

# Wealth Management via Cyprus

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# First Considerations: Why to consider wealth planning?



- A few decades ago the concentration was on creating wealth.
- More recently the concentration was on investing this accumulated wealth.
- In the last decade it has emerged the concern as to how to maintain that wealth and pass it to the next generation with no risks.





# Other considerations

- Business succession.
- Tax considerations: “Sheltering” money from a country’s income and estate taxes.
- Investing in the economies of booming countries and in developing countries and promoting international business.
- Keeping wealth safe and away from sudden, unexpected or malicious lawsuits.



# Other considerations: Jurisdictional issues

- Where the client lives and where his/her assets are located?
- What are these assets:
  - Movable or immovable?
  - Easy to liquidate or difficult to do so?



# Other considerations: Jurisdictional issues

- Easy to relocate wealth in another jurisdiction?



- What is the applicable tax and legal system where my assets are located and/or administered?



# Planning management of wealth

Taking into consideration:



- Just building portfolios?
- Risk exposure: measure risk to maximizing investment and profits?
- Managing sequence of return: short term or long term returns and objectives?



# Planning management of wealth

More considerations:



- Need for meeting on-going obligations?
- Complexities in wealth accumulation – how to eliminate these?
- Other financial, investment and tax issues considerations.





# Country Risks for the clients

- Is the wealth invested in a country on the verge of civil war?
- Is the wealth structure in a country on the verge of economic collapse?
- Is the country known for efficiency and smart investments or for poor customer services and very risky investments? One needs to do some homework.
- Risks on the foreign currency – if it falls you loose your money.





# What else needs to be considered?

- Reporting requirements
- Frequency of filing documents
- Maintenance fees and costs of investments
- Disclosure requirements (if any)
- Tax compliance burden



# The old good days!



- Anonymous Banking – Remember of the numbered accounts.
- Full banking and investment secrecy for clients.
- Very limited KYC in making investments and opening bank accounts.
- No questions asked for transferring and even withdrawing large amounts of money in cash!!!
- Almost no reason to indicate specific business activities and source of funds.
- Very difficult to uncover the identities of account-holders suspected of criminal activity.



# “Headed world” affecting changes to wealth planning



- The Terrorist attack in New York on September 2001
- The collapse of the US investment bank Lehman Brothers in 2008
- The war of Syria in the Middle East
- The terrorist events in the world
- Brexit – what changes does it bring?



# Other Concerns

- Common Reporting Standards (CRS) and confidentiality issues
- FATCA
- 4<sup>th</sup> EU Directive on AML
- New international climate on exchange of information



# Wealth Management – recent trends

- It used to be simply deciding where to invest or changing the corporate structures of existing business and/or investment etc.

Nowadays investors also consider of:

- Changing domicile;
- Changing citizenship;
- Changing tax residency status.



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# Wealth Management – recent trends

How Cyprus can assist on this?





# Moving to Cyprus or via Cyprus?

- Cyprus Citizenship
- Cyprus permanent residency
- Tax Immigration – Cyprus tax residency
- Establishing a business/corporate presence and substance in Cyprus
- Establishing a Trust or a Fund in Cyprus





# Why choose Cyprus?

- Tax considerations;
- Security of funds and their management;
- Confidentiality;
- Well drafted laws on Corporate and Commercial matters, on Trusts and Funds;
- No inheritance tax;
- Advanced infrastructure.







# More considerations in choosing Cyprus?

- English language widely spoken;
- Most of the official documents can be issued in English;
- Common law jurisdiction;





# More consideration in choosing Cyprus?

- In case of dispute easy access to international litigation and arbitration;
- Strategic location with easy access to Europe, Africa and Asia;
- Member of the EU thus enabling cross border transactions and pass-porting in other EU countries.



# Cyprus business structures

- Cyprus Company
- Re-domiciliation of a foreign company to Cyprus (where this is permitted)
- Branch of a foreign company
- Partnership
- Trusts
- Sole trader or business by registering a business name.



