

International Trusts

General concept of Trusts:

A “person” being either an individual or a company (“the trustee”) agrees to hold certain assets (“the trust fund”) in its name for the benefit of another person (“the beneficiary”) on certain terms and with certain powers (which are usually set out in the Trust Deed). The assets comprising the trust fund are legally held and registered as owned by the trustee and the trustee is under a duty, enforceable in the Courts, to hold those assets and the income arising from them for the benefit of the beneficiary(ies).

Cyprus International Trusts:

Cyprus International Trusts are governed by the International Trusts Law of 1992 (hereafter the “Trust Law”) which regulates the establishment and administration of International Trusts.

Under the Trust Law, International Trusts are defined as those where:

- The settlor (i.e the person that creates the trust) and the beneficiaries are not permanent residents of Cyprus
- The trust property does not include immovable property in Cyprus
- At least one trustee is resident in Cyprus

The nature of the Cyprus international trust could be “discretionary”.

This means that the trust allows the trustee to exercise a large element of discretion with regard to distribution of income and assets, and to choose from a large “pool” of potential beneficiaries. The selection of beneficiaries from the “pool” could vary every year.

The main advantages Cyprus International Trusts are the following:

- Income, gains and profits are exempted from income tax, capital gains tax, special contribution or any other taxes in Cyprus
- No estate duty or inheritance tax in Cyprus
- No exchange control regulations
- An International Trust may carry out business in Cyprus subject of course to the laws of the country, which are imposed on the beneficiaries and not on the trust itself
- There are no reporting requirements in Cyprus for the International Trusts



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- 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

Asset protection:

Most settlors are interested in asset protection and the International Trusts Law makes specific provision to this effect. It provides that an International Trust shall not be void or voidable in the event of the settlor's bankruptcy or liquidation or in any action or proceedings against the settlor or at the suit of his creditors notwithstanding any provision of the law of Cyprus or of any other country.

An International Trust may be set aside by the settlor's creditors to the extent that it is proven to the satisfaction of the Cyprus Court that the International Trust was made by the settlor with the intent to defraud the creditors. The onus of proof of this intent shall be on the creditors.

Confidentiality and non-disclosure:

Confidentiality is of paramount importance. No government or Central Bank of Cyprus official may disclose to anybody any information or documents in connection with:

- Settlor
- Beneficiaries
- Trustees and their duties
- Accounts or property of the trust

A beneficiary is entitled to request from the trustees accounts of the trust. Furthermore, the court may order the disclosure of information or documents in criminal or civil proceedings cases, where the disclosure is important.

How can we help?

Ekkeshis + Ierodiakonou has extensive expertise in the formation and administration of trusts in Cyprus under the "International Trusts Law '92" and in other countries. Also offers trustee services.