

A trust is established by an individual “the Settlor” and is a means whereby property “the Trust Property” is held by one or more persons “the Trustees” for the benefit of another or others “the Beneficiaries” or for specified purposes.

Trusts have traditionally been very important tax planning devices. Even today a very high proportion of tax saving structures involves trusts.

### **International trusts**

International trusts are governed by the International Trusts Law of Cyprus. International trusts are not taxed in Cyprus. In fact, Cyprus international trusts enjoy important tax advantages, providing significant tax planning possibilities.

The following advantages are indicative of the possible options for tax minimization:

- 1. 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.
- 2. 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.
- 3. An alien who creates an international trust in Cyprus and retires in Cyprus is still exempt from tax if all the property settled and the income is abroad, even if he is a beneficiary.
- 4. 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 estate from inheritance or capital gains taxes in their home country.
- 5. 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.