

**International
Comparative
Legal Guides**



Practical cross-border insights into private client work

**Private Client
2023**

12th Edition

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1.1 To what extent is domicile or habitual residence relevant in determining liability to taxation in your jurisdiction?

Domicile is relevant to determining individuals' liability to Special Defence Contribution, commonly known as SDC tax, which is payable on dividends, interest (other than interest received as a business activity) and rents receivable. In order to be liable for SDC tax, an individual must be both resident and domiciled in Cyprus for the tax year concerned. Individuals who are resident but not domiciled in Cyprus are exempt from SDC tax.

Domicile is also the determining factor as to whether Cyprus succession law applies in a particular case (see section 7).

1.2 If domicile or habitual residence is relevant, how is it defined for taxation purposes?

Domicile is a general legal concept and is distinct from nationality or residence. Generally, a person's domicile is the place that person considers their permanent home. As in many areas, Cyprus follows English common law in determining domicile.

For the purpose of determining liability to SDC tax, an individual will be deemed to be domiciled in Cyprus if he or she has been a tax resident for 17 or more of the 20 tax years immediately preceding the year of assessment.

1.3 To what extent is residence relevant in determining liability to taxation in your jurisdiction?

Residence is the principal factor determining liability to taxation in Cyprus. An individual is liable to taxation if he or she is resident in Cyprus for the tax year concerned.

1.4 If residence is relevant, how is it defined for taxation purposes?

183-day test

If an individual is physically resident in Cyprus for more than

183 days within the same tax year, then the individual will automatically be deemed to be a Cyprus tax resident and his or her worldwide income will be subject to taxation in Cyprus, regardless of whether an application for a tax residency certificate is submitted.

60-day test

According to the 60-day test, an individual who meets the following criteria and conditions can be considered tax resident in Cyprus:

- they do not spend more than 183 days in any other country;
- they are physically present in Cyprus for one or more periods amounting to at least 60 days;
- they are not tax resident in another country;
- they undertake business in Cyprus, have employment in Cyprus or hold a post in a Cyprus resident company that continues to the end of the tax year; and
- they maintain a permanent residence at their disposal for their use in Cyprus.

In relation to the above criteria and conditions, it is emphasised that:

- in cases where an individual is seeking tax residency in Cyprus based on the 60-day test for a specific tax year, and for part of the year concerned he or she is considered in parallel a tax resident of the United Kingdom (UK), then condition c. above shall not be breached.

It must be noted that the tax year in the UK commences on 6 April and ends on 5 April of the following calendar year. Hence, a case may arise when the individual concerned is a tax resident of the UK, either during the tax year of the UK that ends, or the year that commences, within the tax year in Cyprus which is under examination.

It must be further noted that, following a prior approval of the Tax Commissioner, the abovementioned tax treatment may be implemented additionally, in instances of individuals who, for part of the tax year concerned, are also considered tax residents of another state and the tax year of that state does not coincide with the tax year of Cyprus.

In the case of an individual who holds the position of director in a Cyprus resident company, condition d. above is considered fulfilled only if the individual concerned personally holds the position of, and is named as, director of the company concerned, in line with Company Register of the Department of Registrar

of Companies and Intellectual Property. This position must be held up until 31 December each respective tax year. If the employment/business or holding of an office is terminated during the year, then the individual would cease to be considered a Cyprus tax resident for that tax year.

1.5 To what extent is nationality relevant in determining liability to taxation in your jurisdiction?

Nationality is not relevant in any way in determining liability to taxation in Cyprus.

1.6 If nationality is relevant, how is it defined for taxation purposes?

This is not applicable in our jurisdiction.

1.7 What other connecting factors (if any) are relevant in determining a person's liability to tax in your jurisdiction?

There are no other connecting factors to consider.

2.1 What gift, estate or wealth taxes apply that are relevant to persons becoming established in your jurisdiction?

There are no succession taxes in Cyprus, and no taxes on lifetime transfers.

2.2 How and to what extent are persons who become established in your jurisdiction liable to income and capital gains tax?

Income tax

An individual who is resident in Cyprus for a particular tax year is liable to income tax on worldwide income, whether that income is remitted to Cyprus or not. Non-residents are subject to income tax on income accruing or arising from sources in Cyprus. However, there is no income tax on dividend and interest income, so if the individual is not domiciled in Cyprus and liable to SDC tax (see question 1.1), these categories of income are entirely free of Cyprus taxation.

