
Cyprus-Latvia double tax treaty effective 1 January 2017

Issue N-15-2016, 5 December 2016

In brief

The first time double tax treaty (DTT) between Cyprus and Latvia signed in May 2016 entered into force on 27 October 2016 as per a recent update on the Cyprus Ministry of Finance website. The DTT takes effect as from 1 January 2017.

The DTT provides for **0%** withholding tax (WHT) rates on dividends, interest and royalties if the payer is a company that is a resident of a Contracting State and the beneficial owner of the income is a company that is a resident of the other Contracting State i.e. company-to-company payments.

In detail

The first time DTT between Cyprus and Latvia signed in May 2016 entered into force on 27 October 2016. The DTT takes effect as from 1 January 2017.

The DTT provides for **0%** WHT on dividends, interest and royalties if the payer is a company that is a resident of a Contracting State and the beneficial owner of the income is a company that is a resident of the other Contracting State i.e. company-to-company payments.

For all the other cases i.e. not company-to-company payments, except for certain governmental interest, the DTT provides for

WHT rates of **10%** on dividends and interest and **5%** on royalties.

For capital gains, under the DTT Cyprus retains the exclusive taxing rights on disposals of shares in Latvian companies except in cases where more than 50% of the value of the shares is derived directly or indirectly from immovable property situated in Latvia and except in cases where the greater part of the value of the shares relates directly or indirectly to certain Latvian offshore rights or property.

The takeaway

Although the new DTT provides for WHT on dividend and interest payments (other than company-to-company payments) per the

domestic Cyprus tax legislation there is no Cyprus WHT on dividend and interest payments to non-Cyprus tax residents in all cases.

Further, although the new DTT provides for WHT on royalty payments (other than company-to-company payments) per the Cyprus domestic tax legislation Cyprus only applies WHT on royalty payments to non-Cyprus tax residents where the royalty relates to rights used within Cyprus.

The DTT is expected to open the way for new investment opportunities and trade relations between Cyprus and Latvia.

Let's talk

For a deeper discussion of how this development might affect you or your business, please contact:

Theo C Parperis
Partner
Head of Tax & Legal
theo.parperis@cy.pwc.com

Marios S Andreou
Partner
In charge of Tax Advisory
marios.andreou@cy.pwc.com

Nicos P Chimarides
Partner
In charge of Corporate Compliance
nicos.chimarides@cy.pwc.com

Eftychios G Eftychiou

Partner

Head of Tax Technical Committee

eftychios.eftychiou@cy.pwc.com

Or your usual PwC contact

PwC Cyprus

PwC Central

43 Demostheni Severi Avenue

CY-1080 Nicosia, Cyprus

P O Box 21612

CY-1591 Nicosia, Cyprus

www.pwc.com.cy