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The Legal 500 Country Comparative Guides

Cyprus

PRIVATE CLIENT

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This country-specific Q&A provides an overview of private client laws and regulations applicable in Cyprus.

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CYPRUS PRIVATE CLIENT



1. Which factors bring an individual within the scope of tax on income and capital gains?

Cyprus has a simple and transparent tax system.

Income Tax

Any income which is generated in Cyprus (by a tax resident or non-tax resident) is subject to the Cyprus income tax rates.

Cyprus tax law distinguishes between Cyprus tax-residents and Cyprus non-tax residents.

Cyprus tax residents (physical persons) are subject to Cyprus income tax on their world-wide income.

Non-Cyprus tax residents (physical persons) are subject to Cyprus income tax only on the income earned or accrued from Cyprus sources.

Tax Residency

An individual is considered as a Cyprus tax resident if: either she/he resides in the country for more than 183 days within one calendar year; or she/he resides in Cyprus at least 60 days within one calendar year and she/he meets the following criteria:

- Carries on a business in Cyprus (i.e. as a self-employed, or employed, or hold an office with a Cyprus tax resident person - for example, a Director of a Cyprus company). If the business (or employment or self-employment) stops during the year, then the person is not considered a Cyprus tax resident for the specific year;
- Does not spend more than 183 days in any other country;
- Keeps a property-residence in Cyprus (either owned or rented);
- Is not a tax resident in any other country.

A company is considered as a tax resident of Cyprus if

the company's management and control is exercised in Cyprus and the company is subject to the Cyprus corporate taxation. The corporate tax rate is at 12.5%.

As per the new amendments to the Income Tax Law, introduced on the 9th December 2021, any company incorporated and registered in Cyprus whose management and control is exercised outside of Cyprus, will still be considered as tax resident of Cyprus unless this company is considered as tax resident in any other state. Thus, there is no longer the possibility to have a Cyprus incorporated company which is not considered as a tax resident in any state.

Special Defence Contribution (SDC)

Special Defence Contribution (SDC) is imposed on dividend income, 'passive' interest income and rental income earned by Cyprus tax residents and Cyprus domiciled persons, legal entities and individuals.

Capital Gains Tax

Capital gains tax in Cyprus is closely related to the disposal of immovable property (which is located) in the Republic of Cyprus, or disposal of shares in Cyprus company which owns either directly or indirectly immovable property located in Cyprus.

Cyprus law provides that certain disposals of immovable property are exempt from capital gains tax such as:

- transfers of property of a deceased person;
- gifts between spouses, parents and children and relatives up to a third degree of kindred;
- gifts to a company whose shareholders are members of the donor's family;
- gifts by a family company to its shareholders if the company had also acquired the property in question via donation, and;
- gifts to charitable organisations or the government.

2. What are the taxes and rates of tax to which an individual is subject in respect of income and capital gains and, in relation to those taxes, when does the tax year start and end, and when must tax returns be submitted and tax paid?

Income Tax

Income tax is payable at the following rates:

0 - 19,500	0
19,501 - 28,000	20
28,001 - 36,000	25
36,001 - 60,000	30
Over 60,000	35

Gains from the disposal of securities or arising from an approved corporate restructuring are fully exempt from taxation.

Any dividend or interest income are fully exempt from income tax at the above rates, although they are subject to the Special Defence Contribution, which will be analysed below, unless it falls under the operating activities of the individual.

20% of rental income is exempt from income tax.

When calculating a person's taxable income, certain expenses incurred wholly and exclusively for the production of income are deductible, such as the expenses for letting buildings or the interest relating to the acquisition of fixed assets etc.

Cyprus source widow(er)'s pension is taxed at the flat rate of 20% on amounts over €19,500, or elect to be taxed at the normal tax rates and bands set out above.

Foreign pension income is taxed at the flat rate of 5% on amounts over €3,420. The taxpayer can however, on an annual basis elect to be taxed at the normal tax rates and bands set out above.