Capital gains tax

Gains on disposal of any kind of asset, apart from gains derived from immovable property located in Cyprus, are entirely free of capital gains tax.

The only gains subject to capital gains tax, which is charged at 20%, are gains from the disposal of immovable property in Cyprus and shares in companies (but not companies listed on a recognised stock exchange) directly or indirectly owning immovable property in Cyprus, to the extent that the gain is derived from an appreciation in value of the immovable property.

2.3 What other direct taxes (if any) apply to persons who become established in your jurisdiction?

There are no direct taxes apart from income tax, SDC tax and capital gains tax.

2.4 What indirect taxes (sales taxes/VAT and customs & excise duties) apply to persons becoming established in your jurisdiction?

Cyprus is a member of the EU (and of the Eurozone) and applies the same VAT and customs regime as the rest of the EU.

2.5 Are there any anti-avoidance taxation provisions that apply to the offshore arrangements of persons who have become established in your jurisdiction?

There are anti-abuse provisions targeting artificial transfers of assets to obtain the benefit of the "non-domiciled" exemption from SDC tax (see section 1).

2.6 Is there any general anti-avoidance or anti-abuse rule to counteract tax advantages?

Withholding taxes to companies' resident in a blacklisted country

Dividends

A withholding tax of 17% will be imposed on corporations that are tax residents of a jurisdiction listed in the EU list of non-cooperative jurisdictions if any of the following conditions are met:

- The company has more than 50% of the voting rights of the Cyprus resident company issuing the dividend.
- The company owns more than 50% of the capital of the Cyprus resident company issuing the dividend.
- The company is entitled to receive more than 50% of the profits generated by the Cyprus resident company.

The above conditions also apply when two or more associated companies that are both included in the EU list of non-cooperative jurisdictions participate directly in the Cyprus resident company.

Interest

A withholding tax of 30% will be imposed on corporations that are tax residents of a jurisdiction listed in the EU list of non-cooperative jurisdictions. Interest payments made by individuals will not be subject to said withholding tax including any interest paid relating to securities listed on a recognised stock exchange.

Royalties

A withholding tax of 10% will be imposed on corporations that are tax residents of a jurisdiction listed in the EU list of non-cooperative jurisdictions on any income received from the exercise of rights granted for use outside Cyprus.

Cyprus is one of the initial 68 signatories to the MLI. New and updated double tax agreements are aligned with the latest OECD standards. In 2017, new transfer pricing rules were introduced for financing transactions involving connected parties in line with the relevant BEPS actions.

On 5 April 2019, the House of Representatives approved legislation implementing ATAD in Cyprus with the aim of improving the internal market's ability to deal with cross-border tax avoidance practices.

ATAD contains five legally binding anti-abuse measures, which all Member States must apply. The measures are the following:

- introduction of controlled foreign company (CFC) rules (Action 3);
- the switch-over rule (Action 2);
- introduction of exit taxes;
- interest limitation (Action 4); and
- introduction of the general anti-abuse rule (GAAR) (Action 6).

The provisions relating to interest deductibility rules, CFCs and GAAR, as included in ATAD, entered into force on 1 January 2019. On 3 July 2020, the remaining two amendments for full implementation of ATAD were published in the Official Gazette of the Republic: the first concerns the introduction of an exit tax regime (ATAD I), which applies retroactively from 1 January 2020; and the second is related to hybrid mismatches (ATAD II), which focuses on Action 2, and also applies retroactively from 1 January 2021. The so-called “reverse hybrid mismatches rules” have been applicable since 1 January 2022.

2.7 Are there any arrangements in place in your jurisdiction for the disclosure of aggressive tax planning schemes?

On 18 March 2021, the Cyprus Parliament approved the draft bill of the Law of Administrative Cooperation in the Field of Taxation (Law 205(I)/2012) implementing Directive 2018/822/EU (DAC6). This said bill was fully enacted into local Cyprus law on 31 March 2021.

DAC6 requires EU-based intermediaries or taxpayers to disclose certain cross-border arrangements that were implemented on or after 25 June 2018 to their local tax authority, who must then share the information with the tax authorities of all other EU Member States.

It is noted that reportable cross-border arrangements as from 1 January 2022 must be reported within 30 days from the day after:

- the arrangement is made available for implementation to the relevant taxpayer;
- the arrangement is ready for implementation by the relevant taxpayer;
- the day that the first step of the arrangement has been implemented; or
- the day that aid, assistance or advice has been provided with respect to a reportable arrangement.

