

## KEY FACTS

# CYPRUS INTERNATIONAL TRUSTS

A CYPRUS INTERNATIONAL TRUST IS AN ENGLISH COMMON-LAW-BASED LEGAL VEHICLE, UTILISED BY HIGH-NET-WORTH INDIVIDUALS FOR ASSET PROTECTION, TAX PLANNING AND WEALTH MANAGEMENT. IT PROVIDES CONFIDENTIALITY AND SECURITY AND ENJOYS THE BENEFITS OF THE REPUBLIC OF CYPRUS' ATTRACTIVE TAX SYSTEM.

### REGULATION

- > A Cyprus International Trust (CIT) is governed by the Cyprus International Trusts Law of 1992 (as amended) ("CIT Law"), which has undergone recent amendments in order to modernize the concept of trusts in Cyprus and attract a wider range of high-net-worth individuals.
- > Trident Trust Company (Cyprus) Ltd. ("Trident Cyprus") is licensed in Cyprus to act as a trustee pursuant to the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 (as amended) ("ASP Law").
- > A CIT is subject to a stamp duty of €430. If the trust deed is stamped more than 30 days after the date of creation of the trust a late payment penalty is charged. The amount of the late payment depends on the length of the delay.
- > On 23 February 2021, Cyprus incorporated the provisions of the 5th Anti-Money Laundering EU Directive 2018/843 into its domestic legislation. This was implemented by amending the Prevention and Suppression of Money Laundering and Terrorist Financing Law 188(I)/2007, whereby it was resolved to create the register of beneficial owners of express trusts and similar legal arrangements, which will be administrated by the Cyprus Securities and Exchange Commission ("CySEC") (the authority in Cyprus which supervises Trident Cyprus).

### REQUIREMENTS

In order to qualify as a CIT the below statutory requirements must be met.

- > The settlor is not a permanent resident of Cyprus during the year preceding the year of establishment of the trust.
- > The beneficiaries are not permanent residents of Cyprus during the year preceding the year of establishment of the trust, but relocation to Cyprus the year after the establishment of the trust is permitted.
- > At least one trustee is a permanent resident of Cyprus.

### REGISTRATION

- > The details of the CIT and its beneficial owners and classes of beneficiaries are submitted to CySEC. However, this register is closed to all but government statutory authorities.
- > There is a one-off registration fee of €30 when the CIT is registered in the register of trusts maintained by CySEC.

### BENEFITS

#### Asset Protection

A CIT may be used to protect assets and will not be void or voidable in the event of the settlor's bankruptcy or liquidation. The CIT may be set aside by the settlor's creditors if it is proven to the satisfaction of a Cyprus court that the CIT was made by the settlor with the intent to defraud his/her creditors.

### Preservation of Wealth

A CIT facilitates the long-term management and preservation of family wealth by ensuring a gradual distribution of income and capital to children and grandchildren by the trustees, without burdening the children with the responsibility of managing the family wealth themselves.

### Taxation

- > Income, gains and profits from non-Cyprus sources are exempt from income tax, capital gains tax, special defence contribution or any other taxes in Cyprus.
- > Worldwide income, profit and gains are taxable in Cyprus only where the beneficiary is a Cyprus tax resident; beneficiaries who are non-residents of Cyprus are taxed only on Cyprus sourced income in accordance with Cyprus income tax laws. Dividends received by a CIT are not taxable and not subject to any withholding tax in Cyprus.
- > There is no estate duty or inheritance tax in Cyprus.

### Asset Planning

- > Assets can be added to the CIT at any time.
- > The CIT's assets are permanently separated from the settlor's personally owned assets.
- > The trust property can include Cyprus immovable property and all kinds of assets situated anywhere in the world.
- > The CIT can be a shareholder in a Cyprus or foreign company.

### The Proper Law of the CIT is that of Cyprus

- > Any question regarding the validity or administration of a CIT is subject to the laws of Cyprus without reference to foreign legislation if the chosen law of the CIT is the law of Cyprus.
- > The CIT or the dispositions of trust assets may not be challenged on the grounds that they are conflicting with the laws of another jurisdiction, e.g., regarding family and succession issues, or on the grounds that the other jurisdiction does not recognise the concept of trusts if the chosen law of the CIT is the law of Cyprus.

### Reserved Powers

- > Certain powers can be reserved to the settlor, but the trustee's legal discretion cannot be compromised.
- > A protector(s) may be appointed to oversee the activities of the trustees and to provide comfort to the settlor and/or the beneficiaries.

### Duration

- > There are no limitations on a CIT's duration, apart from when the trust deed specifically provides to the contrary

### CYPRUS PRIVATE TRUST COMPANIES

- > A private trust company (PTC) is a private company with its sole purpose being to act as a trustee of a specific CIT or a group of related CITs. The trustee decisions of the CIT are made by the board of the PTC.
- > PTCs are attractive for high-net-worth individuals and families who want to retain control over the management of the trust, as the settlor can appoint his trusted advisors to the PTC board.
- > The shares of a PTC do not have to be held by the client directly, but rather can be held via another corporate vehicle, such as a purpose trust.

- > A Cyprus PTC is exempted from the requirement to hold a trust business licence. This exemption is built on the principle that the Cyprus PTC only provides trust services to the family trust and its related trust(s) and that it does not solicit trust business from, or provide trust services to, the public.
- > A PTC can still benefit from the trustee licence maintained by Trident Cyprus by setting up a PTC as a subsidiary of Trident Cyprus for each specific CIT.

- ▶ PEOPLE LED
- ▶ TECH ENABLED
- ▶ GLOBAL COVERAGE
- ▶ TAILORED SERVICE

- ▶ 1,000 STAFF
- ▶ 25 JURISDICTIONS
- ▶ 38,000 ENTITIES
- ▶ \$140BN AUA

- ▶ FUNDS
- ▶ PRIVATE CLIENTS
- ▶ CORPORATE CLIENTS
- ▶ MARITIME

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