Persons who are not tax residents in Cyprus will only be taxed on income accruing or arising from sources within the Republic of Cyprus.

Special Defence Contribution (SDC)

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domiciled persons, legal entities and individuals at the following rates:

Dividend income from Cyprus tax resident companies	17%	NIL
Dividend income from non-Cyprus tax resident companies	17%	NIL
'Passive' interest income	30%	30%
Gross rental income (reduced by 25%)	3%	3%

Capital Gains Tax

The capital gains tax rate (imposed when the disposal is not subject to income tax) is 20%, and it is imposed on the gains from the disposal of immovable property or shares in a company owning immovable property situated in Cyprus. Individuals are allowed certain deductions when the abovementioned gains are calculated.

The tax year begins on the 1st of January and ends on the 31st of December.

The tax returns are submitted only electronically (through Taxisnet system). Tax returns must be submitted before the 31st of July of the following year (i.e. tax return of 2018 needs to be submitted by 31st July 2019).

For the tax return of 2019, extension has been granted until the 15th of December 2020.

For the tax return of 2020, extension has been granted until 30th of November 2021.

3. Are withholding taxes relevant to individuals and, if so, how, in what circumstances and at what rates do they apply?

Income Tax Income tax is payable at the following rates:

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19,501 - 28,000	20
28,001 - 36,000	25
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For the tax return of 2019, extension has been granted until the 15th of December 2020.

For the tax return of 2020, extension has been granted until 30th of November 2021.

4. How does the jurisdiction approach the elimination of double taxation for individuals who would otherwise be taxed in the jurisdiction and in another jurisdiction?

Cyprus signed the Multilateral Convention to Implement Tax Treaty Related Measures ("MLI") to Prevent Base Erosion and Profit Shifting ("BEPS") on 7 June 2017. The MLI was entered into force since 1 May 2020. The provisions apply to all existing bilateral double tax treaties that Cyprus has in place, provided that the other state has also signed the multilateral instrument and adopted the same provisions as Cyprus.

Residents receiving income from foreign sources who are subject to foreign tax, are entitled to a credit equal to the lower of the foreign tax and the Cyprus tax levied on that income, either through a double tax treaty or through unilateral relief provided for in the Cyprus tax law.

5. Is there a wealth tax and, if so, which factors bring an individual within the scope of that tax, at what rate or rates is it charged, and when must tax returns be submitted and tax paid?

No wealth tax is imposed in Cyprus.

6. Is tax charged on death or on gifts by individuals and, if so, which factors cause the tax to apply, when must a tax return be submitted, and at what rate, by whom and when must the tax be paid?

No gift tax is imposed in Cyprus.

No inheritance tax or estate duty is levied in Cyprus.

7. Are tax reliefs available on gifts (either during the donor's lifetime or on death) to a spouse, civil partner, or to any other relation, or of particular kinds of assets (eg business or agricultural assets), and how do any such reliefs apply?

No inheritance tax or estate duty is levied in Cyprus. Any acquisitions or transfers by way of gift to family members are also exempted from taxation.

Cyprus law provides that certain disposals of immovable property are not subject to capital gains tax, including any transfers of property of a deceased person, gifts between spouses, parents and children and up to third degree relatives, gifts to a company whose shareholders are members of the donor's family, gifts by a family company to its shareholders if the company had also acquired the property in question via donation, and gifts to charitable organisations or the government.

No transfer fee applies to the transfer of property by way of gift or a transfer arising by way of death in cases where the transfer and/or gift is made from a parent to a child and/or between spouses or relatives up to third degree.

8. Do the tax laws encourage gifts (either during the donor's lifetime or on death) to a charity, public foundation or similar entity, and how do the relevant tax rules apply?

Tax relief is given for donations to approved charities, professional and trade union subscriptions, life insurance premiums and contributions to pension, social insurance and welfare funds.

9. How is real property situated in the jurisdiction taxed, in particular where it is owned by an individual who has no connection with the jurisdiction other than ownership of property there?

