



D. HADJINESTOROS & CO LLC
ADVOCATES & LEGAL CONSULTANTS

CYPRUS INTERNATIONAL TRUST
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Overview of the Cyprus International Trust

Cyprus Law on International Trusts has been amended in 2012 making Cyprus one of the most competitive jurisdictions to set up such a Trust.

What is a Trust

The trust is an instrument where the person who creates the trust (the “Settlor”) appoints another person or persons (the “Trustees”) to hold property of the Settlor (the “Trust Property”) for the benefit of others (the “Beneficiaries”). Under such a deed, the Trustee becomes the legal owner of the Trust Property whereas the Beneficiaries become its equitable owners.

The trust can be created at a time where the Settlor is alive or on his death (for example through a testamentary disposition). In the latter scenario, inheritance laws are applicable. Here we are dealing only with Trusts created during the life of the Settlor.

What is a Cyprus International Trust (“CIT”)

For a Trust to qualify as a Cyprus International Trust (CIT), the following conditions must be satisfied:

- The Settlor (can either be a legal or natural person) must not be a permanent resident of Cyprus during the year preceding the creation of the Trust.
- At least one of the Trustees should be a permanent resident of Cyprus.
- The Beneficiaries (either legal or natural persons) must not be residents of Cyprus during the year preceding the creation of the Trust.
- There is a requirement of €430 to be paid as stamp duty as well as €30 for registration.



The CIT can be used for commercial or charitable purposes or to provide for one's family. In its commercial form, a CIT can be used as an investment vehicle, to provide for employees' pensions or other non-charitable purposes. In its family form, the CIT may be used to hold property for the benefit of others secretly, for minors and/or their successors. It can also be used to protect property against inheritors who may otherwise spend it or to protect property which has otherwise been apportioned to a married couple and their marriage has failed.

Uses and Benefits of the Cyprus International Trust

There are many uses and benefits in setting up a Cyprus International Trust:

Uses of the Cyprus International Trust

- A CIT can appoint nominee shareholders to hold shares in a company on behalf of the trust. In such cases, dividends, interest or royalties received by a CIT are not subject to withholding tax.
- Used to divest personal assets. For example, if someone wishes to dispose of an asset, he can do so by transferring it to the CIT.
- Used to avoid exchange controls. For example, if in the future exchange controls are placed for remittance of funds back to the home country, the CIT can be used to keep the funds as part of the Trust and outside the scope of the exchange control remittance regulations.
- A CIT can be used for estate planning. For example, through the trust the settlor can arrange for someone who wouldn't inherit otherwise (due to forced heirship rules), to inherit.



Benefits of the Cyprus International Trust

A. Difficult to Challenge

First of all, there is a two-year limitation period for challenging a CIT (or challenging the transfer of assets to the CIT) and the only reason it can be challenged is for defrauding creditors; the burden of proof being on the creditors to prove that the CIT (or the transfer of assets to the Trust) was made with the intent to defraud them.

Secondly, the laws of succession applicable in any country (including court orders or decisions or Governmental Authorities) will not affect the validity of a CIT or the transfer of property to the Trustee of a CIT.

B. Law Governing the Cyprus International Trust

If the law chosen to govern the CIT is Cyprus law, then as a matter of public policy the provisions in the CIT will be upheld regardless of conflicting provisions in the laws of Cyprus or laws of other jurisdictions. For this reason, any inheritance laws in any other jurisdiction will not be applied.

C. Flexibility of the Trust

The Settlor (provided this is expressed in the instrument) can reserve powers, which include the power to amend the trust, appoint or remove trustees, protectors or enforcers, or change the law governing the trust.

It should be noted that amendments require the approval of the court.

D. Confidentiality

Under our law, the Trustees of a CIT have an obligation not to disclose information or documents unless ordered to do so by the court or are required by law (For example the Trustee must register the Beneficiaries for tax purposes). What is required however is for the trust to be registered at the Trusts Registry for as long as the trust is governed by Cyprus Law. This registry is not available to the public for inspection but can only be inspected by the Competent Authorities.



E. Tax Advantages

- If the majority of the beneficiaries are Cyprus residents, then the trust will be taxed as a domestic trust. i.e. on all of its income worldwide.
- If the majority of the beneficiaries are non-residents, then the trust will be taxed only on its Cyprus-income. Given that the CIT is a transparent tax entity, a beneficiary who is not tax-resident in Cyprus, will be taxed only on income derived in Cyprus (note that in case the beneficiary is a tax resident in Cyprus, he will be taxed on his worldwide income).
- There are no inheritance related taxes in Cyprus.
- The Trustees are responsible for paying the taxes of a CIT.

F. Other Advantages of the Cyprus International Trust

- i. Indefinite in duration.
- ii. Avoidance of forced heirships.
- iii. Can be used to protect assets against legal action.

Our Services

It is relatively easy to set up a CIT and we can draft the CIT on your behalf in accordance with your instructions. Setting it up only requires a few days. A stamp duty is payable at the rate of €430 when setting up the CIT as well as €30 for the registration of the trust.

Our setting up fees vary in accordance with the complexity of the trust. The same applies in relation to our annual administration fees.



We have vast experience in setting up Trusts and we have a number of services on offer relating to the setting up and administration of the Trust. At D. Hadjinestoros & Co LLC we offer the following services:

- We draft and set up the trust.
- We administer the Trust in accordance with the settlor's wishes and can act as Trustees of the Trust property.
- We provide ongoing advice to the clients as well as the beneficiaries.

Give us call in order to arrange a meeting with one of the partners in order to discuss how we can help you.



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