

Cyprus-Kyrgyzstan: First-time Double Tax Treaty: Cyprus ratifies

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In brief

On 26 June 2026 the first-time double tax treaty between Cyprus and Kyrgyzstan (the “**DTT**”), signed on 8 June 2026, was **ratified** by Cyprus (link in Greek, Kyrgyz, Russian and English). Certain legal procedures now need to take place in both States following which the DTT will ‘enter into force’. The DTT will take effect as from 1 January of the year following that in which it enters into force.

In detail

Overview of the DTT’s provisions

(i) Dividends

A 7% withholding tax (“**WHT**”) applies on the gross amount of the dividends if the beneficial owner of the dividends is a company (other than a partnership) that directly holds at least 25% of the capital of the company paying the dividends.

In all other cases a 10% WHT applies on the gross amount of the dividends.

PwC Observation: Irrespective of the WHT rate provided for in the DTT, as per the Cyprus domestic tax legislation no Cyprus WHT applies on dividend payments to non-Cyprus tax residents except in cases where there is the application of provisions relating to:

- the EU list of non-cooperative jurisdictions for tax purposes (so-called EU ‘blacklisted’ jurisdictions); or
- low-tax jurisdictions.

Currently, Kyrgyzstan is not on the EU blacklist for tax purposes nor is it listed by Cyprus as a low-tax jurisdiction.

(ii) Interest

An 8% WHT applies on the gross amount of the interest.

PwC Observation: Irrespective of the 8% WHT rate provided for in the DTT, as per the Cyprus domestic tax legislation no Cyprus WHT applies on interest payments to non-Cyprus tax residents except in cases where there is the application of provisions relating to EU blacklisted jurisdictions for tax purposes (as noted above, Kyrgyzstan is not currently on the EU blacklist for tax purposes).

(iii) Royalties

An 8% WHT applies on the gross amount of the royalties.

The term “royalties” as used in the DTT Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including software, cinematograph films, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

PwC Observation: Irrespective of the 8% WHT rate provided for in the DTT, as per the Cyprus domestic tax legislation no Cyprus WHT applies on royalty payments to non-Cyprus tax residents except in cases where:

- the royalties are earned on rights used within Cyprus; or
- there is the application of provisions relating to EU blacklisted jurisdictions for tax purposes (as noted above, Kyrgyzstan is not currently on the EU blacklist for tax purposes).

(iv) Capital gains

The DTT provides that a State may tax disposal of shares in cases where more than 50% of the value of the shares is derived directly or indirectly from immovable property situated in that State.

The above:

- i) applies only to gains attributable to the immovable property;
- ii) does not apply to gains derived from the disposal of shares listed on an approved stock exchange.

The DTT also provides that a State may tax disposal of shares in cases relating to certain offshore property rights.

(v) Entitlement to benefits

A benefit under the DTT shall not be granted, in respect of an item of income should this benefit be one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it can be established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this DTT.

Note: Per the Cyprus Ministry of Finance website, the 1982 double tax treaty between Cyprus and the USSR (the "USSR treaty") is still in force between Cyprus and Kyrgyzstan. We understand that Kyrgyzstan has not been applying the USSR treaty. We expect that Cyprus will continue to apply the USSR treaty until the DTT takes effect.

The takeaway

The first-time DTT between Cyprus and Kyrgyzstan should contribute to the further development of trade and economic relations between the two States.

Let's Talk

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