3.1 In your jurisdiction, what pre-entry estate, gift and/or wealth tax planning can be undertaken?

The Cyprus International Trust, established under the International Trusts Laws of 1992 to 2013, is a very valuable and effective tool for asset protection, succession planning and tax planning. In order to establish a Cyprus International Trust, the settlor and beneficiary/ies must not have been a resident of Cyprus for the calendar year prior to the creation of the trust. It is therefore prudent to establish any Cyprus International Trust prior to arrival in Cyprus.

As the Cyprus tax system is flexible and taxpayer-friendly, any pre-entry planning that might usefully be undertaken would generally relate to overseas taxes.

3.2 In your jurisdiction, what pre-entry income and capital gains tax planning can be undertaken?

See question 3.1.

3.3 In your jurisdiction, can pre-entry planning be undertaken for any other taxes?

See question 3.1.

4.1 What liabilities are there to tax on the acquisition, holding or disposal of, or receipt of income from investments made by a non-resident in your jurisdiction?

Acquisition

Cyprus encourages inward investment and there are no tax liabilities arising on the acquisition of investments apart from general charges such as stamp duty and fees for registration of transfers of immovable property.

Stamp duty

The following rules apply to stamp duty:

- No stamp duty is payable in respect of transactions with a consideration of EUR 5,000 or less.
- For transactions with a consideration in excess of EUR 5,000 but not exceeding EUR 170,000, the rate of stamp duty is EUR 1.50 for every EUR 1,000 or part thereof.
- For transactions with a consideration in excess of EUR 170,000, the rate of stamp duty is EUR 2 for every EUR 1,000 or part thereof.
- The maximum stamp duty payable on a contract is EUR 20,000.
- Where no amount of consideration is specified in the contract, the stamp duty is EUR 35.
- For a transaction which is evidenced by several documents, stamp duty is payable on the main contract and ancillary documents are charged at a flat rate of EUR 2.
- Stamp duty of EUR 430 is payable on the creation of a trust under the International Trusts Law.

Stamp duty must be paid within 30 days from the date of execution of the relevant documents or, if they are executed abroad, within 30 days after they are received in Cyprus. If stamp duty is paid late, a surcharge of approximately 10% of the unpaid amount is payable if payment is made within six months after the due date. Otherwise, the surcharge is twice the unpaid amount.

Transfer fees

Land transfer fees are payable when title deeds are issued by the Department of Land and Surveys. If VAT is payable on the property, no transfer fee is payable; otherwise, the transfer fee is charged at progressive rates on successive tranches of the acquisition price (or market value of gifts) as follows:

- Up to EUR 85,000: 1.5%.
- EUR 85,000 to EUR 170,000: 2.5%.
- Above EUR 170,000: 4%.

Holding or disposal

There are no holding charges. Capital gains tax is payable on gains on disposal of immovable property in Cyprus or of shares in companies holding immovable property (see question 2.2). Capital gains tax does not apply to any other assets.

Income

Revenues received by Cyprus residents are subject to income tax at standard rates and (if the recipient is Cyprus-domiciled) to SDC tax at 3% on three-quarters of the income.

Dividends are exempt from income tax. If the recipient is both resident and domiciled in Cyprus, they are subject to SDC tax at 17%. If the recipient is resident but not domiciled in Cyprus, they are free of all Cyprus taxes.

Interest received by way of investment income, as opposed to trading income, is exempt from income tax. If the recipient is both resident and domiciled in Cyprus, it is subject to SDC tax at 30%. If the recipient is resident but not domiciled in Cyprus, interest is free of all Cyprus taxes.

4.2 What taxes are there on the importation of assets into your jurisdiction, including excise taxes?

The EU customs regime applies.

4.3 Are there any particular tax issues in relation to the purchase of residential properties by non-residents?

There are no particular tax issues in relation to the purchase of residential properties.

5.1 What is the test for a corporation to be taxable in your jurisdiction?

For companies, the test of residence and liability to Cyprus tax is based on the locus of management and control. The Tax Department issues certificates of tax residence on application and the application form gives an indication of the criteria used to determine tax residence, which include country of incorporation, usual location of directors' and shareholders' meetings, and the place where books and records are kept and agreements are signed.

