

Tax update

Newsletter

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Double Tax Treaty between Cyprus and Spain enters into force

The double tax treaty between Cyprus and Spain, which was signed in 2013, enters into force on 28 May 2014. This is the first double tax treaty between the two countries.

On 28 May 2014 Cyprus is removed from the Spanish blacklist.

Regarding taxes periodically accrued the treaty will take effect from the beginning of any tax year commencing on or after 28 May 2014 (i.e. from 1 January 2015 in the case of Cyprus). In relation to withholding taxes the treaty will take effect from the date of entry into force, 28 May 2014.

Under the treaty there is no withholding tax on interest and royalties. The following withholding tax rates apply on dividends:

- 0% if the beneficial owner of the company paying the dividend is a company whose capital is wholly or partly divided into shares holding directly at least 10% of the capital of the company paying the dividend;
- 5% in all other cases.

Irrespective of the above withholding tax rate on dividends under the treaty, Cyprus continues not to apply withholding tax on dividend payments out of Cyprus, as per the provisions of the local tax legislation.

Under the treaty Cyprus retains the exclusive taxing right on disposals of shares in Spanish companies except when the disposed-of shares are not listed on the Stock Exchange of either Cyprus or Spain and derive more than 50% of their value from immovable property situated in Spain.

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