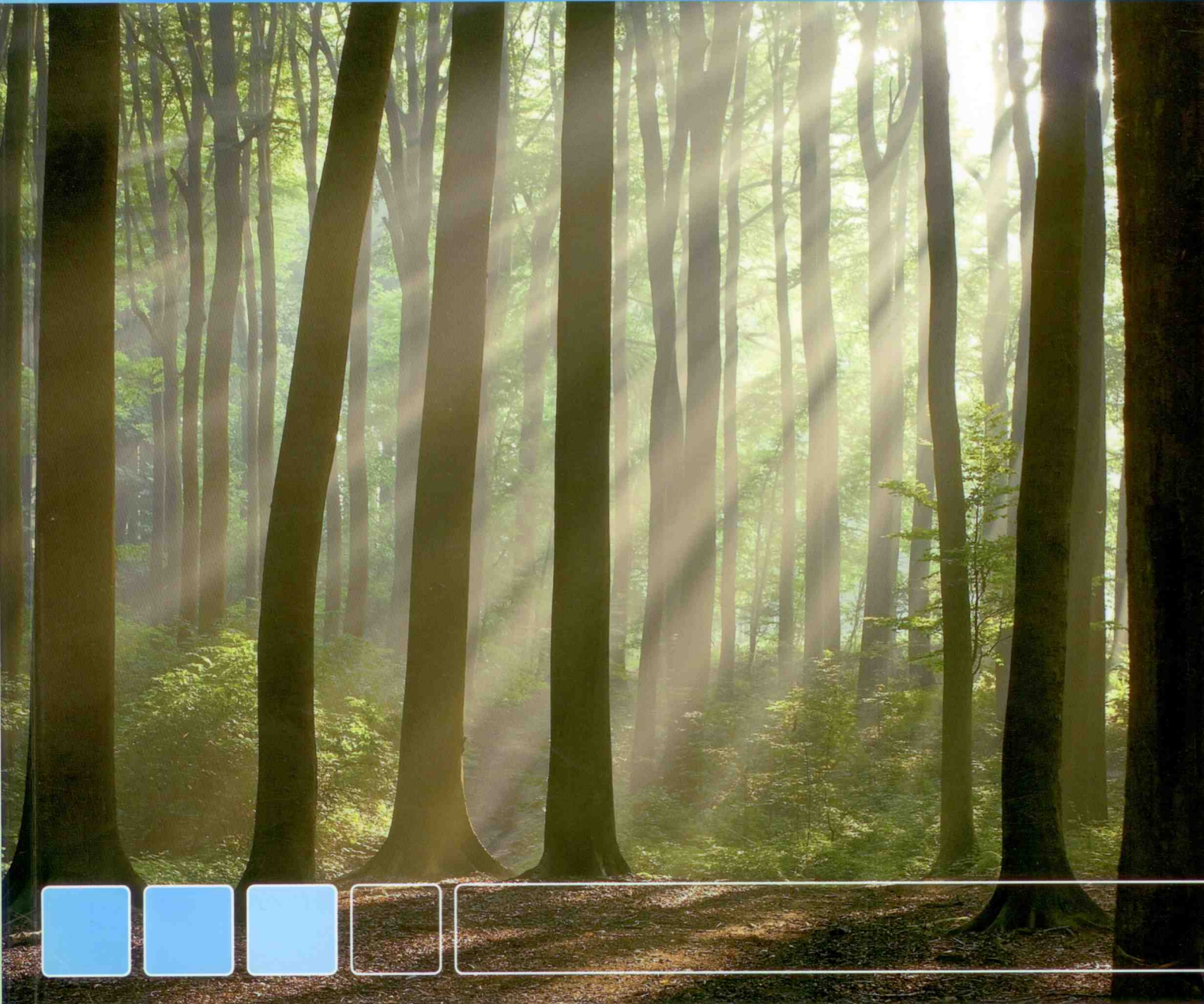


STEP Directory and Yearbook 2009





Cyprus

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Mark Ashley Bruce-Smith TEP
London Trust Limited, Nicosia, Cyprus