Income generated from the disposal of real properties is subject to Cyprus tax. The personal or corporate income tax rates shall apply, depending if the owner of the property is an individual or a legal entity.

Capital gains tax at 20% applies if the disposal of the property is implemented by an individual as well as if the disposal incurred by a corporate entity and the disposal does not fall under their operations. Corporate entities

that have the disposal as part of their operation will be taxed under the normal corporate tax rate.

Corporate tax rate is at 12,5% on the annual taxable profits of the corporate entity.

Rental income received by individuals or corporate entities will be subject to personal or corporate income tax rates as well as Special Defence Contribution tax. Individuals are taxed under the normal income tax rates described above with an amount of 20% of the gross rental income being deducted from the taxable income. Corporate entities include the rental income as part of their operating income and are taxed under the corporate tax rate on their annual taxable profits.

Immovable Property Tax

The Cyprus Government has provided a number of incentives to promote real property investments. One of these incentives was the abolishment of the Immovable Property Tax on the 1st of January 2017.

VAT

Value Added Tax (VAT) is levied on the purchase price of new real properties. The standard VAT rate is 19%, while individuals may apply for the reduced VAT rate of 5% for their first residence in Cyprus which will be used as their main and primary place of residence for a period of 10 years.

VAT also applies on rental income under the rates of:

- 19% if the property is rented for commercial use;
- 9% if the property is rented for short term holiday residency, and
- 0% if the property is rented for long term permanent residency of individuals

Transfer Fees

Fees on transfer of real property are imposed by the Department of Land and Survey in order to transfer the ownership of a real property from the previous owner to the new owner. The transfer fees are payable by the acquirer once the Title Deed of the real property is issued by the Department of Land and Survey.

No transfer fees are imposed for the transfer of real property that is subject to VAT. No transfer fees are imposed in case the ownership of the real property is transferred due to a succession or a will, or in case the real property is transferred from the parent to the child.

Where transfer fees are imposed, there is a 50% reduction on the below rates:

€0 to €85,000	3%
€85,001 to €170,000	5%
Over €170,001	8%

Municipality property taxes are based on the property's value according to the valuation officially carried on by the Department of Land and Survey.

10. Are taxes other than those described above imposed on individuals and, if so, how do they apply?

- Social Insurance

From the earliest years of the establishment of the Republic, a social insurance system has been designed and implemented in order to ensure that a person will receive a pension based on their contribution during their working life. Thus, it is safeguarded at a minimum level that pensioners will have financial support during their later years.

Since 2019, an amount of 8.3% on the employee's salary is being contributed to the Social Insurance equally by the employee as well as by the employer, while the contribution of self-employed persons is set to 15,6% of their income. The maximum level of emoluments for 2019 is €54.648 (weekly €1.051/monthly €4.554).

- General Health System (GHS)

A General Health System (GHS) has been introduced in Cyprus to provide equal access to the national health care system. The contributions to the GHS have been implemented since 1st of March 2019, and increased from 1st of March 2020 as per the table below:

Employees	Own emoluments	1.70%	2.65%
Employers	Employees' emoluments	1.85%	2.90%
Self-employed	Own income	2.55%	4%
Pensioners	Pension	1.70%	2.65%
Persons earning rental, interest, dividend and other income	Rental, interest, dividend income, etc	1.70%	2.65%

- Special Defence Contribution

Special Defence Contribution (SDC) is imposed on

dividend income, 'passive' interest income and rental income earned by tax residents in Cyprus and Cyprus domiciled persons, legal entities and individuals at the following rates:

Dividend income from Cyprus tax resident companies	17%	NIL
Dividend income from non-Cyprus tax resident companies	17%	NIL
'Passive' interest income	30%	30%
Gross rental income (reduced by 25%)	3%	3%

As several exemptions and deductions can be obtained such as non-domiciled status described in point 11 below, a professional advice is recommended.

