, who due to the legislation of the individual's country, would otherwise be excluded from the inheritance
- an individual who wishes to divest himself of personal assets for fiscal or other reasons can achieve that by transferring them to a Cypriot International Trust



- an individual who wishes to keep the ownership of a company anonymous and confidential, can do this by setting
- up a Discretionary Cyprus Trust to own the shares in the company
- an individual who has or may have income arising overseas which he does not wish to remit to his country or residence, can arrange for such income to be directed to the Trustees of a Cyprus Settlement to be held on a Discretionary Trust in accordance with his wishes
- an individual with assets outside his country of residence, which country may in future extend its exchange control restrictions to include remittance of overseas funds, may wish to retain the flexibility of overseas funds by transferring them to a Discretionary Trust

### **3 Other advantages**

In addition to the tax and other aspects set out above there are other favourable factors for creating a trust in Cyprus.

The **favourable legal system** relating to Trusts together with the advantageous geographic position of the island make Cyprus a particularly attractive Trust location.

Cyprus international Trusts are **not subject to exchange control**. Bank deposits with Cyprus banks, either local or international, or with any bank around the world, are also not subject to exchange control. The absence of exchange control restrictions and the availability of excellent telecommunications and international banking services, make

Cyprus a convenient base for the remittance and transfer of funds.

The presence of a number of **reputable international fund management** companies on the island and the high standing of the legal and accounting professions ensure the availability of expert advice as well as the competent management services required for the proper operation of a Trust.

There are **no registration or reporting requirements** for Trusts established in Cyprus nor are the names of the Trust or of the persons referred to in the Trust Deed disclosed.

The only authority to be informed of the creation of an International Trust is the Central Bank and only in cases where the International Trust owns shares in a Cyprus international business company.

**Cyprus law is flexible** in that it allows the removal of a Trust from its jurisdiction and vice versa.

This could be important in cases where a change in circumstances may render such a transfer advantageous for fiscal or other reasons.

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