A Cyprus incorporated company is by default considered a tax resident of Cyprus (in addition to the existing "management and control" test) (this has been the case since 31 December 2022, in line with the amendment to the Income Tax Law which was published in the Cyprus Government Gazette on 21 December 2021).

5.2 What are the main tax liabilities payable by a corporation which is subject to tax in your jurisdiction?

Companies are liable to income tax, SDC tax and capital gains tax.

A company resident in Cyprus is taxable on its worldwide income derived or accruing from:

- gains or profits from any trade or business;
- interest received in or closely related to the normal course of business;
- rents, royalties, premiums or other profits arising from property; and
- any other income, such as gains on the sale of goodwill.

All expenses wholly and exclusively incurred for the production of the relevant income are deductible, with the following exceptions:

- private motor vehicle expenses;
- immovable property tax;
- interest paid in respect of the acquisition of non-business assets or of private motor vehicles (even if used for business purposes); and
- business entertainment costs in excess of the lower of EUR 17,086 or 1% of gross income.

5.3 How are branches of foreign corporations taxed in your jurisdiction?

Cyprus branches of foreign companies are subject to tax on worldwide income if the locus of management and control of the branch is in Cyprus. If the locus of management and control is overseas, the branch is liable to corporate income tax on profits accruing or arising in Cyprus.

6.1 Has your jurisdiction entered into income tax and capital gains tax treaties and, if so, what is their impact?

Cyprus has a network of more than 60 double tax agreements. As at November 2022, comprehensive double taxation agreements were in force between Cyprus and the following countries: Andorra; Armenia; Austria; Azerbaijan; Barbados; Belarus; Belgium; Bosnia; Bulgaria; Canada; China; Czech Republic; Denmark; Egypt; Estonia; Ethiopia; Finland; France; Georgia; Germany; Greece; Hungary; Iceland; India; Iran; Ireland; Italy; Jersey; Jordan; Kazakhstan; Kingdom of Bahrain; Kuwait; Kyrgyzstan; Latvia; Lebanon; Lithuania; Luxembourg; Malta; Mauritius; Moldova; Montenegro; Netherlands; Norway; Poland; Portugal; Qatar; Romania; Russia; San Marino; Saudi Arabia; Serbia; Seychelles; Singapore; Slovakia; Slovenia; South Africa; Spain; Sweden; Swiss Confederation; Syria; Thailand; The States of Guernsey; Ukraine; United Arab Emirates; United Kingdom; USA; and Uzbekistan.

6.2 Do the income tax and capital gains tax treaties generally follow the OECD or another model?

The double taxation agreements generally follow the version of the OECD Model Tax Convention on Income and on Capital in effect at the time they were concluded.

Many of Cyprus's double tax agreements include a provision modifying the standard OECD provision regarding information exchange by reiterating the safeguards against misuse of the information exchange provisions by tax authorities contained in the Assessment and Collection of Taxes Law, making clear that the contracting states are not at liberty to engage in "fishing expeditions" or to request information that is unlikely to be relevant to the tax affairs of a given taxpayer. As a minimum, requests for exchange of information must specify:

- the identity of the person concerned;
- a statement of the information sought and the period it relates to;
- the tax purpose for which the information is sought;
- the reasons why the information requested is foreseeably relevant;
- grounds for believing that the information requested is available in the contracting state to which the request is addressed; and include
- a statement that the request is in conformity with the law and administrative practices of the contracting state making the request, that it would be able to obtain the information under its own laws or in the normal course of administrative practice in similar circumstances and that it has exhausted all reasonable means available in its own territory to obtain the information.

Some double taxation agreements include provisions relating to exploration, prospection and exploitation of offshore hydrocarbon resources based on the 2011 United Nations Model Double Taxation Convention between Developed and Developing Countries.

6.3 Has your jurisdiction entered into estate and gift tax treaties and, if so, what is their impact?

Not applicable – there are no such taxes in Cyprus.

6.4 Do the estate or gift tax treaties generally follow the OECD or another model?

Not applicable – there are no such taxes in Cyprus.

7.1 What are the relevant private international law (conflict of law) rules on succession and wills, including tests of essential validity and formal validity in your jurisdiction?