- Land Transfer Fees

Fees on transfer of real property are imposed by the Department of Land and Survey in order to transfer the ownership of a real property from the previous owner to the new owner. The transfer fees are payable by the acquirer once the Title Deed of the real property is issued by the Department of Land and Survey.

No transfer fees are imposed for the transfer of real property that is subject to VAT. No transfer fees are imposed in case the ownership of the real property is transferred due to a succession or a will, or in case the real property is transferred from the parent to the child.

Where transfer fees are imposed, there is a 50% reduction on the below rates:

€0 to €85,000	3%
€85,001 to €170,000	5%
Over €170,001	8%

- Stamp Duty

Stamp Duty is settled with the Tax Department for certain documents related with business or real properties or other matters. Transactions which fall within the scope of reorganisations are exempt from Stamp Duty. Also, documents relating to assets situated outside Cyprus or business affairs that take place outside Cyprus are exempt from Stamp Duty.

With regards to real property contracts, the Stamp Duty varies in accordance with the price of the real property, and is calculated as follows:

€0 to €5,000	0%
€5,001 to €170,000	0,15%
Over €170,001	0,2%

Stamp Duty is capped at EUR 17,086 per document. Where no amount is specified in the contract the Stamp Duty is EUR 34.

11. Is there an advantageous tax regime for individuals who have recently arrived in or are only partially connected with the jurisdiction?

Cyprus introduced the notion of the 'non-domiciled person' for taxation purposes in 2015. On the basis of this 'non-domiciled' concept, EU and non-EU foreigners who decide to become tax residents in Cyprus (i.e., move to Cyprus and comply with the tax residency requirements) will be considered as non-domiciled in Cyprus and therefore completely exempt from Special Defence Contribution tax on any interest, rents or dividends (whether actual or deemed) regardless of whether such income is derived from sources within Cyprus and regardless of whether such income is remitted to a bank account or economically used in Cyprus, for a maximum of 17 years.

An individual is treated as domiciled in Cyprus if he/she has a domicile of origin in Cyprus based on the provisions of the Wills and Succession Law (in general, an individual born to a Cypriot-domiciled father), with certain exceptions, or if he/she has been a Cyprus tax resident for at least 17 out of the 20 years immediately prior to the tax year of assessment. If the above criteria are not met, then the individual is considered as a "non-domiciled" in Cyprus.

There are also various exemptions on remuneration received by an individual who was not resident in Cyprus prior to its employment.

12. What steps might an individual be advised to consider before establishing residence in (or becoming otherwise connected for tax purposes with) the jurisdiction?

As the Cyprus tax system offers many tax exemptions and deductions over an individual's income, tax planning is considered essential before relocating, as well as estate planning. An individual should seek for tax and

legal advice before establishing residence in Cyprus or before becoming connected with the country in order to be able to enjoy an array of tax advantages and incentives.

13. What are the main rules of succession, and what are the scope and effect of any rules of forced heirship?

The distribution of a person's estate can be defined through a will, however, restrictions on the freedom of the testator to dispose of the estate are imposed by the Cyprus laws (Cap 195, Article 21). The disposable portion of the estate refers to that part of the movable and immovable property of a person which can be disposed of freely by a will, while the statutory portion refers to the portion of the estate which is distributed in accordance with Cyprus laws and in which forced heirship rules shall apply.

If a testament is concluded prior to death, the court will follow the testament of the deceased but, in any case, first degree relatives (spouse, children, parents) cannot be excluded from the inheritance. The deceased can distribute only 25% of the property to any third party in case of a surviving spouse and children and descendants of the children, or 50% in case of a surviving spouse and parents (but no child or descendant of a child).

The deceased can only distribute freely the entire estate if there is no surviving spouse, children or descendants of children, nor parents.

14. Is there a special regime for matrimonial property or the property of a civil partnership, and how does that regime affect succession?

