

## CYPRUS

## Fiduciary services report: Cyprus

With its strategic location, great accessibility, excellent infrastructure and the numerous government incentives, Cyprus is an ideal financial and business hub. Investments of European origin have to comply only with certain restrictions such as among others, respect for the environment and safety standards. With Cyprus' EU accession, dividends paid to Cyprus from other EU countries have no tax withheld in those countries.

Cyprus provides for numerous tax benefits and it is classed as a low tax jurisdiction. Its tax and legal systems are in full compliance with EU and OECD requirements and thus including Cyprus in the white list of international cooperative jurisdictions. Cyprus actually provides for the lowest corporation tax in the EU with a tax rate of 10%. Under the Cypriot corporation income tax, inbound dividends are not taxable and there are provisions in place that may even exempt such inbound dividends from being subject to the special contribution defence fund (SCDF).

Besides the low corporate tax rates, the numerous double tax treaties that Cyprus has concluded with other countries, including all eastern European countries, offer tremendous possibilities for international tax planning through Cyprus in view of the fact that any tax paid in a country with which Cyprus has a treaty is deducted from the Cyprus tax payable on the same income and Cyprus does not impose any withholding tax and dividends, interest and royalties paid by business companies.

Outbound dividends are not subject to any withholding taxes. They are however subject to SCDF if paid to Cyprus tax resident individuals. Cyprus does not impose capital gains tax on the disposal of shares unless it relates to immovable property situated in Cyprus. If the immovable property is located outside of Cyprus, such gains are exempt. Nonetheless, Cyprus has expanded the applicability of the tax benefits obtained by the EU directives to all third countries by incorporating the provisions of the EU directives in its national legislation.

The Tax Legislation of Cyprus has also created a unique environment for holding

and trading companies. It has introduced numerous advantages making Cyprus a prime location in the international field of holding and trading regimes. Cyprus has committed itself to the preservation of its low tax regime as an ideal location for holding companies on an international scale. Cyprus, by virtue of its exceptionally advantageous tax system, has emerged into one of the most attractive holding regimes worldwide.

Moreover, for the purpose of attracting foreign investors to create in international trusts in Cyprus, the International Trusts Law of 1992 has been passed and deals with the regularisation of international trusts. This Law offers freedom of movement of funds and it removes certain doubts as to whether the existing legislation could cover arrangements such as those, which are common in other jurisdictions.

Cyprus international trusts enjoy important tax advantages, providing significant tax planning possibilities. The following advantages are indicative of the possible options for tax minimisation: all income, whether trading or otherwise, of an international trust (ie, a trust whose property is located and income is derived from outside Cyprus) is not taxable in Cyprus. Dividends, interest or other income received by a trust from a Cyprus international business company are neither taxable nor subject to withholding tax. Gains on the disposal of the assets of an international trust are not subject to capital gains tax in Cyprus. The assets of an international trust are not subject to estate duty in Cyprus.

Trusts are usually used by wealthy individuals for the purpose of protecting their inheritance or capital gains taxes in their home country. They can also be used by expatriates settling into a trust before repatriating, assets acquired while working abroad, to protect such assets from the tax net of their home country.

Trusts created in Cyprus can prove advantageous for a number of reasons. For instance, an individual who wishes to divest himself of personal assets for fiscal or other reasons can achieve this by transferring them to an international trust created in

Cyprus. Also, individuals moving to a high tax country may obtain fiscal advantages in their new country by placing funds in an international trust created in Cyprus.

In addition to that, trusts are advantageous when an individual who wishes to invest in business overseas, wants to ensure that the profits and dividends received are not remitted to the country of his residence.

Lastly there are no registrations or reporting requirements for trusts established in Cyprus nor are the names of trust or of the persons referred to in the trust deed disclosed. The only authority to be informed of the creation of an international trust is the Central Bank of Cyprus and only in cases where bank accounts are opened in Cyprus. Again no names are disclosed.

Being one of the most reputable law firms in Cyprus, Christodoulos G. Vassiliades & Co. LLC has developed its expertise to provide a full range of legal, administrative and international tax planning services, particularly to foreign clients and trusts. Professional and management services are provided through the firm's affiliated companies. The firm's competitive advantage stems from its commitment to clients, personalised approach, innovative quality service and deep industry knowledge.

Christodoulos G. Vassiliades  
& Co LLC

Ledra House 15, Agiou Pavlou Street,  
Agios Andreas 1105 Nicosia, Cyprus  
Christodoulos G Vassiliades  
Managing director  
Tel: + 357 22 55 66 77  
cgv@vasslaw.net  
www.vasslaw.net



**CHRISTODOULOS G. VASSILIADES & CO. LLC**  
*Advocates - Legal Consultants*

