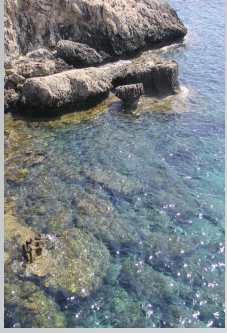




Major moves - Mighty solutions



ABOUT CYPRUS

Cyprus lies in a distinctive and unique location as a “bridge” between three continents: Europe, Asia and Africa. It has a long and varied history. It is situated in the north-eastern corner of the Mediterranean Sea, 75km south of Turkey, 90km west of Syria and 380 km east of the Greek island of Rhodes.

Due to its favourable location, Cyprus has developed into an appealing international business centre. The geographical position is further promoted and enhanced for this purpose by its highly educated English-speaking population, moderate local costs, good airline connections and telecommunications, an excellent climate and lifestyle, a developed legal, institutional and professional infrastructure. Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia with an area of 9,251 sqkm.

Cyprus is in the Mediterranean climate zone and it is characterized by its short mild winters and long dry and warm summers. On average the island enjoys more than 300 days of sunshine every year. Cyprus has turned into a major tourist resort because its visitors are attracted to its sandy beaches, stunning scenery, historic monuments, rich culture, excellent quality of accommodation, and because Cypriot hospitality is legendary!

TRANSPORT NETWORK

The island has an efficient and effective transport network with two main international airports, the biggest of which is in Larnaca and the other one in Paphos. Cyprus is also accessible by ship courtesy of two ports, the Limassol Port and the Larnaca Port. Limassol Port is by far the larger of the two, approximately 90% of all the passenger vessels arriving at and departing from Cyprus are handled in Larnaca and it is the shipping and international business centre of the island. Cyprus has the tenth-largest ship registry worldwide and the third within the E.U. Cyprus is also the third largest ship management centre in the E.U.

TOWNS – POPULATION

The total population of Cyprus is around 800,000 with the capital, Lefkosia (Nicosia) being the largest town. Lefkosia is also the seat of the Government as well as the main business centre. The second biggest town of Lemesos (Limassol), where our firm offices are situated, is the main commercial port of Cyprus and also a popular tourist resort.

The coastal town of Larnaca can be distinguished because the main International Airport is situated there and also because it has the second commercial port of the island. The town of Paphos is a fast developing tourist resort and home of the island's second International Airport. Famagusta and Kyrenia are the other two towns of Cyprus, which are situated in the illegally occupied part of Cyprus since the Turkish invasion in 1974.

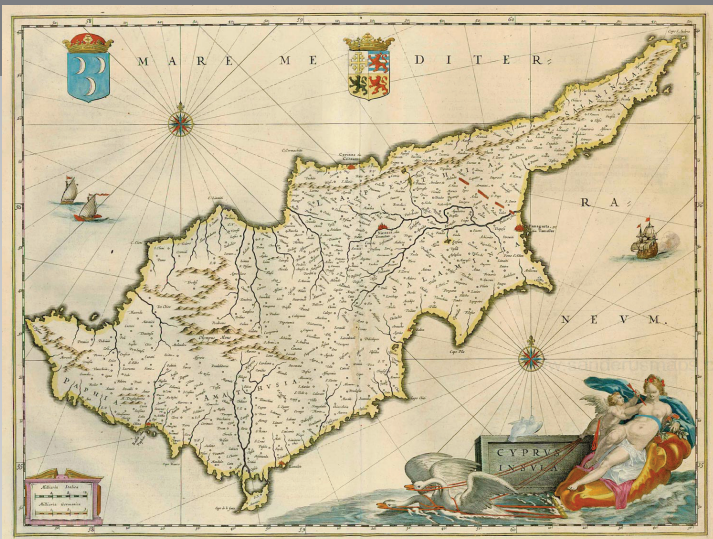
NEW ECONOMIC ERA

With the accession into the European Union, as from the 1st May 2004, Cyprus has been able to offer more attractive investment opportunities to entrepreneurs and advantages to investors.

