



Having spent a ten-day “vacation” with the extended family, one can appreciate why I was all too happy that the holiday period was over and I found myself back to my office.

My disappointment started from the very first day, being faced with a pile of bills to pay and a bunch of paperwork to sign-off. To add insult to injury, I found that half of the people I am working with were on holiday and the remaining half on holiday mode.

This left me with no other option than to immerse myself to the task I hate most; editing the newsletter. Thankfully, I managed to accomplish my mission within a somewhat reasonable period of time. At least *that* gave me a sense of fulfilment.

I trust the result will be equally fulfilling for you, our beloved audience.

Have a pleasant reading.

Pericles

Pericles Spyrou is the Managing Partner of aQuiver Capital

BANKING MADE EASY

It is, of course, a joke. A very short joke for that matter. Or a possible reality in another, parallel universe.

Banks are going through a transitional phase. We should expect a both a rationalization and a consolidation in the market; a recent report by a Big-4 audit firm revealed that the number of Swiss private banks has fallen from 163 to 112 over a course of 7 years, a drop by over 31%. In addition to this, we will also see a change of focus. Over the course of the next 5 years, my guess is that the entire banking system will make a conscious effort to reduce the number of bank accounts to levels below 50%, if not more, of the numbers they had 5 years ago. I would hate to have to predict what will happen in the next ten or twenty years. In the meantime, though, there are some tips that should navigate you through your banking practice.

First and foremost is for you to maintain, at all costs, the essential banking relationships you have. Don't try to work with every single bank. Choose one, two or three and stick to them. Refer to them, in equal shares, the good clients and refer to them the bad clients (are there any bad clients? Well, I meant to say “clients from which the banks won't make a lot of money”). They will happily accept the good clients and grudgingly accept the bad ones as well.

Second and most important is to manage the clients' expectations. Setting up an account today is a rare commodity and a long and arduous process. Don't over-promise clients either in terms of timeline (“I can have an account for you within 10 days”) or in terms of delivery (“opening a bank account for a company trading in diamonds? Easiest thing in the world”) in order to avoid disappointment. Some things take time to be done and some things can't be done at all.

As a third point, you should be diligent about applying to banks. Don't send half-completed forms, expecting that they will not notice the missing bits; they will. They will also be (and justifiably so) annoyed. It would also be strongly advisable to critically review the submitted documentation before submitting it to avoid missing out the things they ask for; if they ask for a utility bill, then

give them a utility bill. If they ask for a CV, give them a CV. And so on, and so forth.

Lastly, one thing that does go a long way is for the clients to meet with the banks in person. You should encourage them to do so; it helps.

Remember, today is (far) easier to find clients as opposed to banks.



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AN ISLAND FOR ALL SEASONS

Good news. The Cyprus government has amended the income tax law, making it even more attractive for individuals who want to take up (tax) residence in the country. In particular, it has relaxed the definition of the “resident of Cyprus” for individuals.

Under the existing provisions, the term "resident of the Republic", when applied to an individual, means an individual who stays in Cyprus for a minimum of 183 days during a tax year.

The definition has now been amended; actually, I meant to say improved. An individual who does not stay in any other country, for more than 183 days in the same tax year and is not tax resident in any other country for that same year, is deemed as a resident in Cyprus in that tax year, if all of the following conditions are met:

- The individual stays in Cyprus for at least 60 days in the tax year.
- The individual exercises any business in Cyprus or is employed in Cyprus (i.e. pays social insurance) or holds an office with a Cyprus tax resident person at any time during the tax year.
- The individual maintains a permanent home (leased or owned) in Cyprus.

Do bear in mind that Cyprus tax residency will be denied if, during the tax year the exercise of any kind of business in Cyprus or employment in Cyprus or holding of an office with a tax resident person in Cyprus is terminated.

Not bad, eh? Oh, and a word to the wise. Remember that (other than the paragraph just above) if you are a foreign tax resident, wishing to take up residence in Cyprus, you are (far) more likely than not to be challenged on your residence by your current home country rather than from the Cyprus authorities.

The law is *expected* to enter into force on 1 January 2018.

Benefits for Cyprus tax residents

- 50% reduction of the taxable employment income, provided this is sourced in Cyprus and provided it exceeds €100,000. If, for example, your employment income is €150,000, you would only pay tax on the €75,000.
- Personal, non-taxable allowance of €19,500.
- Low tax rate on dividend income
- Possibility to claim domicile outside Cyprus, allowing you 0% tax on dividend income.

