

International
TRUST
in Cyprus

TRUST: legal status and characteristics

✓ **TRUST** – is a special legal relationship (deed of trust), created by a *Settlor*, who transfers some or all of his property/assets to a *Trustee*, who holds and manage that trust property/assets for the benefit of the *Beneficiaries*.

✓ The legal concept of the **Trust** - is the division of property rights - the ownership, disposition of property / assets and their using:

Trustee owns the property / assets only in accordance with the objectives prescribed by the Settlor and in the interests of the Beneficiaries.

✓ Trustee takes an important duties in the process of assets management of the Trust:

- **Duty of care** - to make efforts to protect the interests of the beneficiaries;
- **Duty of loyalty** - not to put own interests above the interests of the beneficiaries.

✓ In accordance with the **wishes of the Settlor**, may be appointed a **Protector** - a person who has some control over the Trustee, usually including a power to block Trustee's decision or dismiss the Trustee and appoint another one.

✓ The **idea of Trust** arose in the common law system, which has Anglo-Saxon roots, and court decision has a great weight - the court precedents are fundamental.

TRUST: purpose and practice

✓ **Trust** is established for different purposes, but the most common are:

- **Asset Protection**
- **Tax Planning**
- **Control over inheritance process**
- **Anonymity of ownership of property / assets**

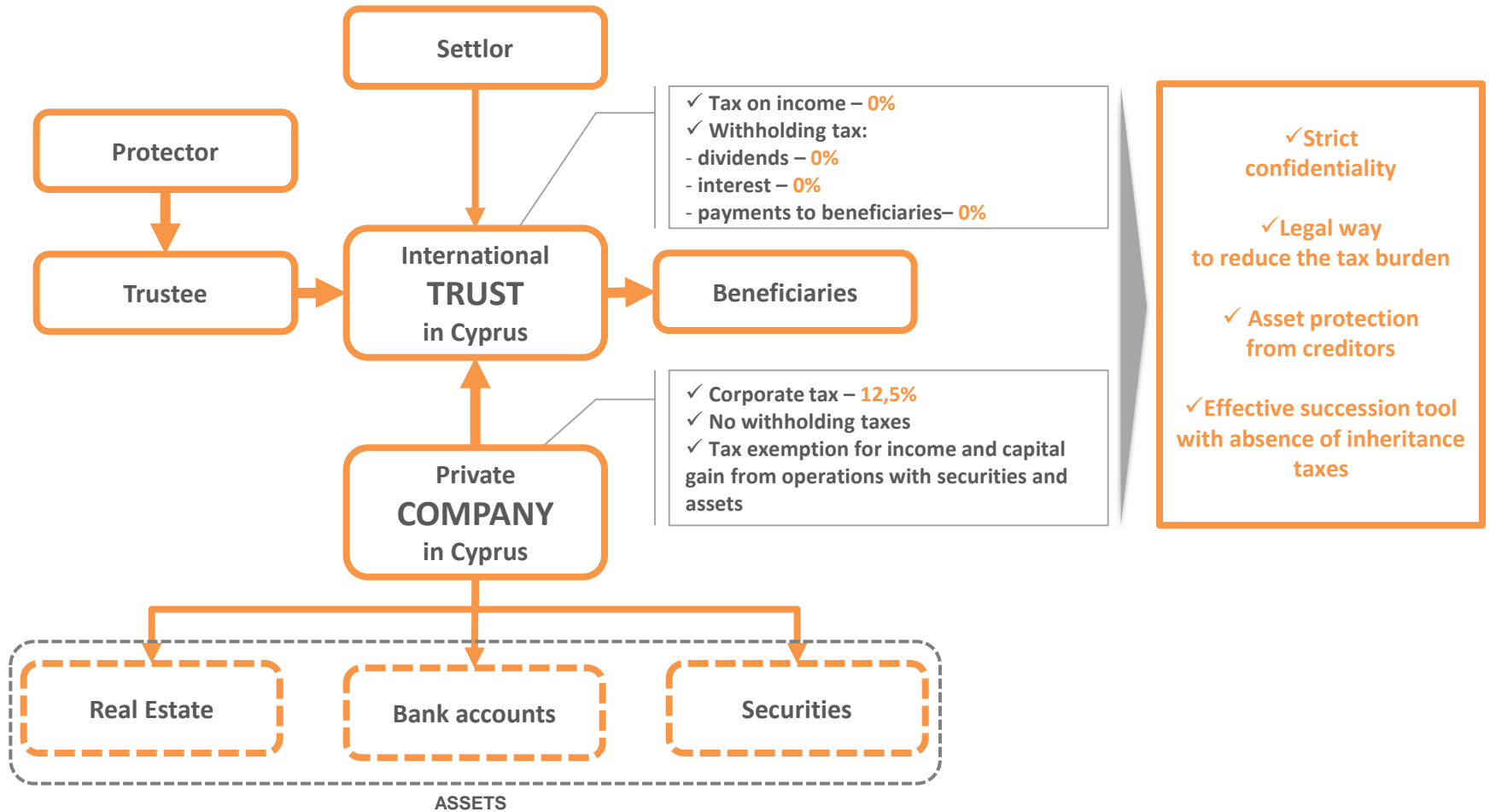
✓ **ASSET PROTECTION:** Trust can not be declared invalid or revoked, regardless of the provisions of the Cypriot or foreign law, bankruptcy or liquidation. The exception is when the Court of Cyprus proved that the Trust was created with the intent to defraud creditors of the Settlor. The proof of such intent is the responsibility of the creditors, the claim of protest for establishing of the Trust may be brought within two years from the date of transfer of assets to the Trust.