Cyprus has an open, free-market, service-based economy with some light manufacturing. The tertiary sector is the largest contributor to the Cyprus economy. After its independence, Cyprus has enjoyed a thriving economic performance, reflected in rapid economic growth, full employment rates, external and internal stability.

Cyprus is classified among the high-income countries. Its standard of living is even higher than some EU member-states and its economic performance compares favourably with that of most EU countries.





BUSINESS ENVIRONMENT

There are many factors that have contributed to making Cyprus a favourable environment for doing business. The characteristics of the business environment in Cyprus reveal the advantages and flexibility Cyprus offers as an international business and financial centre:

- Cyprus is considered to be a low tax country rather than a tax heaven country;
- The island has an extensive Double Tax Treaty Network;
- Friendly international relations;
- Sophisticated infrastructure;
- Excellent professional services with modern banking and insurance networks;
- Highly-educated and versatile workforce;
- Low operational costs;
- High standard of living;
- High quality of primary, secondary and university education.

All these make Cyprus the perfect place for today's investors and business people.

LEGAL SYSTEM

The legal system in Cyprus follows the English Legal structure and consequently all statutes relating to business matters and procedures are very similar to those of the English system. Most laws have been officially translated into English allowing foreign entrepreneurs easily to come to terms with the Cyprus legal system.

BANKING SYSTEM

The banking industry is well developed and plays a predominant role and also acts as an effective intermediate between savers and investors. Its system comprises three categories of credit institutions:

- The domestic commercial credit institutions
- The co-operatives
- The international credit institutions.

All commercial banks are able to offer any kind of international financial transaction due to a well built correspondent network and are capable of adapting to an aggressive and competitive market. They are currently providing all the up-to-date electronic facilities that most international banks provide.

ACCOUNTING SYSTEM

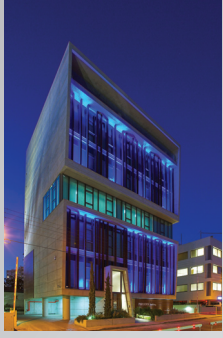
All accountants and auditors, providing services to the public, are approved by the Ministry of Commerce. The approval is only given to qualified persons, members of recognized overseas accounting bodies. The main accounting body in Cyprus is the Institute of Certified Public Accountants (ICPAC). The accounting profession is bound to follow the international accounting and auditing standards.

CYPRUS, AS A MEMBER OF THE EU

Since its accession to full membership into the EU, Cyprus has been exposed to various economic advantages. Cyprus now participates and enjoys full access to the Union's internal market allowing goods, services, workers and persons to move freely throughout Europe. Cyprus joined the EMU (European Monetary Union) and adopted the Euro since 1.1.08.

Citizens of the EU, as well as businessmen, are now experiencing the new business challenges and opportunities that this large economic market offers. Cyprus will certainly contribute in the future growth and development of the EU by offering investment opportunities and providing comparative economic advantages to potential investors and businessmen. Cyprus is undoubtedly the ideal gateway for EU inbound and outbound investment.





COMPANIES IN CYPRUS

Our firm has the legal expertise to advise and assist our potential local and international clients on all matters relating to the incorporation and management of companies in Cyprus and abroad. Moreover, it has been successfully involved in all areas relating to corporate litigation, thus facilitating the whole corporate spectrum of our clients' requirements.

CORPORATE SERVICES & LITIGATION

Our Legal Firm has a long established expertise in the corporate fields and this expertise covers all areas of corporate litigation, corporate structuring and tax consultancy.

