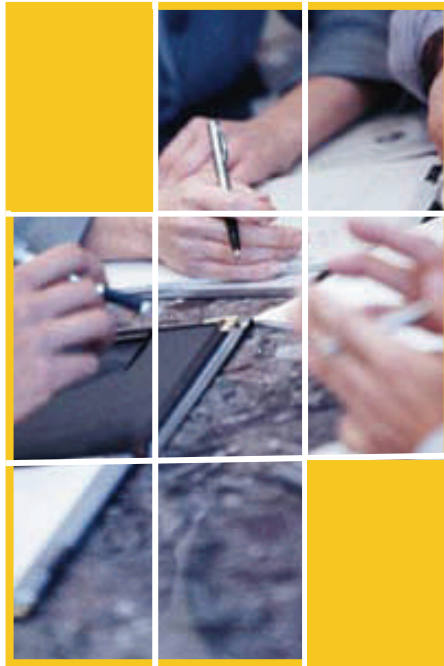


# International Trusts



***An International Trust is a vehicle to protect assets while obtaining tax benefits.***

## Concept of Trusts

Trusts in conjunction with Tax planning and business structure may result beneficial to wealthy individuals, their families or even entrepreneurs. Trusts have been created for different reasons such as, to reduce or minimise taxation, asset protection and alter the disposal of assets on the death of people.

A trust is created by one person (the Settlor) either by oral declaration or by written document who transfers property to another person or persons (the trustee/s) who must hold that property for the benefit of other person or persons (the beneficiary/beneficiaries) When expressed in writing (and it is almost always in writing) the document is called a "Trust Deed" or "Instrument of Trust".

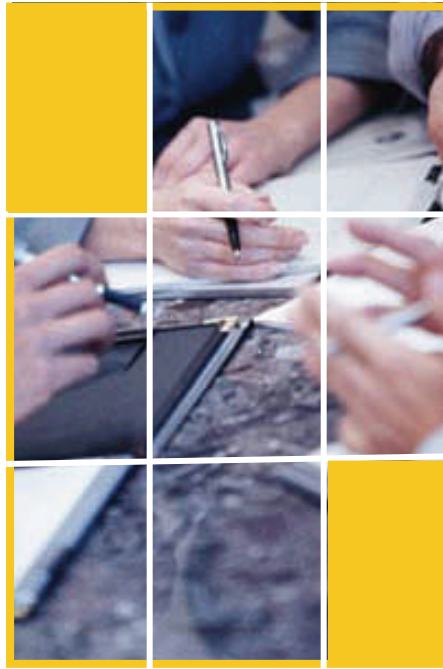
## Procedure

A Trust may include property (any kind of assets movable, immovable, cash shares etc) anywhere in the world (but not any immovable property in Cyprus).

Essential requirements to set up an International Trust in Cyprus are:

- ◆ The settlor is not a permanent resident of Cyprus (a Cyprus IBC will qualify as a settlor)
- ◆ The beneficiary is likewise not a permanent resident of Cyprus (charitable institutions are an exception to this rule)
- ◆ The trust property does not include any immovable property in Cyprus
- ◆ A minimum of one trustee is resident in Cyprus (a Cyprus IBC or partnership is considered a resident trustee).
- ◆ Trusts are confidential and can be tailor made to the particular requirements of the parties concerned.
- ◆ Unless specifically and explicitly otherwise provided in the trust instrument, is considered to be:
  - ⇒ irrevocable by the settlor
  - ⇒ for a period of 100 years from its existence

# International Trusts



- ◆ empowers the trustees with wide powers to invest at their absolute discretion the whole or part of the trust fund exercising prudence and due diligence
- ◆ allows the relocation of the trust and the change of the proper law of a foreign trust to the law of Cyprus and the Cyprus trust to adopt a foreign law
- ◆ prohibits the disclosure of any information as to the settlor, the beneficiaries etc not only by the trustee but also by any other government body, unless specifically ordered by a Cyprus Court in case of civil or criminal proceedings
- ◆ the income of the trust may be accumulated for the entire duration of the trust (this cannot be excluded by the Settlor)
- ◆ a beneficiary is entitled to request the trustees to furnish him with information in relation to the accounts of the trust fund;
- ◆ the appointment of a “protector” or “guardian” is possible; and
- ◆ Types trust can be Discretionary, Fixed Interest, Purpose, Unit Trusts, Accumulation/Maintenance and Charitable.

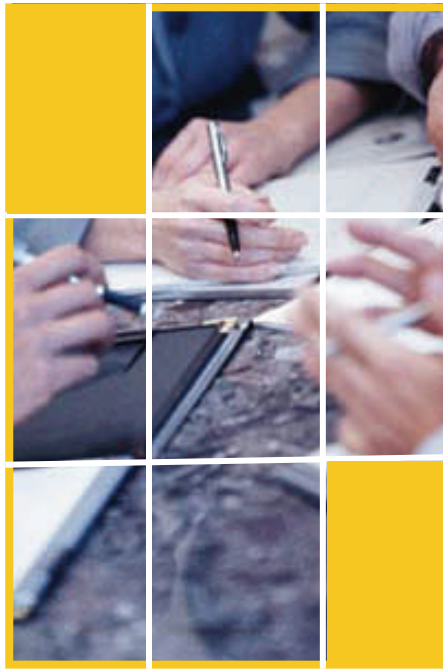
## Taxation

The law exempts international trusts from any income, inheritance or capital gains tax.

No provisions of any inheritance or succession laws of any country in the world shall in any way effect the validity of a transfer or disposition of assets into the trust.

As far as asset protection is concerned an International Trust shall not be violable or void simply because the settlor becomes bankrupt after the disposition or the transfer of his assets. The Creditor will have to prove (and the onus of proof lies with them). Any action must be brought within two years from the date of the transfer of the property.

# International Trusts



## Uses of Trusts

- ◆ as a tax planning instrument
- ◆ to accumulate income and capital;
- ◆ as tax planning in case of future change of residence;
- ◆ to hold shares in Cyprus companies;
- ◆ all other uses applying to trusts in general such as:
  - ◆ Protection of assets for the benefit of children until they reach a certain age;
  - ◆ Preservation of asset/property in the family;
  - ◆ Confidentiality of transactions;
  - ◆ Protection of assets against creditors;
  - ◆ Charities;
  - ◆ Wills, specially for countries with forced heir-ship rules;
  - ◆ To provide pensions, maintenance, take care of employees;
  - ◆ for trade purposes

## Advantages

- ◆ geographical location;
- ◆ excellent telecommunications;
- ◆ high standards of professionals, lawyers, accountants etc.;
- ◆ possibility of setting up professional trustee companies;
- ◆ no taxation on any income or on any inheritance;
- ◆ no capital gains tax; and
- ◆ the use of a Cyprus International business Company as a trustee, all directors of which may be foreigners, There are possibilities for the settlor to arrange his business in the way that best suits his own needs. For example, the object is for the settlor to maintain full control over the management of the Trust, he may arrange this in the following way:
  - ◆ The settlor sets up a Cyprus IBC under the existing favorable conditions for the set up of such entities;
  - ◆ The shares of the IBC beneficially belong entirely to the settlor although they may be held by nominee shareholders for confidentiality purposes;
  - ◆ The settlor may be appointed sole director of the IBC;
  - ◆ The IBC could act as the sole trustee of an International Trust to which the assets of the settlor are transferred.