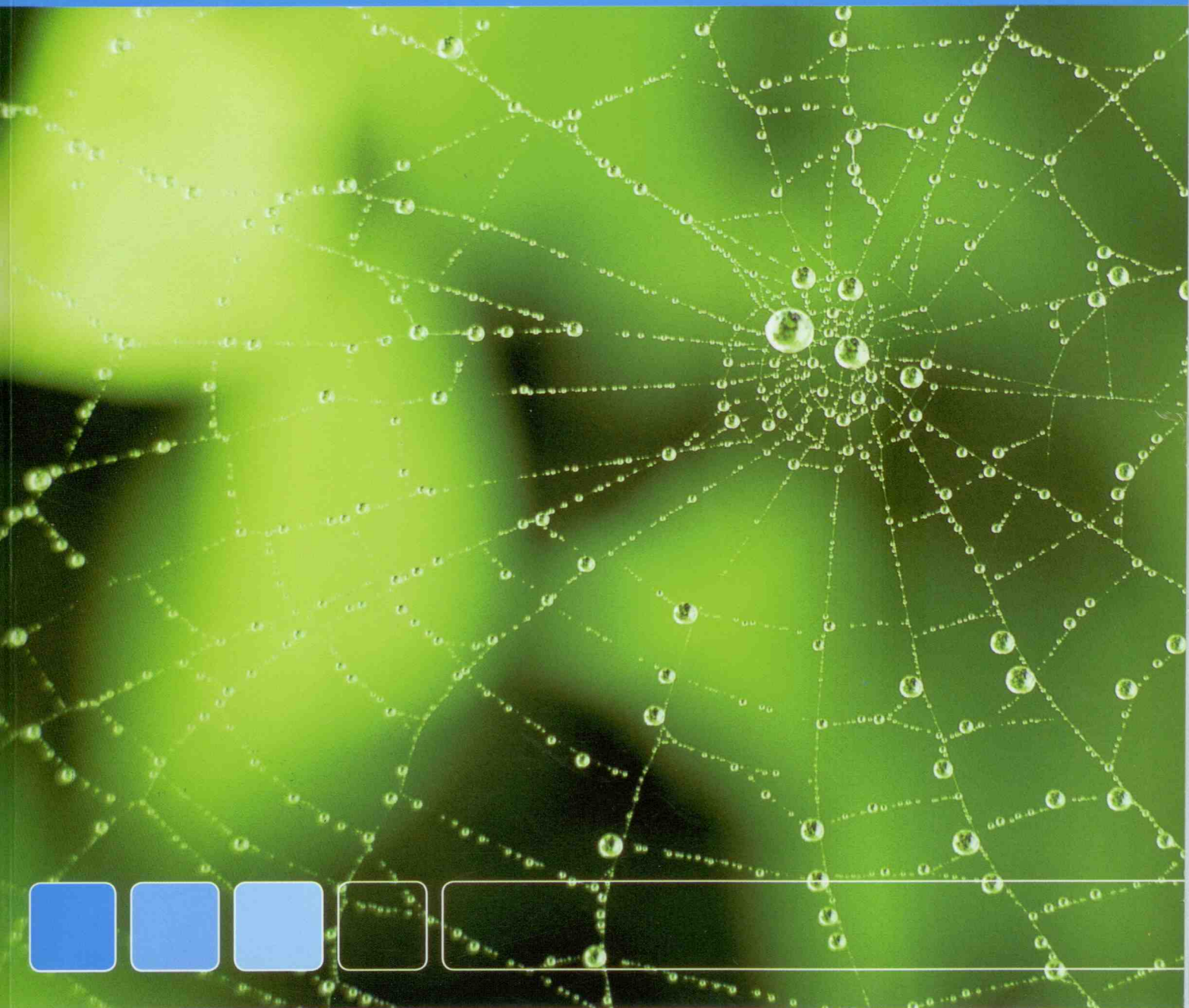


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Cyprus

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CYPRUS

EDITORIAL BOARD

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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.

Cyprus is the third largest island in the Mediterranean, and is located in the Levant, about 40 miles south of Turkey's southern coastline. The population is estimated to be just fewer than 800,000 people and the 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 courts to follow English civil and criminal jurisprudence prior to independence, including the rules of equity, wherever practicable.

NEW DEVELOPMENTS

- New, more robust double taxation convention reached with the Russian Federation.
- Professional trustees and corporate service providers expect the new licensing law before the end of 2009.
- Finance Minister Mr Stavrakis' leading programme to increase taxation agreements with European and other countries.
- Calls for change in real estate law in order to strengthen property rights and speed up the issuance of title deeds.
- European Court of Justice ruling concerning real estate in the disputed Turkish Cypriot area confirms Republic's territorial reach under EU law.

PRACTICE TRENDS

- New accord with the Russian Federation would mean that in time Cypriot real estate vehicles would be chargeable to Russian taxation on disposals of Russian immovable property.
- Global recession ushers in decrease in company formation but more foreign-owned companies establishing offices and engaging staff.

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. Good title of immovable property is based upon the registration of a title as opposed to a contract. Comprehensive property rights, subject to common limitations such as compulsory purchase in the public



