Cyprus International Trusts - Regulatory Framework

Totalserve Trustees Limited
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Totalserve Trustees Limited

- Established in 1989
- Headquartered in Limassol, Cyprus
- Dedicated to the provision of trustee and private client services.
- Our team consists of qualified, experienced and highly skilled professionals well versed in Cyprus and international trust, corporate and tax laws attuned to provide expert advice
- International client base - large multinationals, high net worth individuals, entrepreneurs, financial services and banking institutions, non-profit organisations.
- Established relationships with professional associates worldwide
- Regulated by the Cyprus Bar Association.
- Totalserve Trustees Ltd has been awarded and operates under a Quality System Certification that conforms with the requirements of the Standard, “CYS EN ISO 9001:2008”.
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### Historical Overview of Trust related laws

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<th>Description</th>
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<td>1925</td>
<td>The Trustees Act (1925)</td>
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<td>1955</td>
<td>The Trustees Law (cap 193)</td>
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<td>1960</td>
<td>Laws of the Republic</td>
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<td>1992</td>
<td>The International Trusts Law 69/92</td>
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<td>2000</td>
<td>EU reviews all Cyprus Laws for compliance, except Trust Laws</td>
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<tr>
<td>2007</td>
<td>The Prevention and Suppression of Money Laundering Activities Law</td>
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<td>2012</td>
<td>International Trusts Law Amendment</td>
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<tr>
<td>2012</td>
<td>The Regulation of Fiduciary Service Providers Law L.196 (I)/2012</td>
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<td>2013</td>
<td>First Amendment to the Law regulating Fiduciary Service Providers in Cyprus L.196 (I)/2012</td>
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<td>2013</td>
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<td>2017</td>
<td>Ratification of the Hague Convention on the Law Applicable to Trusts and on their recognition</td>
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The term “International Trusts” refers to the trusts which are set up under the provisions of the International Trusts Law of 1992 to 2013.

A Cyprus International Trust is a trust whereby:

Settlor

Must NOT be Cyprus tax residents during the calendar year prior to the creation of the Trust.

And

Beneficiary/ies

Trustee(es) (at least one Cyprus tax resident)
» General rule:

Trusts that have Cyprus tax residents as beneficiaries are transparent for Cyprus tax purposes

... so ...

CITs (or other jurisdictional trusts) that have non-Cyprus resident beneficiaries, non-Cyprus sourced income and no immovable property in Cyprus are completely tax exempt from Cyprus taxes
Following the 2012 CIT amendments:

1) Settlor and/or any of the Beneficiaries can become tax residents of Cyprus
2) CIT can own Cyprus immovable property
3) CIT can own shares in Cyprus companies
4) CIT can have Cyprus sourced income

But how do these affect the Cyprus taxability of a CIT?

→ Because of the automatic non-domicile ("non-dom") status that foreigners get when moving their tax residency in Cyprus, with proper planning, there can still be no Cyprus taxation.
Cyprus International Trust (CIT):
» Governed by the International Trusts Law of 1992 as amended

» Increased demand for Cyprus International Trusts over the last few years

» Redomiciliation of existing Trusts in and out of Cyprus is possible

» The currently enhanced anti-money laundering regime in Cyprus adds new and increased dynamics and makes the CIT more attractive
Current Regulatory Framework

- Trustee Licence required
- **NO** licence is required for the Protector of a Trust
- **NO** licence is required for PTCs belonging to the beneficiaries of the Trust or their close relatives subject to conditions being met.

**REGISTRATION OF TRUSTS** in a non-publicly available register

- Enhanced compliance & Anti Money Laundering requirements/obligations

**CYPRUS IS CURRENTLY AT THE FOREFRONT OF THE TRUST BUSINESS**
Measures within the scope of the Law

- Trustees must collect and maintain accurate and updated information on the following elements, where and if these are applicable:
  
  - Trustees;
  - Settlers;
  - Beneficiaries or information on the class of beneficiaries including the beneficiaries to whom any distributions have been made pursuant to the trust;
  - Protector;
  - Investment advisor, accountant and tax consultant;
  - The activities of the trust;
  - Any other person who exercises effective control over the trust.

- The above information must be maintained in the Republic of Cyprus and be made available for disclosure to and inspection by the relevant Competent Authorities, at all times.
Trust Register

- Imposes an obligation on all Cyprus resident Trustees maintain a trust register with their respective regulatory body disclosing the following information:
  - the name of the trust;
  - the name and full address of every trustee;
  - the date of establishment of the trust;
  - the date of any change in the law governing the trust to or from Cyprus law; and
  - the date of termination of the trust.

**NO** information is disclosed on the said register which identifies the Settlor, Protector (if any) and/or Beneficiaries of the Trust, no copies are provided of documents relating to the trust and no information is available to the general public.
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Why Cyprus for Establishing a Trust?

- Short Limitation period (two years) for challenging a trust. Burden of proof is on the creditor.
- Flexibility in adopting a foreign law.
- Reasonable cost of establishment and administration.
- Availability of highly skilled professionals.
- Favourable tax jurisdiction.
- Worldwide recognised and highly regulated regime.
International Considerations

Main parameters for all implicated countries to consider:

- Raising International awareness and inspiring national commitment to attack money laundering
- Respect to privacy in relation to trusts and underlying assets;
- Tax treatment.
What it entails…

- EU Member States are obliged to create central registers containing information on the beneficial ownership of corporations, including Anglo-American trust structures;

- Access to the central register is expected to be granted to persons and organisations capable of evidencing a ‘legitimate interest’;

- Member States, however, are entitled subject to conditions to restrict access to information regarding beneficial owners completely or partially in exceptional cases.
There is a fine line to be drawn and an immediate need to distinguish between

- everyone’s effort to combat money laundering and terrorism; and
- exposure of client private data to “uninterested” parties;
Thank You!

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Director

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