Other corporate services are offered by our associate company **MultiLysis Services Ltd** and include inter alia:

- Registration of companies in various jurisdictions
- Management and administration of companies
- Tax consulting
- Accounting and book-keeping services
- Provision of office facilities
- Corporate and secretarial services
- Provision of various services which fulfil our clients' banking needs

Incorporation of a Company

The following information is required for the incorporation of a Company:

- Name of the company, approved by the Registrar of Companies;
- Objects of the company. Once the company name is approved, the Memorandum and Articles of Association are prepared and submitted to the Registrar of Companies;
- Authorised and issued share capital (No legal requirements as to the minimum or maximum share capital exist);
- Names, addresses, nationalities and occupation of the Directors, secretary and shareholders, as well as their passport details and dates of birth. Every Cyprus Company must have at least one shareholder, one Director and a Secretary;

- The address of the Registered Office. The registered office address is the official address of the company, where registered, statutory books and the seal of the company must be kept. Also, summons and writs are served at the registered office. Our firm's address is used as the registered office of client companies.

It should be noted that under the Companies Law Cap. 113 of Cyprus, financial statements of Cypriot companies are prepared in accordance with the International Financial reporting Standards.

TYPES OF COMPANIES

International Business Companies (IBCs)

International Business Company is not a legal term. When referred to, it usually means a limited liability company, the shares of which are held by non-residents and its activities are usually outside Cyprus. An IBC can either be *resident* in Cyprus, if its management and control is in Cyprus or *non-resident*, if its management and control is outside Cyprus.

Management and control suggests, among other things, that the majority of the members of the Board of Directors are resident in Cyprus and that the important decisions by the Board are taken in the Republic of Cyprus.

Characteristics of IBCs

- An IBC represents a separate legal entity and can sue or can be sued in its own name. It usually takes the form of a private limited liability company by shares;
- The registered address of the company must be in Cyprus;
- The number of shareholders in such a company may be from 1 to 50 and in case there is only one shareholder, it should be specified in the Memorandum and Articles of Association of the Company;





- Shareholders may either be Cypriot or foreign natural or legal persons.
- There is no minimum authorised share capital but, as a matter of course, such share capital is usually €1000, with the value of each share being €1.00;
- There should be at least one Director and one Secretary;
- Cyprus Companies are taxed at 12,5% on their profits, provided that their management and control is exercised within Cyprus. In such case, these companies may be able to take advantage of the Double Tax Treaty Network available in Cyprus. If the management and control is outside Cyprus, then the company would not be subject to taxation in Cyprus;
- An IBC should submit accounts yearly to the Tax Authorities and the Registrar of Companies.

Cyprus Holding Companies

Cyprus has emerged as one of the most favoured holding company jurisdictions in Europe. The location of the island as well as the tax legislation, which has been developed in accordance with EU and OECD requirements, have contributed to making Cyprus an attractive location for the setting up of holding companies. Holding companies are set up as an efficient means of fusing ownership of investments in operating subsidiaries. Businessmen will usually decide which jurisdiction provides the most tax effective means when establishing a holding company.

Advantages that an IBC or a Holding company may have:

- Gains from buying and selling shares and/or other securities are exempt from tax;
- Capital gains tax is not imposed on profits made from the disposal of assets, unless the gain arises from the sale of immovable property situated in Cyprus;
- Dividends received from abroad are completely exempt from income tax;
- Lower withholding tax rates in other countries on remittances of income resulting from dividends, royalties, or interest due to the applicability of Double Taxation Treaties;
- Dividends (including payments of interest or royalties) paid to non-resident shareholders are not subject to any withholding taxes;
- Its profits are taxed at the corporation tax rate of 12,5% provided its management and control is in Cyprus;
- Tax losses can be carried forward indefinitely;
- Unilateral tax credit relief.

Other advantages:

- Employees from member states of the European Union do not require a work permit. Non-EU employees can obtain work-permits;
- No exchange control restrictions on companies and their employees in relation to opening and operating bank accounts etc;
- Relatively low operational costs;
- Cyprus is easily accessible both by sea and air;
- Excellent professional services with modern banking and insurance networks.





TAXATION

Tax forms a crucial element in the commercial life of all businesses and will often play a major role in the structure of more complex transactions. Our international tax practice provides strategic advice at an early stage of transactions to identify effective structures and avoid needless liabilities along the full range of commercial transactions. Our firm has the legal expertise to deal with both domestic and international tax planning and to ensure that it is documented and implemented effectively, by providing a full support service.