Note: Some of the above benefits are allowed for a limited amount of time.

HOME, SWEET HOME



Our definition of home: a stylistic approach of the offices of aQuiver Capital

What is the price tag of such an endeavour? Well, you can nowadays get a passport in Antigua and Barbuda for \$200,000 and I am fairly certain that other exotic destinations are more than happy to sell a travel document and a citizenship for amounts comparable to that, giving you the opportunity to literally sail into the sunset and forget about FATCA, CRS and your bloodsucking accountant with the thick glasses and the total lack of personality. The only thing left is for you to buy a colourful shirt with matching swimming trousers, stock up on tanning lotion and choose the palm trees on which you will attach your hammock.

For those who do not want yet to retire but want to remain active, countries in the European Union such as Malta, Portugal and Cyprus offer a number of attractive options as well. Maybe the scenery of such countries is not as exotic, and perhaps the associated cost is higher, but it still gives the individual a firm foothold in the sinking ship that is called “European Union”.



We live in a world that is becoming increasingly communist. The (highly) developed states have tightened their control and their regulation over the individuals and the corporations, the taxes are higher which in a way means you work for the state, the bureaucracy is getting insane (have you visited a government office in Greece lately?) and the very few get very rich. Doesn't this remind you of the good old times of the “socialist states” of Eastern Europe?

One of the consequences of this new world order, is that an increasing number of individuals are seeking relocation in jurisdictions which offer attractive residency schemes. Such people are normally high net worth individuals who either want to reduce their tax bill, avoid criminal factions or simply live in a country with a friendlier climate.

MY FAIR LADY

One may wonder what on earth does Eliza Doolittle have in common with trust law. And, to be more precise, one of the fundamental principles of general trust practice, the fact that private purpose trusts are normally void.

Well, let's take each thing in turn. As we all very well know, courts have an inherent, supervisory role in the administration of trusts. More often than not, a court of law will be called upon to deliberate on various aspects of a trust, even possibly its validity. And courts would only uphold the validity of a purpose trust if it is charitable in nature. There are a number of reasons why purpose trusts which are not charitable are considered to be void.

The first and foremost is that private trusts by their very nature (private) would not be subject to the control and supervision of courts; it is one of the most commonly encountered principles in trust law that unless a trust can be enforced by a court of law, it is not valid¹.



Secondly, there should be a person or persons, physical or legal, who can enforce the trust or to whose favour the court can decree performance i.e. an object². In a private purpose trust, this is not possible.

A third and most interesting reason is that, by and large, purpose trusts are normally treated as capricious i.e. frivolous. I do seem to recall a trust case involving a settlement, whose unequivocal purpose was to block the windows and doors of a property. How is that for capriciousness?

Private purpose trusts are normally void.

Why?

What are the exceptions?

A fourth reason is that private trusts are normally construed to be perpetual endowments, rendering the trust assets inalienable for a period which exceeds the perpetuity period. Given that a number of jurisdictions have lately passed legislations which allow trusts to exist in perpetuity, I would consider this last point as the least significant one.

However, there is always a “but”. And in this case, there is a notable exception which relates to the “trusts of imperfect obligation”, so called because there is no person or persons who can enforce the obligations against the trustees. The list of such trusts is somewhat limited and the most common examples are trusts for the erection of tombs and monuments, as well as trusts for the preservation of wild animal life. One will find it difficult to establish a rationale behind their ambiguous and preferential treatment, other than the fact that they are the exception which defines the rule.

Charitable trusts, on the other hand, are upheld by the courts on the basis that they are trusts for public purposes. The acid test in this case would be the definition of a charity and a charitable cause. A charitable trust would be one for (say) the relief of poverty, the advancement of education or religion or for any other purpose which would benefit the community.

Perhaps one of the most interesting cases studies of a trust being declared void on the grounds of being a private, non-charitable trust is that of the famous Irish playwright, George Bernard Shaw. Shaw settled a trust whose main purpose was to establish a forty-letter, phonetic alphabet³, replacing the twenty-six letter alphabet that the English speaking world (this includes the Americans) uses today. The trust failed to qualify as charitable in nature since it was only intended to increase knowledge and the purpose was not coupled with either teaching or education. It was the proceeds of the film adaptation of his play “Pygmalion” that largely financed this settlement, post Shaw’s death. The name of the film? “My fair lady”.

¹ Schmidt vs Rosewood, 2003

² Knight vs Knight (1840) ³ Beav 171

³ Re Shaw [1957] 1 WLR 729