As regards the formalities required for a will to be valid, the critical factor is the place where the will was made. A will made in Cyprus must comply with the requirements of the Wills and Succession Law. A will made abroad must comply with the requirements of the law of the place where it was made. As regards the interpretation and implementation of the will, and the law to be applied, the critical factor for immovable property is the location of the property, whereas for movable property the nationality of the deceased at the time of death determines which law applies. For deaths after 17 August 2015, the EU Succession Regulation applies, and a valid choice of law in favour of another EU Member State under Article 22 of the regulation will prevail.

The Probates (Re-Sealing) Law facilitates administration of estates of persons who die in the UK or in any British Dominion or Commonwealth country and had property in Cyprus at the time of death. If probate is granted by a relevant court of a Commonwealth country, it may be re-sealed in Cyprus, and the Cyprus court does not enquire further into the validity of the underlying will and appoints an administrator to administer the estate in Cyprus.

Grants of probate issued in certain other countries can be registered in Cyprus under relevant international conventions or bilateral agreements.

For deaths after 17 August 2015, the new uniform European Certificate of Succession (under the EU Succession Regulation) is recognised without further formalities.

7.2 Are there particular rules that apply to real estate held in your jurisdiction or elsewhere?

Disposition of immovable property in Cyprus is governed by Cyprus law (*lex rei sitae*) and the restrictions imposed by Cyprus law as to the “statutory” portion of estates described in question 7.3 will apply regardless of any other factors. Succession to immovable property outside Cyprus is subject to the law of the country in which the property is located.

7.3 What rules exist in your jurisdiction which restrict testamentary freedom?

Cyprus law restricts, under certain circumstances, a person’s right to dispose of his or her property by will. The part that can validly be disposed of by will is called the “disposable portion” of the estate and the part that cannot be disposed of by will is called the “statutory portion”. The statutory portion is distributed according to the rules of intestacy to any surviving spouse, antecedents and descendants. The actual proportion of the net estate taken up by the statutory portion varies according to which relatives survive the deceased person:

- If the deceased is survived by a living child or a descendant of a child, the statutory portion amounts to three-quarters of the net value of the estate.

- If the deceased is survived by a spouse or a parent, but not by any children or their descendants, the statutory portion is half the value of the net estate.
- If the individual leaves no surviving spouse, parent, child or descendant of a child, the statutory portion is reduced to nil and the entire net estate may be disposed of by will. These restrictions can be very easily bypassed by establishing an appropriate trust arrangement.

8.1 In your jurisdiction, can an individual create a power of attorney which continues to be effective after the individual has lost capacity?

There is no such concept as a lasting power of attorney in Cyprus law. The two types of power of attorney applicable in Cyprus are a general power of attorney and a special power of attorney. Should the person granting the power of attorney lose capacity, then such power of attorney would be considered void.

8.2 To what extent would such a power of attorney made by an individual in their home jurisdiction be effective to allow the attorney to deal with assets belonging to the individual which are located in your jurisdiction?

Cyprus recognises powers of attorney made under the law of other jurisdictions, in accordance with the HCCH Convention Abolishing the Requirement of Legalisation for Foreign Public Documents 1961 (Apostille Convention), to which Cyprus is a party. Additionally, under special bilateral agreements (for example, with Greece), there are special provisions facilitating simpler procedures.

9.1 Are trusts recognised/permitted in your jurisdiction?

Trusts are a well-established concept in Cyprus. The Trustee Law of 1955 (Cap 193), which mirrors the UK’s Trustee Act 1925, is the basic law that deals with trusts.

In 1992, Cyprus created a state-of-the-art international trusts regime with the enactment of the International Trusts Law, which provides a framework for the establishment of trusts in Cyprus by non-residents.

The 1992 Law introduced a new type of trust, known as an international trust, with tax planning advantages and robust asset protection features. Like similar laws in other jurisdictions, the 1992 Law was not a comprehensive codification and the Trustee Law 1955 applies to international trusts except where the 1992 Law provides otherwise.

Cyprus international trusts proved extremely popular with high-net-worth individuals and professionals and a number of other jurisdictions introduced similar regimes. Towards the end of the first decade of the current century, it became apparent that the international trusts regime in Cyprus had fallen behind those of its competitors. The International Trusts (Amendment) Law of 2012, which entered into force in March 2012, addressed the perceived deficiencies and brought Cyprus back to the forefront of leading trust jurisdictions. It clarified the eligibility provisions for Cyprus international trusts, strengthened their already

formidable asset protection features, gave settlors far more flexibility than under the 1992 Law and widened trustees' investment powers. It also made several technical amendments and aligned the International Trusts Law with the EU *acquis communautaire*. The Amending Law of 2012 does not repeal and replace the 1992 Law but instead builds on it. Section 15 provides that it applies to all international trusts irrespective of their date of creation.