✓ **TAX PLANNING:** the Cyprus International Trust is not taxed in Cyprus. All of the income of an International Trust - local or from abroad - is not taxed in Cyprus. Dividends and interest received by a Trust from a Cyprus company is exempt from tax, no withholding tax for dividend payments. No withholding tax for payments to the Trust beneficiaries who are not residents of Cyprus. Capital gains on the sale of the trust assets are not subject to tax.

✓ **CONTROL OVER INHERITANCE PROCESS:** an individual person through the establishment of a Trust can ensure the well-being of minors, or persons with disabilities who are not able to make decisions on the management of the inheritance. Settlor may appoint his/her heirs to persons who under the law of residence country of the Settlor can not be considered as heirs. Trust is also often used as a tool for the protection of property in divorce proceedings.

✓ **ANONYMITY OF OWNERSHIP OF ASSETS:** the information regarding the owner of the company will be extremely confidential in case of creating a Trust, which will own the shares in the company. In this case, in order to provide greater control over the Trustee actions a Protector of the Trust can be appointed.

TRUST: an effective **tool for holding** structure



International TRUST in Cyprus:

legal framework, formation criteria and confidentiality

✓ LEGAL FRAMEWORK:

- The International Trust Law of 1992, 69(I), with amendments of 2012, 20(I)/2012
- Trustee Law of 1955 (Cap 193)
- The court practice of the British Empire until 1959
- The court practice of the Republic of Cyprus

✓ CRITERIA OF INTERNATIONAL TRUSTS IN CYPRUS:

- The Settlor is not resident in the Cyprus during the calendar year prior to the creation of the Trust. Settlor, beneficiary or trustee, or a combination thereof, may be a legal person
- At least one of the Trustees for the time being and during the whole duration of the Trust is a resident in the Cyprus
- Trust may include real estate, including real estate in Cyprus
- There is no limit on the period for which a Trust may continue to be valid or enforceable

✓ CONFIDENTIALITY:

- International Trust in Cyprus is not a subject for registration and does not submit official reporting. In the event that International Trust owns shares in a Cyprus company, the Central Bank of Cyprus shall be notified of the establishment of such a Trust
- The law prohibits a Trustee or other persons, including government officials and employees of the Central Bank to disclose any information about the Trust, including:
 - the Settlor and the Beneficiary of the Trust;
 - The bank accounts held for the benefit of the Trust;
 - On the property / assets transferred to the Trust, etc.
- If disclosure of information is essential to the outcome of a civil or criminal proceedings, only Cyprus court may order the disclosure of information

International TRUST in Cyprus: contemporary solutions

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