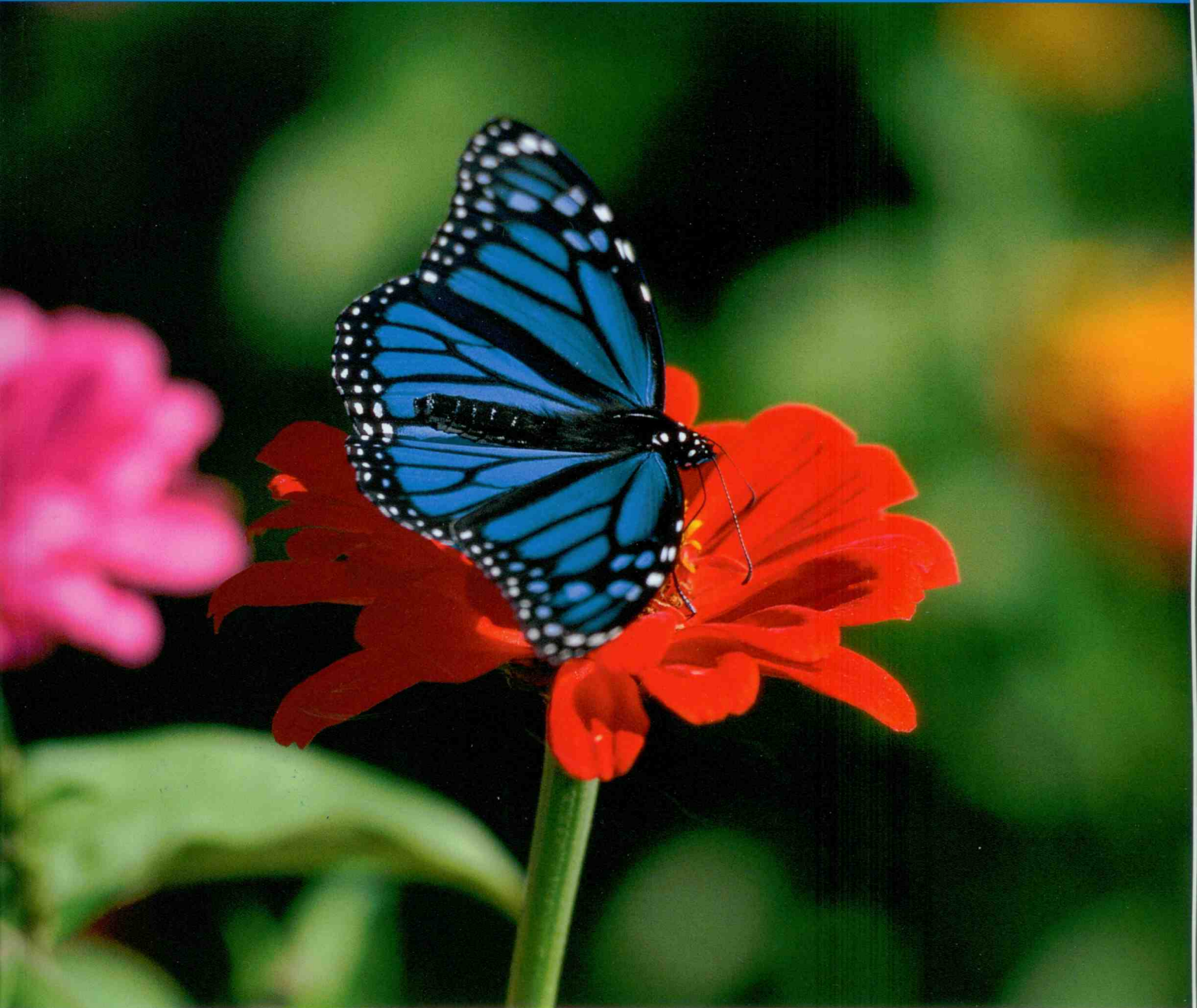


STEP Directory and Yearbook 2012



Produced in association with



Mutual Trust

EDITORIAL BOARD

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

NEW DEVELOPMENTS

- Fiscal laws enacted to combat tax evasion and improve efficacy and yield of tax collection.
- Property laws modified, granting owners of immovable property the right to go directly to the land registry for the registration of titles, bypassing developers.
- Long-standing double tax conventions with Germany and Italy revised.

PRACTICE TRENDS

- The Attorney General may authorise banks to share account details of tax residents with the Director of the Department of Income Tax, but only where the enquiry is substantive.
- All companies required to obtain a tax identification number within 60 days of incorporation or becoming tax resident.
- The EU has proposed a common system across the EU for calculating the tax base of a business.

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 stalemate between the two sides continues, 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 coast. The population is estimated to be just fewer than 800,000 and the area is approximately 900,000 square kilometres. Security is complemented by British sovereign bases on the island, which constitute 99 square miles of British territory.

Tourism and financial services dominate Cyprus's economy. The government is promoting Cyprus as an international financial centre



CYPRUS

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, not just Cypriots.

The constitution is the highest legal authority and no other law may contradict it. The 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 if there is conflict.

Statutory law is a combination of the legislature's laws and British colonial regulations. In addition, statute law directs the courts to follow English civil and criminal jurisprudence in place just before independence, including the rules of equity, where appropriate.

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 sources of trust law are English common law and the colonial regulation *Chapter 193 Trustees*, which is based on the English *Trustee Act 1925*. Express trusts are private, public or international. 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 on the registration of a title as opposed to a contract. Comprehensive property rights, subject to common limitations such as compulsory purchase in the public interest, are derived after registration of title at the District Lands Office. Lodgement at the District Lands Office of any sales contract concerning immovable property, within the statutory period of two months, is a real charge over the seller's title. Such a charge, when registered before a mortgage, guarantees the holder's rights against the mortgagee. In addition, for land development off a plan, the statutory remedies compelling developers to register purchasers' titles are available only on formal completion of the entire works. Until that time, purchasers' only recourse is monetary damages. Concerning co-ownership, immovable property has separate statutory rules. Nonetheless, English legal principles of joint tenancy and joint beneficial tenancy are widely applicable for other kinds of property.

A valid will has to be signed before two witnesses, both of whom must be present simultaneously. The disposable portion of an estate is restricted

