Cyprus International Trusts: An Explanation and Why Consider Using One?

Trusts in Cyprus can be established either as domestic trusts under the Trustee Law or as Cyprus International Trusts (CITs), or under the Cyprus International Trusts Law.

By **Charalambos Pittas**, 6th December 2023

Introduction to Cyprus Trust Legislation

Trusts in Cyprus can be established either as domestic trusts under the Trustee Law or as Cyprus International Trusts (CITs), or under the Cyprus International Trusts Law. A Cyprus International Trust is an English common-law-based legal vehicle.

The Cyprus International Trust Law has undergone major reform and the law introduced in early 2012 (Law20(I)/2012, which amends the 1992 law) is said to have transformed the Cyprus Trust Regime into the most favourable Trust Regime in Europe.

In 2021 Cyprus fully implemented the provisions of the 5th Anti-Money Laundering EU Directive 2018/843 and the register of beneficial owners of express Trusts and similar arrangements was established, which is administered by the Cyprus Securities and Exchange Commission ("CySEC").

Why Cyprus?

Cyprus is a prominent fiscal international centre which provides attractive opportunities for setting up and operating a trust.
Some of reasons why a CIT may be used, are as follows:

- To hold property for minors or successive generations of a family

- To provide how the assets of the settlor will be divided between his family, without forced heirship limitations;
- To cater to a person who cannot take care of him/herself due to old age or mental incapacity;
- To provide benefits to underage people;
- As an investment vehicle

Requirements for the creation of a valid Cyprus International Trusts

The Law defines a Cyprus International Trust as having the following characteristics:

- The Settlor, whether a physical or legal person, must not be a resident of Cyprus during the calendar year, which precedes the year of creation of the Trust;
- The Beneficiaries, either physical or legal persons, except for a charitable institution, must not be resident of Cyprus during the calendar year, which precedes the year of creation of the trust; and
- At least one of the Trustees is, throughout the lifetime of the trust, must be a resident of Cyprus.

Benefits

Cyprus International Trusts are widely utilised by high net wealth individuals for asset protection, tax planning and wealth management.
Some of the benefits a Cyprus International Trusts can offer are as follows:

- Asset protection against creditors, forced heirship rules or legal action;

- Difficult to challenge, as the only reason it can be challenged is in the circumstances where creditors are being defrauded. The burden of proof in this case lies on the creditors;
- Confidentiality (as far as permitted by relevant laws)
- Preservation of family wealth and gradual distribution of income and capital to the Beneficiaries;
- Flexibility in relation to the powers of the Trustee;
- Tax benefits for the parties involved;
    - No Capital Gains Tax is paid on the disposal of assets of a Cyprus Trust
    - No estate or inheritance tax
    - Income received from local or overseas sources is taxable in Cyprus where the beneficiary is a Cyprus tax resident. If beneficiaries are non-tax residents of Cyprus, only Cyprus sources of income are taxable under Cyprus's income tax law.

Our services

- We advise clients about the creation of a CIT, including proposing structuring ideas for creating and operating a CIT,
- We draft all required legal documents,
- We set up private trustee companies (PTCs) in Cyprus and in other jurisdictions,

- We advise clients and trustees about issues arising in relation to a CIT Including trustee powers, beneficiary rights and interpretation of trust deeds.

Why us

Dixcart has been providing professional expertise to organisations and individuals for over 50 years. We are an independent group and are proud of our experienced teams of highly qualified, professional staff who offer international business support services around the world. Dixcart work closely with professional intermediaries worldwide. These include accountants, fiduciaries, and lawyers.

Dixcart Management (Cyprus) Limited can assist you in every step of the creation of a Cyprus International Trust.

Additional Information

For further information about the Cyprus International Trust, please contact Charalambos Pittas or Katrien de Poorter at the Dixcart office in Cyprus: advice.cyprus@dixcart.com.