The Civil Partnership Law (184(I)/2015) legitimises the union between two individuals, regardless of gender. Contracting a Civil Partnership has respective effects and consequences as if a marriage was solemnized under the provisions of the Marriage Law (with the exception of adoption). As such, any reference included in any legislation of the Republic of Cyprus to "spouse" shall be interpreted as a reference to the Civil Partners of a Civil Union.

Marital status in Cyprus is considered to be a straightforward matter. Under the Regulation of the Spouses' Property Relations Law (232/1991), a spouse can transfer anything registered in his/her name and obtained during marriage, and as such the proprietary independence is not being affected. Therefore, if an

asset is registered in the name of the spouse, it can be freely transferred or disposed to any third party without any restrictions.

In case of divorce or separation, the spouse may claim any contribution towards the increase of the property of the other spouse, provided that such contribution is duly evidenced. The contribution in the increase of the assets is deemed to be 1/3 of the increase, unless it's otherwise proven.

15. What factors cause the succession law of the jurisdiction to apply on the death of an individual?

The distribution of assets located in Cyprus upon a person's death could be regulated by a will or according to the laws of intestacy or both.

The Cyprus Wills and Succession Law, Cap. 195 regulates the devolution by death of the person's real properties which are located in Cyprus, regardless of the domicile of the person. The Cap. 195 also governs the distribution of the movable property of individuals who have a Cyprus domicile at the time of their death.

The Succession Regulation 650/2012 ('Brussels IV') gives the option to choose the law of the testator's country of nationality as the applicable law to his or her succession, instead of the law of the habitual residence at the time of death. This choice must be expressly declared through the person's will.

According to Cap. 195 (Article 6) every person has at any given time either the domicile received by him at his birth (domicile of origin) or a domicile acquired or retained by him by his own act (domicile of choice).

In order to acquire a domicile of choice, a person must establish physical residence in a place and demonstrate sufficient intention of making that place his permanent home. Therefore, certain actions by the person are required: relocating to Cyprus with the intention to stay there permanently. Hence, the person should be a tax resident of Cyprus. The domicile of origin prevails and is retained until a domicile of choice is, in fact, acquired, and a domicile of choice is retained until it is abandoned whereupon either a new domicile of choice is acquired or the domicile of origin is resumed. For the purposes of succession to movable property, no person can have more than one domicile.

As per the Article 12 of the Cap 195, succession to movable property of persons dying in Cyprus but not domiciled there shall be regulated by the law of the country in which they had their domicile at the time of

their decease.

16. How does the jurisdiction deal with conflict between its succession laws and those of another jurisdiction with which the deceased was connected or in which the deceased owned property?

As per the above, the criterion of domicile will define the applicable law in relation to the succession to the movable property of a person (*lex domicillii*), whereas in cases of immovable property the law of the country in which the immovable property is situated (*lex situs*) shall govern the question of succession. Therefore, in cases where the deceased leaves immovable property situated in various jurisdictions, the succession to each property will be governed by the law of the jurisdiction in question. However, on worldwide movable assets, the applicable law is that of his country of domicile at the time of his death.

Nonetheless, in practice, in cases of cross-border succession where the succession has elements of different countries or where it is difficult to determine the country of domicile at the time of death, the applicable law can be determined by the country with which the deceased had closer ties and/or more stable connection. In each particular case, this country will be decided by the authority dealing with the succession and can be a complex matter to determine in practice.

The Succession Regulation 650/2012 ('Brussels IV') which was introduced by the European Parliament and was implemented in Cyprus on 17/08/2015, applies to persons who have deceased on or after the 17/08/2015. As per the provisions of this Regulation expatriates living in an EU country can choose the law of their country of nationality as the applicable law to their succession, instead of the law of the habitual residence at the time of death. This choice must be expressly declared through the person's will.

If an individual makes no express election, the default position is that the law of the state in which the deceased was habitually resident at death is the governing law for the distribution of the deceased's estate unless the individual was manifestly more closely connected with another state, in which case the law of that other state would apply. Whether an individual is habitually resident in or manifestly more closely connected to a specific state will be a question to be determined each time based on the facts of the case.

