

Legal methods of protecting the interests of investors in Cyprus

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WHY INVEST IN CYPRUS?

1

**HOLDING
REGIME**

2

**TRUST
REGIME**

3

**INVESTMENT
FUNDS
REGIME**

1

HOLDING REGIME

- No restriction on the acquisition/ location of assets (Cyprus or abroad).
- Segregation of different parts of business and/or consolidation of ownership of any subsidiaries = protection of assets.
- Tailor made Articles of Association, provided that they are in line with the Cyprus Companies Law (CAP. 113).
- Shareholders may determine their modus operandi via a shareholders agreement.
- Cyprus companies law is based on the English Companies Act of 1948 and the vast precedents of the English case law and literature.
- The Cyprus limited company is not a tax driven exercise the long-standing tax incentives of Cyprus legislation remain the catalyst but in accordance with the OECD and EU compliance requirements.

How does the Cyprus holding regime adopt to the requirements of the new age?

Substance – Substance- Substance

Compliance- Compliance- Compliance

Protection under a variety of DTTs entered into between Cyprus and other foreign jurisdictions

- Cyprus has a wide and beneficial Double-Tax Treaty (DTT) network.
- There are currently 56 DTTs in force and 25 others being negotiated.
- Cyprus DTTs vs DTTs of other competing jurisdictions

Tax incentives

- 12.5% corporate tax rate.
- Foreign Permanent Establishment profits exempt.
- A notional interest deduction on new equity capital.
- Tax free corporate re-domiciliation permitted.
- No thin capitalisation rules.
- Taxable losses may be carried forward for relief against future profits.
- Group relief (75% holding) across EU.
- Tax free re-organisations (cross border permitted).
- Applicability of all EU directives.

Substance combined with personal tax incentives

There are two government immigration programmes for non-Cypriots who invest in Cyprus:

- Economic citizenship programme
- Fast-track visa and residence permit scheme for managers of foreign businesses establishing operations in Cyprus

Acquiring an EU Member State citizen status



What does it mean?



WORKING
IN
CYPRUS



LIVING IN
CYPRUS



TRAVEL

Asset protection maximized

Contractual protection:

through Articles of Association and Shareholders' Agreements

Regulatory protection:

through the Registrar of Companies and the registration of shareholders in public records;

no limitations in the exercise of business subject to any appropriate regulatory licences as the case may be.

Judicial protection:

common law principles if disputes are under Cyprus law.

choice of foreign law recognized as determined by the parties and/or the law.

recognition and enforcement of judgments/ arbitral awards of foreign jurisdictions.

2

TRUST REGIME

Trusts

- The Trustee Law Cap 193 - 1955
- The International Trusts Law 69(I) 1992 - 2012

But....

Who to trust?



What is a trust?

What is the use of a trust?



A flexible and beneficial asset-holding structure that separates the legal ownership of an asset from the beneficial ownership.

Preservation of wealth / Managing family wealth

Pre-immigration planning / High-risk professions

Pre- or post- nuptial arrangements / Testamentary freedom / Philanthropy

The Evolution of the Cyprus International Trusts Law (1992 - 2012)

- The International Trusts Law of 1992 gave Cyprus a “state of the art” international trusts regime offering excellent asset protection features.
- By 2010, while the basic structure provided by the International Trusts Law remained sound, it required updating to adapt it to the needs of investors today and in the coming years.

Key features of Cyprus international trusts following the 2012 reforms

- Governed exclusively by Cyprus law.
- **Settlor may reserve powers (section 4A) or retain benefit of assets as well as relocate to Cyprus after establishing a Cyprus International Trust.**
- Trusts may exist in perpetuity.
- The trustee has unfettered investment powers.
- **Public policy (section 12c).**
- **Confidentiality (section 11).**
- **Powerful asset protection features:**
 - In order to invalidate a transfer of assets into the trust the claimant must:
 - bring a claim in the Cyprus courts within two years of the transfer.
 - prove that he or she was a creditor at the time of transfer.
 - prove intent to defraud on the part of the settlor.
 - Matrimonial property or succession laws of Cyprus or any other country do not affect the validity of transfers.
- Achieving testamentary freedom.

Parties to a trust

- **Settlor** (the one who settles – the “founder”)
- **Trustee** (the one who holds the property)
- **Beneficiary** (the one who stands to benefit)
- **Enforcer** (the one who enforces a purpose trust)
- **Protector** (the one entrusted by the settlor to “keep an eye on” the trustees).

3

INVESTMENT FUNDS REGIME

- An Alternative Investment Fund (AIF) is a vehicle for collective investments:
 - which raises external capital from a number of investors;
 - in accordance with a pre-defined investment policy;
 - for the benefit of its investors; and
 - has not been authorized as a UCITS (i.e. Collective Investments in Transferable Securities under the relevant EU UCITS Directive)
- Throughout the EU the managers of AIFs are authorized and regulated under the uniform regime of the Alternative Investment Funds Managers (“AIFM”) Directive.
- Supervised and regulated by CySEC (as the case may be);
- Full transparency through the audited accounts, the calculation of the NAV and the portfolio information provided to both the investors and to CySEC;
- Cost-efficiency and simplicity in the set-up, management and operation for the benefit of the investors;
- Added flexibility if in the form of AIF with limited number of persons.

Summary

Investors can make use of any of the above regimes as per specific advice to be granted in accordance with the needs, objectives and requirements.

All the above regimes (holding company, trusts, AIFs) combined with an EU citizen status through Cyprus guarantee that investors will benefit from all advantages such as safety, employment and residential mobility, layer of privacy based on the tax regulatory scheme imposed in EU and the four freedoms.

For decades now, Cyprus has been the place to do business. The established investment regimes and the focus on the asset protection of investors lead Cyprus to the new age and its categorization among the top investor-friendly jurisdictions.