# Family Planning via Cyprus



# Family issues

The target is to have children raised with wealth to be:

- Productive
- Content
- Financially dependent
- And motivated at times of abundance



# Family Planning

Sensitive concerns when things go wrong:

- Divorce situations
- Second marriage situation
- Children from more than one marriage
- Assets located in different jurisdictions
- Generation changes
- Pension planning
- Retirement tax planning (ex. someone who bought a flat in UK)

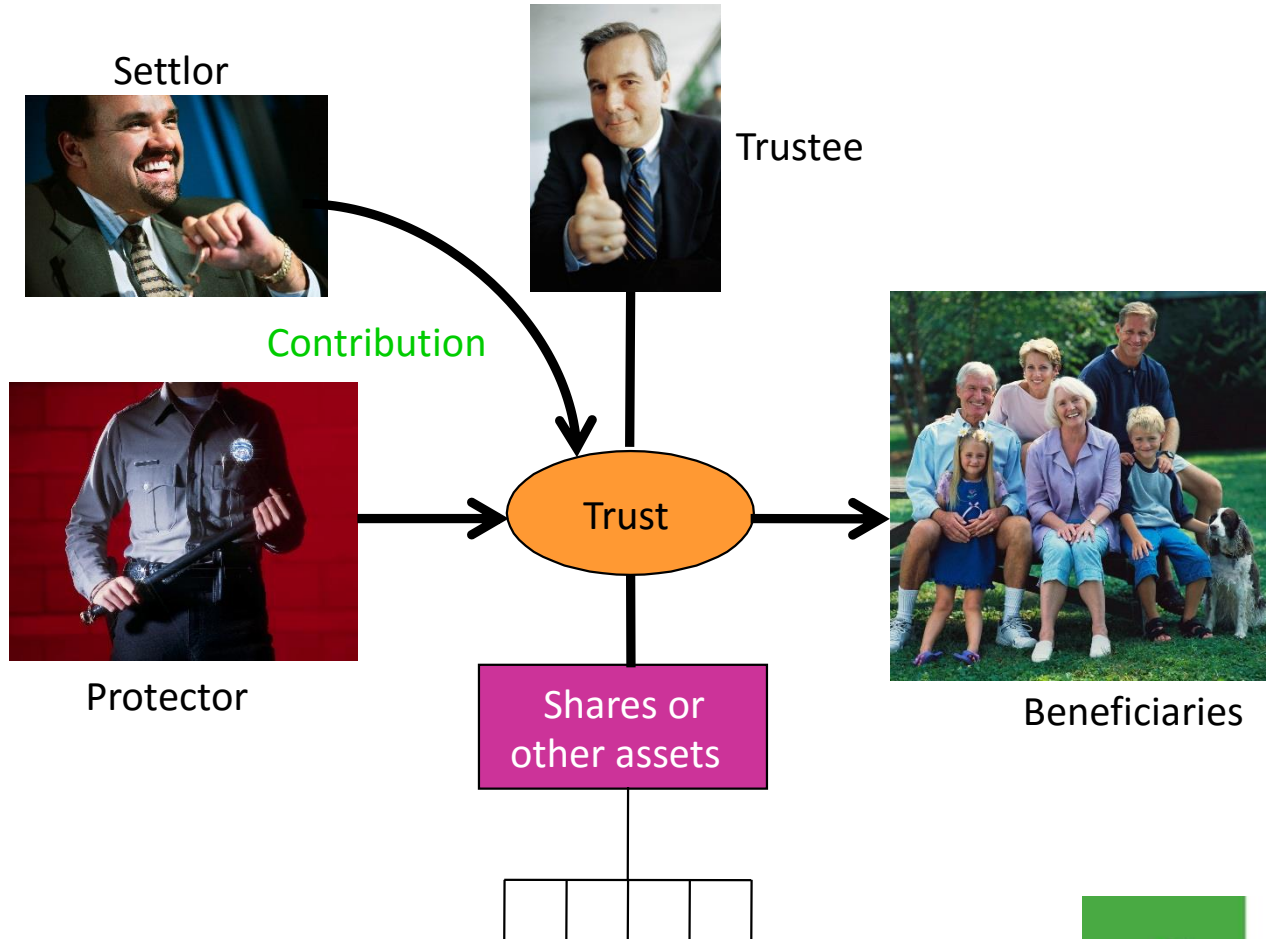


# Family Planning: Things to consider in case of a Will

- Subsequent marriage or divorce (after the making of a Will);
- Acquisition of immovable property in any other jurisdiction;
- A marriage contract entered into after the making of a Will;
- If the nominated executor has died;
- If any named Beneficiary changes his/her name, dies or becomes incompetent;
- If any property of the estate is subsequently sold or changes its nature.



