
Cyprus and Latvia sign first time double tax treaty

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In brief

Cyprus and Latvia signed a first time double tax treaty between the two countries on 24 May 2016 opening the way for new investment opportunities and trade relations between Cyprus and Latvia. Cyprus ratified the treaty on 3 June 2016. The treaty will take effect from 1 January in the year following that in which all legal formalities to bring the treaty into force are completed.

The treaty provides for **0%** withholding tax 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

A first time double tax treaty between Cyprus and Latvia was signed on 24 May 2016 and was ratified by Cyprus on 3 June 2016. The treaty will take effect from 1 January in the year following that in which all legal formalities to bring the treaty into force are completed.

The treaty provides for **0%** withholding tax 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).

For all the other cases (i.e. on non company-to-company payments),

except for certain governmental interest, the treaty provides for withholding tax rates of **10%** on dividends and interest and **5%** on royalties.

For capital gains, under the treaty 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/property.

The takeaway

Irrespective of the withholding taxes provided for in this treaty

on non company-to-company payments of dividends and interest, as per the domestic Cyprus tax legislation there is no Cyprus withholding tax on dividend and interest payments to non-Cyprus tax residents in all cases.

Further irrespective of the withholding tax provided for in this treaty on non company-to-company royalty payments, per the Cyprus domestic tax legislation Cyprus only applies withholding tax on payments to non-Cyprus tax residents where the royalty relates to rights used within Cyprus.

The treaty 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:

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