Our Tax services focus on the following areas:

- Administration, analysis and assessment of our clients structure of business transactions, to ensure tax efficiency by maximizing operational benefits and minimizing tax.
- Personalized information and guidance on tax effective structures.
- Provision of information on direct and indirect taxation.
- Negotiations with relevant tax authorities.
- Conducting tax litigation

Taxation and International Tax Planning

Cyprus has become more attractive than ever to foreign investment and to International Business Companies (IBCs) since the reform of Cyprus tax legislation and its subsequent amendments.

Major objectives of the tax reform:

- Harmonization with the EU (Acquis Communautaire)
- Compliance with the EU Code of Conduct for Business Taxation and with the commitment to the OECD for the elimination of harmful tax practices.
- Modernization and simplification of the tax system.
- Reduction of marginal tax rates and broadening of the tax base.

Cyprus- Double Tax Treaties

The combination of the Cyprus favourable tax regime, which is fully harmonized with the EU code of conduct for business taxation, with the OECD for the elimination of harmful tax practices and its wide network of Double Tax Treaties have greatly contributed in making Cyprus one of the most reputable and respectable international business centers. The existence of these treaties offers unique tax efficiency possibilities, which naturally act as a strong incentive to foreign investors and businessmen to invest in many countries through Cyprus.

The main purpose of Double Tax Treaties is to encourage cross border investment, by avoiding international double taxation, whereby the same profits are taxed in two or more states in respect of the same person.

Cyprus has concluded an impressive number of treaties for the avoidance of Double Taxation with most European countries, Russia, the USA, Canada, China, India, South Africa, Singapore and with several Arab countries.

The Direct Tax System of Cyprus

The main taxes are:

- Income tax
- Special Contribution for the Defence of the Republic
- Capital gains tax
- Immovable property tax

Income Tax Law

The Income Tax Law applies both to individuals (income tax) and legal entities (corporation tax). Partnerships on the other hand are not subject to tax as separate legal entities but their income is allocated and assessed to tax on the partners (whether individuals or companies).

All companies are required to submit to the Department of Inland Revenue tax returns and statements audited by an accountant practising in Cyprus.

The tax system adopts the taxation of worldwide income earned by Cyprus tax residents and taxation of Cyprus source income earned by non-residents. A tax resident is defined by the law as a person who stays in Cyprus for more than 183 days per calendar year. A legal entity is considered to be a tax resident if the management and control of the entity is exercised in Cyprus. Management and control suggests among other factors that the majority of the Directors are resident in Cyprus and that the important decisions by the Board are taken in Cyprus.

Sources of Income:

Tax Residents are taxed on their worldwide income from the following sources:

- Business profits
- Employment income
- Rental income
- Royalties
- Pensions
- Any consideration in relation to trade goodwill.

Non residents are taxed on their income from the following sources:

- Business profits from any permanent establishment situated in Cyprus
- Employment income from the employment exercised in Cyprus
- Pensions deriving from a past employment exercised in Cyprus



- Property income obtained from any property situated in Cyprus
- Any consideration in relation to trade goodwill
- The gross income derived by an individual from any profession or vocation exercised in Cyprus.

Income Tax Exemptions and other advantages for Cyprus tax residents

There are a number of exemptions and advantages that make Cyprus favourable for investment and establishment of businesses. The most important are:

- Profit from the disposal of securities (such as share, bonds, debentures, etc) of companies incorporated in Cyprus or abroad
- Profit from the disposal of units in a mutual fund
- The whole interest income of individuals and companies are exempted from Income tax. It should be noted that the interest income generated from the ordinary activities of a person, including interest which is closely connected with the ordinary activities of a person, will be treated as trading income and not as "interest income" and hence will be chargeable to corporation or income tax. Interest accruing to mutual funds is considered as trading income, thus taxed at the corporate rate of 12,5% after all relating expenses are deducted.
- Lump sums received on retirement
- Capital sums accruing to individuals from approved life insurance policies and approved provident or pension funds
- Remuneration from salaried services rendered outside Cyprus for more than 90 days in a tax year to a non-Cyprus resident employer or to a foreign permanent establishment of a Cyprus resident employer
- 20% of the remuneration from any office or employment exercised in Cyprus by an individual who was not resident of Cyprus before the commencement of his employment for a period of 3 years commencing from 1st January following the year of commencement of the employment, with maximum amount of €8550 annually
- Profits of a permanent establishment situated abroad
- Dividends received from abroad are completely exempted from income tax
- Tax losses can be carried forward indefinitely
- Unilateral tax credit relief is available

The corporate Tax rate is currently at 12,5% which is the lowest rate found among all the member states of the European Union.

Special Defence Contribution Law

Special Contribution for the Defence (SDC) is a tax imposed on income earned by Cyprus tax residents in the form of dividends, interest or rent. Non tax residents are wholly exempt.

Applicable rates are as follows:

For: Dividends	17% or 3%
Interest	30%
Rental income (less 25%)	3%

Dividend Income

No withholding of tax applies to payments of dividends to non-residents, whether the recipient is a body corporate or an individual.

Dividend income of resident individuals is subject to SDC at the rate of 17% or 3%. If received from Cyprus Resident Companies, this is withheld at source. Dividends paid by a company, tax resident of Cyprus, to another Cyprus company are exempt from SDC.

Dividends received by a Cyprus company or by a permanent establishment in Cyprus belonging to a company not tax resident in Cyprus, from a company not tax resident in Cyprus, are usually exempt from SDC. Distributions made from mutual funds to tax residents of Cyprus are taxed under SDC at the rate of 3%, whereas other distributions to individuals are at the rate of 17%. Tax credit relief is available for any overseas tax withheld.

Interest Income

No withholding tax applies to payments of interest to non residents, whether the recipient is a body corporate or an individual. Interest income not accruing from ordinary business activities is subject to a 30% Defence Contribution if received by a Cyprus tax resident (both corporate and individual). The interest income from abroad earned by resident persons will be treated in the same way as interest from sources in Cyprus. In this case the SDC will not be withheld at source and thus the resident person has to declare the interest in order to be assessed. Tax credit relief is available for any overseas tax withheld. The interest income generated from the ordinary activities of a person, including interest which is closely connected with the ordinary activities of a person, will be treated as trading income and hence will be only taxed under Income tax. Any interest that accrues to mutual funds is not considered as interest for the purposes of the Defence Contribution Law, but as trading income and this is taxed under the provisions of the income tax law at the corporate rate of 12,5% after all relating expenses incurred are deducted.

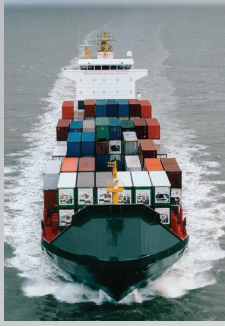
Rental Income

The Gross Income from rents reduced by 25% is subject to SDC at the rate of 3% for Cyprus tax residents.

Capital gains tax

Capital gains tax is imposed at the rate of 20% on gains arising from the disposal of immovable property situated in Cyprus, including gains from the disposal of shares in companies which own such immovable property in Cyprus, excluding shares listed in any recognized Stock Exchange. The gain is the difference between the sale proceeds and the original cost of the property, taking into account the increase in its value thereafter due to inflation.





SHIPPING

Our Firm participates vigorously in the promotion and development of the Cyprus shipping industry, which has been increasingly expanding over the last two decades, creating a number of investment opportunities for national and international businesses. Cyprus has become a modern business and maritime centre due to its geographical location and the vast number of tax advantages it offers. Our Firm offers national and international shipping and maritime services to clients according to their individual needs, including registration of shipping companies, consulting and tax advice.