1. INTRODUCTION

a. History and background

An independent and sovereign Republic of Cyprus (Cyprus) came into being in 1960, following several decades as a British colony. Early and persistent tension between the Greek Cypriot majority and Turkish Cypriot minority culminated in violence, leading to deployment of UN troops in 1963 and the establishment of enclaves of Turkish Cypriots. In 1974, a coup attempt, sponsored by the Greek government, led to Turkish military action. Turkey's intervention gave rise to occupation and control of a third of the island in the north. A prolonged and extant stalemate between the two sides continues, even though the UN has repeatedly tried to bring about *rapprochement*.

Cyprus, comprising the entire island, entered the European Union (EU) on 1 May 2004. However, the application of EU law does not apply to the areas that are not controlled by the Cypriot government.

Cyprus is the third largest island in the Mediterranean, and is located in the Levant, about 40 miles south of Turkey's southern coastline. Its population is estimated to be just fewer than 800,000 people and its total area is approximately 900,000 square kilometres. Its security is complemented by the presence of the British sovereign bases on the island, possessing 99 square miles of British territory.

Tourism and financial services dominate Cyprus' economy. Recent rates of growth of GDP have been above the EU average. The government is promoting Cyprus as an international financial centre through the negotiation of bilateral tax agreements and membership of the EU.

The currency is the euro (EUR).

b. Legal system

Cyprus has a written constitution incorporating separation of powers as well as fundamental and embedded articles that neither the president nor the unicameral legislature, nor any other Cypriot office may change. One such embedded article deals with fundamental rights and liberties (and obligations), which are afforded to all persons and not just Cypriots.

The constitution is the highest legal authority and no other law may contradict it. The next level below the constitution comprises international agreements, conventions and treaties, including the EU's *Treaty of Accession* and numerous double tax treaties. These override national statute law in the event of conflict.

The flavour of statutory law is a combination of the legislature's laws, British colonial regulations and EU directives. In addition, statute law directs the

NEW DEVELOPMENTS

- The Cyprus pound was replaced by the euro (EUR) on 1 January 2008.
- Professional trustees and corporate service providers expect the new licensing law before the end of 2008 under the title: *Regulation of Fiduciaries, Company Directors and Corporate Services Consultants Bill of 2008*.
- Cyprus' 43rd double tax convention with San Marino was concluded.

PRACTICE TRENDS

The new licensing law is an increase in statutory regulation with an attendant increase in cost. There may follow some consolidation among practitioners given that each licence requires two qualifying individuals. It could enhance Cyprus' reputation as an international financial centre.

courts to follow English civil and criminal jurisprudence prior to independence, including the rules of equity, wherever practicable.

Cyprus has an independent judiciary comprising a supreme court and several kinds of subordinate courts.

Owing to the withdrawal of the Turkish Cypriots from the political process, and the Turkish occupation of the northern part of the island, there are some exceptional constitutional cases where the doctrine of necessity has been applied.

2. SOURCES OF LAW

a. Trust creation and administration

The primary source of trust law is English common law and the colonial regulation *CAP193 Trustees*, which is based upon the English *Trustees Act 1925*. Express trusts are private, public or international. In 1992, the *International Trusts Law 1992 (ITL)* introduced the Cyprus International Trust (CIT). The ITL builds on existing law, modifying it in certain instances.

b. Property, estate and probate

Property ownership is one of the fundamental rights and freedoms of the constitution. The law of immovable property is contained in *CAP224 Immovable Property (Tenure, Registration and Valuation)* as amended, and has its genesis in Ottoman land law.

The law of succession is contained in *CAP195 Wills and Succession*. The provisions regarding wills are based upon the *English Wills Act 1837*, whereas the rules governing intestacy are based upon the *Italian Civil Code*.

A valid will is signed before two witnesses, both of whom must be