17. In what circumstances should an individual make a Will, what are the consequences of dying without having made a Will, and what are the formal requirements for making a Will?

In cases where the individual owns a real property in Cyprus or in cases where the individual is domiciled in Cyprus, it is essential to draft a will not only to set instructions for the distribution of the assets in case of death, but also to set the applicable law. Through the will, the testator may also appoint a specific person to conduct the affairs of the estate.

The Succession Regulation 650/2012 ('Brussels IV') gives every EU Citizen the right to choose the law that will be applied through the drafting of a will. The EU citizens can choose either the law of the country in which they are habitually resident, or the law of their country of origin.

According to the Wills and Succession Law, any person may distribute by will the distributable portion of the estate, so long as the testator is above 18 years old and of sound mind. The will must be in writing and must be executed in a certain way in order to be legally binding and valid. Two or more witnesses above 18 years old and of sound mind should attest and countersign the will.

In case that a person dies intestate, the court will authorise a person to administer the estate (the "administrator"), granting thus the "letters of administration".

18. How is the estate of a deceased individual administered and who is responsible for collecting in assets, paying debts, and distributing to beneficiaries?

The Administration of Estates Law, Cap. 189, the Probates (Re-Sealing) Law, Cap.192 and the Rules made under these Laws, in conjunction with the Wills and Succession Law, Cap. 195 are applicable for any matters related with the administration of estates in Cyprus.

On the grant of probate or administration, the executor/administrator takes the place of the deceased for legal purposes. As such, the executor/administrator acquires all the deceased's rights and obligations.

The administrator and/or the executor are vested with the responsibility to collect the assets of the deceased person and to distribute those assets to the person's heirs, and settle any debts, due taxes or duties. As such, the administrator/executor must establish the value of

all assets and the amount of all liabilities.

The executor/administrator of the estate of the deceased, is required by the Deceased Persons Estate Law, to submit to the tax authorities a statement of assets and liabilities of the deceased within six months from the date of death.

19. Do the laws of your jurisdiction allow individuals to create trusts, private foundations, family companies, family partnerships or similar structures to hold, administer and regulate succession to private family wealth and, if so, which structures are most commonly or advantageously used?

As a common law system based largely on the English system, Cyprus law recognises the existence of trusts and the use of such structures for succession planning purposes and for the management and protection of family assets.

Cyprus trust law is mainly regulated by the Trustee Law, Cap. 193 and the International Trusts Law of 1992, which deals with Cyprus International Trusts (CIT) created by a non-resident settlor for the benefit of non-resident beneficiaries.

CIT are very popular and are being broadly used, as succession, heirship or other laws applicable in Cyprus or any foreign jurisdictions, or court judgments, or arbitral awards do not affect the validity of a CIT, or the transfer of property to the trustee.

Foundations can be established according to the provisions of the new Associations and Foundations Law (104(I)/2017), however, these are rarely used in practice of succession planning purposes.

20. How is any such structure constituted, what are the main rules that govern it, and what requirements are there for registration with or disclosure to any authority or regulator?

In order to establish an international trust:

- The settlor must not be a resident of Cyprus in the year preceding the year of the creation of the international trust.
- No beneficiary, other than a charity, is a resident of Cyprus in the year preceding the year of the creation of the international trust.

- There must be at least one trustee resident in Cyprus at all times.

As part of maintaining an attractive trust jurisdiction and at the same time remaining compliant with European Law and Anti-Money Laundering (AML) regulations, the Cyprus Parliament has passed laws amending the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 and the International Trusts Law of 1992 to 2012.

Under these amendments the Competent Authorities (a. the Cyprus Bar Association, b. the Institute of Certified Public Accountants of Cyprus, and c. the Cyprus Security and Exchange Commission) are obliged to establish and maintain a Trust Registry as per Article 25A of Law 196(I)/2012, in which the above-mentioned Authorities have access to the information provided. The information is not made publicly available.