Shipping in Cyprus

The Department of Merchant Shipping since 1977 is responsible for the administration of shipping services in Cyprus, namely, registration of ships, administration & enforcement of merchant shipping legislation, control & enforcement of international shipping conventions, investigation of marine casualties, training & certification of seafarers. A network of International Offices has been established by the Department in Piraeus, Hamburg, Rotterdam, London, New York and Brussels in order to strengthen the presence of Cyprus abroad. Cyprus has the tenth-largest ship registry worldwide and the third within the E.U. Cyprus is also the third largest ship management centre in the E.U.

Legislation

The administration of the Register for vessels registered in Cyprus is governed by the Merchant Shipping (Registration of Ships, Sales and Mortgages) Laws, 1963 to 2005, which are based on the British Merchant Shipping Acts, 1894 to 1954. The Merchant Shipping (Masters and Seamen) Laws, 1963 to 2002 & the Merchant Shipping (Fees & Taxing Provisions) Law of 2010 are the other principal Merchant Shipping Laws. Cyprus has ratified the major International Conventions on maritime safety and security, prevention of pollution of the sea, training, certification and watchkeeping of seafarers and limitation of ship-owners' civil liability and Conventions on Maritime Labour.

Incorporation of a Cyprus Shipping Company

All non-EU ship-owners must form a Cyprus shipping company in order to register the vessel under the Cyprus flag. The company should be registered as a private limited liability company in accordance with the Companies Law, Chapter 113 of the Statute Laws of Cyprus.

Conditions of Ownership

Under the Merchant Shipping (Registration of Ships, Sales and Mortgages) Law 1963 to 2005, certain criteria must be fulfilled in order to have a vessel registered in Cyprus.

Applications for the registration of vessels must be made through Cypriot Lawyers, who are entitled to draft the necessary documentation for the incorporation of Companies in Cyprus.

The main types of vessel registration in Cyprus are Provisional, Permanent & Parallel (in & out).

Fees & Taxes

In terms of registration fees and taxes, Cyprus is considered to be among the most competitive shipping centre in the world. The initial fee for registration of a vessel varies depending on the tonnage and age of the vessel. However, an annual amount referred to as "*Cyprus Registry Maintenance Annual Fee*" shall be payable by the registered owner to the Merchant Shipping Department.

THE MERCHANT SHIPPING (FEES & TAXING PROVISIONS) LAW OF 2010

The Cyprus Tonnage Tax Scheme, effective as from 01/01/2010, is in line with the Community Acquis and improved immensely the competitiveness of Cyprus Shipowners, Charterers & Seamanagers.

Beneficiaries for the Tonnage Tax Schemes may be:

- The owners of ships under the Cyprus flag.
- The owners of ships under any foreign flag who are tax residents of Cyprus.
- The charterers of ships under any flag who are tax residents of Cyprus.
- The Ship Managers providing crew or technical ship management services to ships under any flag who are tax residents of Cyprus.

The eligible beneficiaries must:

- engage in a "qualifying shipping activity", defined as being any commercial business or activity which constitutes maritime transport, i.e. carriage of goods/passengers by sea outside the territorial sea of the Republic of Cyprus or crew and/or technical management of qualifying ships;
- own/charter/manage a "qualifying ship" defined as a seagoing vessel, certificated in accordance with the applicable international or national rules & regulations, registered in the ship register of any member of the International Maritime Organisation (IMO)/ International Labour Organisation (ILO) which is recognised by the Government of the Republic of Cyprus.



Imposition of Tonnage Tax and Exemption from Income Tax

As a general rule, owners/charterers/managers of qualifying ships, engaged in a qualifying shipping activity are taxed under Income Tax at the rate of 12.5% in respect of the income generated by the operation of their ships, unless they opt in advance to participate in the Tonnage Tax System which is charged, levied and collected by the Department of Merchant Shipping. The only exemption to this rule applies to owners of ships under Cyprus flag which are exempted from Income Tax and are automatically subjected by law to the Annual Tonnage Tax System.