The Cyprus international trust is the structure of choice for non-resident settlors.

9.2 How are trusts/settlors/beneficiaries taxed in your jurisdiction?

The general principle is that trusts are transparent for tax purposes and taxation on the income of the trust is assessed on the beneficiaries.

Section 12 of the International Trusts Law as amended provides for a uniform tax regime applicable to all persons on the basis of a tax residency test. In the case of a beneficiary who is resident in Cyprus, the worldwide income and profits of the trust are subject to Cyprus tax. In the case of a non-resident beneficiary, only income and profits earned from sources within Cyprus are subject to Cyprus tax.

Any beneficiaries who elect to become Cyprus tax residents will be subject to taxation on their worldwide income, like any other Cyprus tax resident. Non-resident beneficiaries will be subject to Cyprus taxation only on any Cyprus-source income.

For trusts that have only resident beneficiaries or only non-resident beneficiaries, the application of these principles is very straightforward. Where a trust has both resident and non-resident beneficiaries, the tax authorities will determine the tax treatment by reference to the scope of rights that the respective beneficiaries have in the trust, as set out in the trust instrument.

9.3 How are trusts affected by succession and forced heirship rules in your jurisdiction?

Trusts are not affected in any way by succession and forced heirship rules.

The Cyprus International Trust is a particularly powerful asset protection tool, for the following reasons:

- Regardless of any bankruptcy or liquidation laws in Cyprus or in any other country, whether the trust is voluntary and without consideration, or made for the benefit of the settlor or his family members, the trust is not void or voidable. This is the case unless it is proved to the court that the trust was made with intent to defraud persons who were creditors of the settlor at the time when the payment or transfer of assets was made to the trust. The burden of proof of the settlor's intent to defraud lies with the person who is seeking to annul the transfer.
- Any action for avoidance of the trust must have begun within two years from the date of transfer or disposal of the assets to the trust.
- The Charitable Uses Act 1601 (also known as the Statute of Elizabeth), which invalidates arrangements made to hide assets from future creditors, is expressly excluded in Cyprus.

The Amending Law of 2012 strengthens these defences by explicitly providing that any question relating to the validity or administration of an international trust or a disposition to an international trust will be determined by the laws of Cyprus without reference to the law of any other jurisdiction. It also makes clear that the powers and duties of the trustees and of any protectors of the trusts are governed exclusively by Cyprus law.

Furthermore, it provides that dispositions to a trust cannot be challenged on the grounds that they are inconsistent with the laws of another jurisdiction (for example, regarding family and succession issues) or on the grounds that the other jurisdiction does not recognise the concept of trusts.

9.4 Are private foundations recognised/permitted in your jurisdiction?

Cyprus offers asset-holding structures typical of both common law jurisdictions (in the form of trusts) and civil law jurisdictions (in the form of foundations). Foundations are not commonly used, because of the high degree of bureaucracy, and most current foundations are public benefit foundations. However, the existing Associations and Foundations Law of 1972 and 1997 was updated in 2017 to simplify procedures and a new law on foundations is expected to be enacted soon. These changes should lead to an increase in the use of private foundations.

9.5 How are foundations/founders/beneficiaries taxed in your jurisdiction?

The Council of Ministers grants exemption from income tax to foundations for public benefit purposes incorporated exclusively and solely for the promotion of the arts, the sciences or sports which do not seek to gain profits for the foundation or its members.

9.6 How are foundations affected by succession and forced heirship rules in your jurisdiction?

Foundations are not affected in any way by succession and forced heirship rules.

10.1 Are civil partnerships/same-sex marriages permitted/recognised in your jurisdiction?

Yes, under the Civil Union Law of 2015 (Law 184(I)/2015).

10.2 What matrimonial property regimes are permitted/recognised in your jurisdiction?

Article 13 of the Law Regulating Property Relations of Spouses of 1991 (Law 232/1991) provides that marriage does not affect the proprietary independence of the spouses; each spouse retains and acquires his or her own property after marriage. The spouses may acquire joint property, in which case each has an undivided share in such property. If the marriage is annulled or dissolved, or if the parties separate, then either may claim his or her contribution to the increase of the property of the other spouse.

