

# Tax update

## Newsletter

**pwc**

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### ***Cyprus Double Tax Treaties (DTTs) effective from January 1, 2014***

Cyprus is continuing to expand its double tax treaty network as demonstrated by treaties with three new treaty partners, namely Estonia, Finland and Portugal, being effective as from January 1, 2014.

Additionally treaties replacing the former DTTs applicable with Kuwait and Ukraine as well as a protocol to the existing Austria treaty are also effective as from January 1, 2014.

Details of these treaties and protocol can be found in this newsletter.

Irrespective of the withholding tax rates provided for by treaties:

- Cyprus continues not to apply withholding tax on dividend, interest and royalty<sup>1</sup> payments out of Cyprus, as per the provisions of the local tax legislation.
- EU Directives also may apply to further reduce withholding taxes on payments from European Union (EU) countries to Cyprus.

#### ***Cyprus – Austria***

Under a Protocol to the existing treaty the previous Article 26 relating to exchange of information has been replaced with a new article on exchange of information which is aligned with the latest OECD Model Tax Convention on Income and on Capital.

#### ***Cyprus – Estonia***

Under the treaty there is no withholding tax (WHT) on dividends, interest and royalties.

Cyprus retains the exclusive taxing right on disposals by Cyprus tax residents of shares in Estonian companies except when the disposed-of shares derive more than 50% of their value from immovable property situated in Estonia.

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<sup>1</sup> Provided the royalty relates to a right of use outside Cyprus.

## ***Cyprus – Finland***

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

- 5% if the beneficial owner of the shares is a company (other than a partnership) which controls directly at least 10% of the voting power in the company paying the dividends;
- 15% in all other cases

Cyprus retains the exclusive taxing right on disposals by Cyprus tax residents of shares in Finnish companies except when the assets of the disposed-of company consist of more than 50% of immovable property situated in Finland.

## ***Cyprus – Portugal***

Under the treaty, the following withholding tax rates apply:

- Dividends: 10%
- Interest: 10%
- Royalties: 10%

Cyprus retains the exclusive taxing right on disposals by Cyprus tax residents of shares in Portuguese companies except when the disposed-of shares derive more than 50% of their value directly or indirectly from immovable property situated in Portugal.

## ***Cyprus – Ukraine***

Under the new treaty the following withholding tax rates will apply:

- Dividends: 5% provided minimum participation of 20% or minimum investment of €100k; 15% in all other cases
- Interest: 2%
- Royalties: 5% in case of royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience; 10% in all other cases

Cyprus retains the exclusive taxing right on disposals by Cyprus tax residents of shares in Ukrainian companies.

## ***Cyprus – Kuwait***

Under the new treaty there is no WHT on dividends and interest. The WHT rate on royalties is 5%.

Cyprus retains the exclusive taxing right on disposals by Cyprus tax residents of shares in Kuwaiti companies.

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