When an option is exercised by a qualifying owner/charterer/manager to participate in the Tonnage Tax System they must remain in that system for at least ten years. If at any time before the expiry of the ten year period a beneficiary exits from the tonnage tax system, he will be liable to pay the difference between the tax due under the corporate tax system and that payable under the tonnage tax system for the whole period the beneficiary remained under the tonnage tax system. This requirement is not applicable when the ship is disposed of or lost.

The Law has specific provisions regarding transactions not made at arm's length, provision for separate accounting, fair share of expenditure, the "all or nothing option" and status changes in a tonnage tax company.

Other important tax exemptions

- **Dividend exemption;** shareholders of eligible companies which are owners/charterers/managers and which have elected to participate in the Tonnage Tax System, are also exempted from Income Tax or any other tax or levy on any dividend paid from profits earned from a qualifying shipping activity;
- **Interest exemption;** eligible entities which are owners/charterers/managers which participate in the tonnage tax system, are also exempted from Income Tax or any other tax or levy on any interest earned on the working capital;
- **Profit from sale of qualifying ships exemption;** profit realised from qualifying owners, from the sale of any qualifying ship is exempted from Income Tax;
- **Salaries of seafarers of Cyprus ships exemption;** there is a specific provision in the Law whereby no tax is charged, levied or collected upon the salary or other benefits derived from the employment of the master, the officers and the crew members of a Cyprus ship.

Shipmanagement Services

As defined by the *Merchant Shipping (Fees & Taxing Provisions) Law of 2010*, "ship management services" means the services provided by a ship manager to an owner or bareboat charterer of a ship which relate to

the crew management services and /or to the technical management services of the ship.

- **Crew management services** include :
 - (a) selecting and engaging the vessel's crew, including payroll arrangements, and insurances for the crew;
 - (b) ensuring that the applicable requirements of the law of the flag of the vessel as well as any additional requirements imposed by this Law are satisfied in respect of manning levels, rank, qualification and certification of the crew and employment regulations including crew's tax, discipline and other requirements;
 - (c) ensuring that all members of the crew have passed a medical examination with a qualified doctor certifying that they are fit for the duties for which they are engaged and are in possession of valid medical certificates issued in accordance with appropriate flag State requirements;
 - (d) arranging transportation of the crew, including repatriation;
 - (e) training of the crew and supervising their efficiency.
- **Technical management services** include:
 - (a) the provision of competent personnel to supervise the maintenance and general efficiency of the vessel;
 - (b) the arrangement and supervision of dry dockings, repairs, alterations and the upkeep of the vessel to the standards required by the law of the flag of the vessel and of the places where she trades, and all requirements and recommendations of its classification society;
 - (c) the arrangement of the supply of necessary stores, spares and lubricating oil;

Qualifying Shipmanagers for tonnage tax

All ship managers (legal persons) of qualifying ships (under any flag) who provide Crew and/or Technical management services may opt to participate in the tonnage tax system. If they opt to do so, they must remain in the tonnage tax system for at least 10 years, or otherwise the ships under their management will not be considered as qualifying ships.

Commercial management services are not considered to be qualifying shipping activities.

All of the qualifying ship managers must fulfil a number of General common conditions, plus a number of additional Special conditions according to the particular type of ship management services offered.

The tonnage tax scheme will be effective for a period of 10 years as from 1st January 2010 and will be re-notified to the European Commission before the end of this 10-year period. Therefore, the last date until which entry into tonnage tax may be granted shall be the 31.12.2019.





TRUSTS

Our Firm provides specialist advice to corporate and individual trustees. Used as a means of practical tax planning and business organisation, trusts in Cyprus have been consistently expanding over the years, promoting the position of the Island as an international business financial centre.

The Trustees Law (CAP. 193) of 1955 is largely based upon the doctrines of Equity and its English counterpart, the English Trustees Act of 1925.