10.3 Are pre-/post-marital agreements/marriage contracts permitted/recognised in your jurisdiction?

Pre-nuptial agreements between the spouses, or any agreements between the spouses for the future settlement of the matrimonial property concluded after the marriage but before separation, are not binding. Following separation, however, the parties may freely settle their matrimonial property between themselves, without recourse to the courts.

10.4 What are the main principles which will apply in your jurisdiction in relation to financial provision on divorce?

Article 33(1) of the Law for the Relationship between Parents and their Children (Law 216/1990) obliges both parents to provide for their child according to their means. Article 3 of the Law Regulating Property Relations of Spouses of 1991 (Law 232/1991) obliges each spouse to pay maintenance to the other. The spouse who is entitled to maintenance is the one who during the marriage had the least resources for covering his or her own needs and expenses and thus relied upon the other spouse for this. Finalisation of the divorce does not end the obligation to support the former spouse. If the marriage is annulled or dissolved, or if the parties separate, then either may claim under Article 14 of Law 232/1991 in respect of his or her contribution to the increase of the property of the other spouse.

Moreover, according to Article 14(2) of Law 232/1991, there is a rebuttable presumption that the claimant-spouse has contributed to one-third of the increase of the matrimonial property. Consequently, if the claimant-spouse wishes to claim only the said one-third proportion presumed under Article 14(2), he or she is not obliged to prove the extent of his or her contribution but must simply prove an increase of the respondent-spouse's property/assets. However, the respondent-spouse may attempt and succeed before the court in rebutting the presumption of Article 14(2) and prove even less than one-third or even no contribution at all on behalf of the said claimant-spouse.

11.1 What restrictions or qualifications does your jurisdiction impose for entry into the country?

Cyprus's immigration laws and regulations are fully harmonised with EU law and all European directives relating to free movement of EU citizens, immigration and trafficking in human beings have been transposed into Cyprus law. Immigration formalities therefore apply only to third-country nationals.

There are approximately 89 countries, including all the EU and EEA countries, whose citizens do not require a visa to enter Cyprus for a stay up to 90 days, provided they are *bona fide* visitors. Citizens of the other 114 countries require a visa. The two lists of countries are published on the website of the Ministry of Foreign Affairs.

11.2 Does your jurisdiction have any investor and/or other special categories for entry?

There are several classes of visa at the moment in Cyprus such as digital nomad visas enabling nationals from non-EU and non-EEA countries to reside temporarily in Cyprus and work for an employer registered abroad or perform work through telecommunications technology for companies or clients located abroad, the start-up permit scheme, for entrepreneurs from non-EU and non-EEA countries intending to develop innovative businesses with a high growth potential, as well as permits for the employment at a company of foreign interests (BCS).

Cyprus also provides, among others, visas for researchers, trainees and employees.

11.3 What are the requirements in your jurisdiction in order to qualify for nationality?

Foreign nationals who have legally lived in Cyprus for seven years

may apply for Cypriot nationality by naturalisation. For individuals who are either parents or children of Cypriot citizens, the time required is five years rather than seven. In either case, the applicant must have resided legally and continuously in Cyprus during the 12 months preceding the date of the application.

11.4 Are there any taxation implications in obtaining nationality in your jurisdiction?

No. Liability to Cyprus taxation is not based on nationality.

11.5 Are there any special tax/immigration/citizenship programmes designed to attract foreigners to become resident in your jurisdiction?

One of the main objectives of the government's economic policy is to encourage foreign direct investment and attract high-net-worth individuals to settle and do business in Cyprus. To this end, the government of Cyprus has implemented, under the provisions of Regulation 6(2) of the Aliens and Immigration Regulations, that a third country national can apply for an Investor's Immigration Permit, also known as a "fast-track" Permanent Residency Permit, provided that certain investment criteria are met; namely, the applicant may complete an investment of at least EUR 300,000 in any one of the following investment categories:

- Investment in a residential house or an apartment, from a land developing company for the minimum amount of EUR 300,000 plus VAT. The sale must be a first-time sale, i.e. a new property and not a re-sale.
- Investment in property (excluding residential houses/apartments) such as shops, offices, hotels or similar developments, or a combination of these, of a total amount of at least EUR 300,000. These property assets may be first-time sales or re-sales.
- Investment in the share capital of a Cypriot registered company with activities and staff located in Cyprus. The investment in the company's share capital must be at least EUR 300,000 and the company must have a minimum of five employees with a physical presence in Cyprus.
- Investment in shares of a Cyprus Collective Investment Organization (AIF, AIFLNP, RAIF) of at least EUR 300,000.