# Trust: Contracting Parties







# Cyprus Trusts

## International Trust law 20(I)/2012

Requirements for establishing a Cyprus International Trust (CIT):

- The Settlor must not be a permanent resident of Cyprus in the calendar year which precedes the year in which the Trust was created;
- At least one of the Trustees must be a permanent resident of Cyprus during the whole duration of the Trust;
- No one of the beneficiaries must be a permanent resident of Cyprus in the calendar year which precedes the year in which the Trust was created.



# Cyprus Trusts: advantages

- Confidentiality
- Low and/or no tax (as applicable)
- Reserved powers to the Settlor
- No limitation on its duration
- Freedom to change the applicable law of the Trust (to or from the law of Cyprus)
- Freedom to select the applicable law of the Trust
- The terms of the Trust can be amended



# Trust: what to be careful of

- Dangerous judicial trends in treating Trusts as “marital assets”;
- Not to consider them as “sham trusts”;
- Reporting and registration requirements;
- Type of Trusts and powers granted to the Trustees.



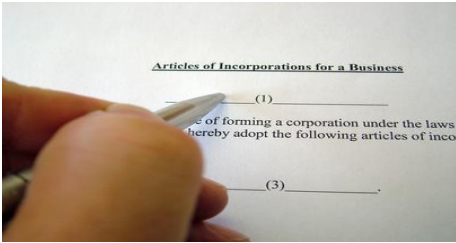
# Registration Requirements of Cyprus Trusts



- The instrument creating a CIT is liable to a stamp duty of EUR 430.
- Within 15 days from execution the Trust must be registered at the relevant Cyprus Authority.
- The only fee paid for the registration is EUR 50 for the issuance of the registration certificate.



# Registration Requirements of Cyprus Trusts



- The only information that is disclosed upon registration is:
  - the name of the Trust,
  - the name and address of the Trustee,
  - the date that the Trust is set up.
- All other information pertaining to the Trust is not disclosed for the purposes of the registration and according to the law is kept confidential.



# Registration Requirements of Cyprus Trusts



- Thus for registration purposes no disclosure is made as to:
  - the name and details of the Settlor,
  - the name and details of the Beneficiaries,
  - the assets pertaining to the Trust,
  - the terms and provisions of the Trust.



# Tax Benefits of Cyprus International Trusts

- Where the Beneficiary is not a resident of Cyprus only the income and gains of a CIT derived or deemed to be derived from sources inside the Republic shall be subject to taxes imposed in Cyprus.
- Thus a Trust with non-Cyprus residents and income from non-Cyprus sources will be exempted from Cyprus tax.



# Cyprus Investment Funds



- Undertakings of Collective Investment in Transferable Securities (UCITS)
- Cyprus Alternative Investment Funds

EU regulated with full pass-porting rights in other EU jurisdictions



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# Cyprus Citizenship

- It only requires:
  - to make an investment in Cyprus of €2 million;

and

- to own permanent private residence in Cyprus the purchase price of which must be at least €500,000 (+VAT).





# Cyprus Citizenship

- If the applicant has invested the €2 million in housing unit/units then the purchase of another permanent residence in Cyprus will not be required, if at least one of these housing units is worth at least €500,000 plus VAT.
- Thus in such an instance the whole investment will only be €2 million.





# Cyprus Citizenship

- The spouse of the Investor,
- The cohabitee of the Investor,
- The parents of the Investor
- The children of the Investor above the age of 18 but who are financially dependent on the Investor who has obtained the citizenship

may obtain the Cyprus citizenship by filing an application to the Ministry of Internal Affairs.





## Benefits of the Cypriot Citizenship-By-Investment Program:

- Investing, not donating your wealth
- Approved within 4-6 months from the application
- No minimum stay requirements
- Investments can be combined
- Basic documentation
- Easy process
- Very high approval rate





# Taxes on immovable property within family

- There is no inheritance tax in Cyprus
- There is no gift tax in Cyprus to relatives within the third degree of kindred
- There are no transfer fees to relatives within the third degree of kindred



# How far is Cyprus from China?



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# Positive Concerns out-weighting the distance

- Electronic services make management easier
- Time difference between China and Cyprus is convenient
- Similar culture and family values
- Cyprus is a Member of the EU – thus citizenship and investments allow EU cross-border benefits



# Contact us

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**Thank You!**



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