The concept of trust involves the following parties:

- Settlor: the person who creates the trust
- Trustee: the person who holds the trust – either a person or legal entity
- Beneficiary: the person who will acquire the benefit of interest in the relevant property.

Trusts are created for many important reasons:

- Charity
- Forced heirship
- Children or vulnerable adults
- Unit trusts
- Confidentiality
- Flexibility
- Tax planning – Mitigating Inheritance Tax, Capital Gains Tax or Income Tax
- Exchange Control Purposes
- Trust created by Law
- Asset Protection – Mitigating professional Liability

The Choice of the trustee is vital in the sense that there are certain advantages and certain disadvantages that arise when selecting each type of trustee:

Advantages that arise when selecting a Corporate Trustee:

- Immortality may be achieved whereas this is not possible when selecting an individual.
- A company can be the sole trustee; however, responsibility may be shared by a group of people through the directors.
- The corporate trustee has the advantage of limited liability.

When a trust is created, under Cyprus Law, it constitutes a separate Legal Entity, carrying the following characteristics:

- It has a life of its own
- It is independent of the person who created the trust, namely the settlor
- Its life continues regardless of the death of either settlor, beneficiaries or trustee.

International Trusts

Cyprus has introduced over the years measures to promote its position as an international business financial centre, the main enactment being the International Trusts Law 69(1)/1992, which opened the way to the creation of International Trusts in Cyprus, and which provides incentives for the establishment and administration of trusts by non-residents.

The International Trust is a trust whereby:

- The settlor must not be a permanent resident of Cyprus, be of full age and sound mind under the law of his/her domicile – however a Cyprus International Business Company will be eligible as a settlor
- The beneficiary must also not be a permanent resident of Cyprus – with the exception of charitable institutions
- The Trust Property should not include any immovable property in Cyprus
- At least one of the trustees is resident in Cyprus – A Cyprus company or partnership is considered a resident trustee

International Trusts are not taxed in Cyprus. In fact, they enjoy significant tax advantages and provide the opportunity for effective tax planning, offering to foreign investors the necessary freedom of movement of funds.



The main tax advantages may be summarised as follows:

- All income and profits of an International Trust are not taxable in Cyprus
- Dividends, interest or other income received by a Trust from a Cyprus International Business Company are also neither taxable nor subject to withholding tax
- An alien who creates an International Trust in the Republic of Cyprus and retires in Cyprus is still exempt from tax, if the property and income of the Trust are situated outside Cyprus, even in the case where he himself is the beneficiary, provided that he does not reside in Cyprus for more than 183 days
- An International Trust created for estate duty planning purposes is not subject to estate duty in Cyprus
- Cyprus International Trusts are not subject to exchange controls
- A Cyprus trust may be used to obtain the benefit of an applicable Double Tax Treaty.

Cyprus has become a popular trust jurisdiction because of:

- Complete tax exemptions
- Short limitation period (two years) for challenging a trust
- No need for any kind of registration
- Complete confidentiality
- Low cost of establishment and administration
- Availability of competent professional trustees
- Flexibility in adopting foreign Law

Registration

There is no registration or reporting requirements for International Trusts established in the Republic of Cyprus nor are the names of the Trust or persons referred to in the Trust Deed disclosed/revealed. There is a minimal stamp duty chargeable for the instrument creating an International Trust (€430).

Period of Perpetuity

The International Trust remains in force up to one hundred (100) years after its creation. However, this does not relate to cases of charitable trusts, which are not subject to the rule and may exist in perpetuity.

Variation of Trust

The terms of the Trust may be varied following an application to the Cyprus Courts. The Courts have the discretion to vary/amend/repeal the terms/powers of the trustees, provided that the Court is satisfied that the arrangement is for the benefit of the persons applying for it and that no prejudice is caused to the interests of any other interested party.

Flexibility

A Trust is used as a flexible instrument to use when planning one's affairs. For example a trust could be relocated from a jurisdiction that is no longer favourable for exchange control purposes to a more favourable jurisdiction.