Each of the above investments must be evidenced through particular supporting documentation as specified in the Regulations.

Further to the investment criteria, the applicant must also be able to demonstrate a secured annual income of at least EUR 30,000. This income may derive out of income, shares, pensions, rents, etc. and in the case of investment under category A, must strictly originate from abroad. In the case of investment under categories B, C and D, the income or part of it may derive from related activities in Cyprus. The amount of annual income is increased according to the number and type of dependents (such as spouse, children or parents) that a main applicant may wish to include in their application.

Finally, the Investment Immigration Permit application needs to be accompanied by certain personal documentation concerning the applicant and his family. This includes, *inter alia*, the provision of a clean criminal record from their country of residence.

Further to the above, as of 1 January 2022, individuals taking up first employment in Cyprus are entitled to a 50% tax deduction, provided they receive an annualised employment income of EUR 55,000 or more and that they were not residents in Cyprus for a period of 10 years preceding the year in which that employment commenced. The applicability of the said framework is 17

years. Existing taxpayers in Cyprus may be able to benefit from the 50% tax deduction (assuming certain conditions are met). Further, Section 21A provides that employees who for three consecutive years, immediately before starting their employment in Cyprus, were employed outside Cyprus by a non-resident employer and whose first employment started after 26 July 2022 can claim a 20% tax relief on the employment income of their first employment in Cyprus or the amount of EUR 8,550 (whichever is lower) for seven years.

12.1 What automatic exchange of information agreements has your jurisdiction entered into with other countries?

Cyprus has been a party to the automatic exchange of information provisions under the OECD Multilateral Competent Authority Agreement (MCLA) and the Common Reporting Standard for the exchange of financial information and the USA Foreign Account Tax Compliance Act (under an Intergovernmental Model 1 Agreement) since 2014.

12.2 What reporting requirements are imposed by domestic law in your jurisdiction in respect of structures outside your jurisdiction with which a person in your jurisdiction is involved?

There are no such requirements.

12.3 Are there any public registers of owners/beneficial owners/trustees/board members of, or of other persons with significant control or influence over companies, foundations or trusts established or resident in your jurisdiction?

In respect of combatting money laundering, the financing of terrorist activity, and tax evasion, the 4th AML Directive obliged all EU Member States to introduce a central register of the beneficial or true owners of companies, trusts and other legal arrangements. Additionally, on 19 June 2018, the European Council issued the 5th AML Directive, revising the provisions of the 4th AML Directive to allow for public access to the said registers.

The 5th AML Directive was transposed into Cyprus legislation through an amendment to the Prevention and Suppression of Money Laundering Activities Law of 2007 (188 (i)/2007) on 23 February 2021 through Law 13(I)/2021.

On 12 March 2021, the Registrar of Companies and the Official Receiver (RoC) issued a directive (Κ.Δ.Π. 112/2021) providing guidance on the provisions of the abovementioned law in regard to the companies and other legal entities register (Guidance Manual), and on 18 June 2021, the Cyprus Securities and Exchange Commission (CySec) also issued a directive (Κ.Δ.Π. 257/2021) providing guidance on the trusts and similar legal arrangements register (CYTRUST Directive). It must be noted that public accessibility to the companies and other legal entities register is unrestricted, whereas in the case of the trust and similar legal arrangements, public accessibility is restricted and provided only under certain instances.



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Elias Neocleous & Co LLC is among the largest firms in South East Europe and the Eastern Mediterranean, with more than 140 highly qualified and experienced professionals. All are English-speaking and members of staff speak most European languages, as well as major Asian languages. The firm is generally regarded as a regional leader, with a particular forte in cross-border work, advising international clients on all aspects of Cyprus and European law, and handling the largest and most demanding cross-border assignments. Cyprus has considerable benefits for high-net-worth individuals, and Elias Neocleous & Co LLC has a specialist team of 16 lawyers and tax specialists serving high-net-worth individuals and ultra-high-net-worth individuals and their home-country advisers, as well as 12 trust managers and chartered accountants, most of whom have Big 4 experience, working in its specialist fiduciary services company.

The authors of this chapter were part of the team which won the Cyprus Tax Firm of the Year Award at the 2022 ITR EMEA Tax Awards.

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