In order to comply with the abovementioned obligation, all trusts falling under section 25A(2) of the Law 196(I)/2013 have to be submitted in the Trust Registry kept by the Cyprus Bar Association. The Trust Registry will contain the below information:

- the name of the trust;
- the name and full address of every trustee at all relevant times;
- 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.

The trust property or the trust fund are not disclosed. No other information is revealed related to the settlor or the protector (if any) of the trust. The Trusts Registries will not be available to the public but shall be available for inspection by the Competent Authorities. The information will remain in the Trust Register for a term not exceeding 5 years after the termination of the Cyprus International Trust.

Service providers establishing trusts will be required to obtain documentary evidence of identity of the settlor, the trustees, the beneficiaries (or information on the class of beneficiaries including the beneficiaries to whom any distributions have been made pursuant to the trust) and others associated with the trust, as well as information on the activities of the trust, and keep this information available for inspection by the relevant Competent Authority on request.

In addition to the above, recent amendments to the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, have introduced the establishment of the following UBO registers:

- UBO Register for Cyprus Companies and other legal entities maintained by the Department of Registrar of Companies;
- UBO Register for Cyprus Trusts, Cyprus Foundations and other similar arrangements kept by the Cyprus Securities and Exchange Commission; and

UBO Register for other legal bodies (such as clubs or unions) kept by the Cyprus General Commissioner

21. What information is required to be made available to the public regarding such structures and the ultimate beneficial ownership or control of such structures or of private assets generally?

The EU Directive 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, better known as the 4th AML Directive, requires each EU member state to establish registers of the ultimate beneficial owners (UBOs) of legal entities. The 5th AML Directive has gone one step further and made it mandatory for such UBO registers to be made public.

The provisions of the aforementioned EU Directives were transposed into Cypriot legislation through the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 (as amended from time to time). As mentioned above, recent amendments to the said law, have established the creation of the much-anticipated UBO registers by the relevant Competent Authorities.

Currently, only the Department of Registrar of Companies has implemented the UBO register and issued directives and guidelines as to the method to be used by Cyprus companies and other legal entities, for the registration of their ultimate beneficial owners. The remaining Competent Authorities are expected to issue similar directives and guidelines and implement the creation of the relevant UBO registers in the near future.

Personal details of the ultimate beneficial owners, including their identification document numbers, are required to be registered with the competent authorities and while the UBO registers are not publicly available at the moment, the law provides that such access shall be granted to the public eventually.

22. What is the jurisdiction's approach to information sharing with other

jurisdictions?

As per the Cyprus Prevention and Suppression of Money Laundering Activities Law 188(I)/2007, the following registries are connected through the European central platform:

- UBO Register for Cyprus Companies and other legal entities maintained by the Department of Registrar of Companies;
- UBO Register for Cyprus Trusts, Cyprus Foundations and other similar arrangements kept by the Cyprus Securities and Exchange Commission; and
- UBO Register for other legal bodies (such as clubs or unions) kept by the Cyprus General Commissioner.

The European central platform enables the interconnection of registers of Member States. The platform has been established in accordance to the provisions of the Directive 2017/1132.

23. How are such structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

Cyprus International Trusts (CIT) enjoy a tax status that provides significant opportunities.

Income, gains and profits of a CIT deriving from non-Cyprus sources are exempt from income tax, capital gains tax, special defence contribution, or any other levy, provided that the beneficiaries are non-Cyprus tax residents. In this case, only the income and profits earned from sources within Cyprus will be subject to taxation imposed in Cyprus.

In cases where the beneficiaries are Cyprus tax residents, Cyprus tax will be imposed on worldwide income.

No estate duty or inheritance tax is imposed in Cyprus.

Stamp duty of EUR 430 is payable at the creation of the CIT.

24. Are foreign trusts, private foundations, etc recognised?

Foreign Trusts and private foundations are recognised in Cyprus.

25. How are such foreign structures and their settlors, founders, trustees, directors and beneficiaries treated for tax purposes?

Such structures are primarily taxed at the jurisdiction of their incorporation and/or operation. If the above are held by investors that are Cyprus tax residents then the individual may be taxed under a double tax treaty between Cyprus and the other jurisdiction. Should there is no tax treaty between the countries involved then the tax payer should pay the relevant taxes based in the tax facts of each jurisdiction.

26. To what extent can trusts, private foundations, etc be used to shelter assets from the creditors of a settlor or beneficiary of the structure?

Pursuant to the Section 3 (2) Law 69 (I)/1992, a CIT shall not be void or voidable and no claim can be brought in respect of assets transferred to a CIT in the event of the settlor's bankruptcy or liquidation or in any action or proceedings against the settlor's property at the suit of his creditors, notwithstanding any provision of the laws of Cyprus or of any other country.

A CIT may be set aside by the settlor's creditors to the extent that it is proven to the satisfaction of the Cyprus Courts that the CIT was made by the settlor with the intent to defraud the creditors. The onus of proof of this intent shall be on the creditors. An action against the trustees to avoid the trust on grounds of fraud must be brought within two years of the date of the transfer.

27. What provision can be made to hold and manage assets for minor children and grandchildren?

A Trust or a Cyprus International Trust may be employed to hold property for minors or unborn children or grandchildren.

28. Are individuals advised to create documents or take other steps in view of their possible mental incapacity and, if so, what are the main features of the advisable arrangements?

An individual can safeguard its assets through the creation of a Cyprus International Trust (CIT).

29. What forms of charitable trust, charitable company, or philanthropic foundation are commonly established by individuals, and how is this done?

The most commonly established forms of entities for charitable, philanthropic or non for profit purposes are the Associations and Foundations (according to the new Associations and Foundations Law (104(I)/2017)), the Charitable Trusts (in accordance with the Charities Law, Cap 41) and the private non for profit companies (registered in accordance with the Companies Law, Cap 113).

30. Have any specific tax policies or approaches been implemented, on a temporary or permanent basis, to take account of the Covid 19 pandemic?

There were many tax policies and measures implemented on a temporary basis in Cyprus. At the same time a number of governmental allowances were provided. These were made in order to assist people and businesses to cope with the negative effects of the pandemic and the lock-downs.

Some of these measures were the following:

- Extension for two months of the obligation to submit tax returns for those who had the obligation to do so until 31.3.2020 (new deadline 31.5.2020).
- Temporary suspension for two months of the obligation to pay VAT to provide liquidity to companies. This measure concerned companies whose turnover was not more than € 1m according to the tax returns submitted

in 2019 and companies whose turnover decreased by more than 25%, without the imposition of any charges. It is noted that arrangements will be made so that the debts are paid gradually, until November 11, 2020. It concerns businesses.

- Non-payment of the additional contribution to the General Health System (GHS) which was planned on 31/3/2020 (from 1.7% to 2.65% and from 1.85% to 2.9%) for two months, by employers, employees and the state, to strengthen the health sector in the fight against the pandemic and not to affect the incomes of employees and companies.

31. What important legislative changes do you anticipate so far as they affect your advice to private clients?

A number of incentives have been announced by the Cyprus Government within 2021 and are expected to be implemented within 2022 to attract workforce and investment. These incentives include the establishment of a business facilitation unit, new policies regarding the employment of non-EU nationals, as well as a digital nomad visa for non-EU self-employed or salaried employees working remotely outside Cyprus. Other incentives relate with tax exemptions to new and existing non-domicile employees and the extension of tax exemptions for investments in innovative companies.

In an effort to improve the existing tax framework, the Cyprus Government is discussing the abolishment of the annual corporate tax levy (currently at EUR 350). Moreover, a taxation reform is under discussion, including raising the corporation rate from 12.5% to 15%, and introducing carbon tax and fossil fuels taxes to achieve the country's environmental objectives.

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