

DOUBLE TAX TREATIES WITH CYPRUS

Optimization of the Corporate Tax Structure

Cyprus has built an impressive network of double taxation agreements with more than 40 Countries.

The existence of these agreements distinguishes Cyprus from the other international business centres due to the fact that although many of the well-known offshore tax jurisdictions impose even lower or zero tax on the company profits, they do not have double tax treaties to avoid taxation in both countries.

The purpose of the double tax treaties is the protection of income derived in one country and remitted to another, from being subject to taxation in both jurisdictions as well as to introduce mechanisms for combating tax avoidance, to exchange tax information and to resolve tax disputes.

Treaties usually provide for a tax credit to the recipient of the income for the amount of tax that has already been paid in the country where the income has originated.

In practical terms, what the combination of these factors means is that in many cases a Cyprus legal entity, owned by non-residents, can receive profits generated in other countries, e.g. Eastern European countries, with minimal or no tax withholding in these countries or in Cyprus. These profits can be paid to the foreign investor without the payment or withholding of any additional tax.

The typical forms of income which fall within the scope of the treaties are dividends, interest and royalties.

Received in Cyprus (Paid from Cyprus to)	Dividends%	Interest%	Royalties%
Andorra (50)	Nil	Nil	Nil
Armenia	0/5 (1)	5	5
Austria	10	Nil	Nil
Bahrain	Nil	Nil	Nil
Barbados	Nil	Nil	Nil
Belarus	5/10/15 (2)	5	5
Belgium	10/15 (3)	0/10 (4), (5)	Nil
Bosnia (6)	10	10	10
Bulgaria	5/10 (7)	0/7 (4), (8)	10 (8)
Canada	15	0/15 (9)	0/10 (10)
China, P.R.	10	10	10
Czech Republic	0/5 (11)	Nil	0/10 (12)
Denmark	0/15 (4), (13)	Nil	Nil
Egypt	15	15	10
Ethiopia	5	5	5
Estonia	Nil	Nil	Nil
Finland	5/15 (14)	Nil	Nil
France	10/15 (15)	0/10 (16)	0/5 (17)
Georgia	Nil	Nil	Nil
Germany	5/15 (18)	Nil	Nil
Greece	25	10	0/5 (19)
Guernsey	Nil	Nil	Nil
Hungary	5/15 (3)	0/10 (4)	Nil
Iceland	5/10 (39)	Nil	5
India	10 (20)	0/10 (44)	10 (21)
Iran	5/10 (45)	5	6
Ireland, Rep. of	Nil	Nil	0/5 (19)
Italy	15	10	Nil
Jersey	Nil	Nil	Nil
Kuwait	0	0	5
Latvia	0/10(42)	0/10(42)	0/5(43)
Lebanon	5	5	Nil
Lithuania	0/5 (22)	Nil	5
Luxembourg (46)	0/5 (47)	Nil	Nil
Malta	Nil	10	10
Mauritius (46)	Nil	Nil	Nil

Received in Cyprus (Paid from Cyprus to)	Dividends%	Interest%	Royalties%
Moldova	5/10 (24)	5	5
Montenegro (6)	10	10	10
Norway	0/15 (36)	Nil	Nil
Poland	0/5 (23)	0/5 (4)	5
Portugal	10	10	10
Qatar	Nil	Nil	5
Romania	10	0/10 (4)	0/5 (25)
Russia	5/10 (26)	Nil	Nil
San Marino (46)	Nil	Nil	Nil
Saudi Arabia (50)	0/5 (51)	0	5/8 (52)
Serbia (6)	10	10	10
Seychelles	Nil	Nil	5
Singapore	Nil	0/7/10 (4), (27)	10
Slovak Republic (37)	0/5 (28) 10	Nil 0/10 (4)	Nil 0/5 (25)
Slovenia	5	5	5
South Africa	5/10(41)	Nil	Nil
Spain	0/5 (28)	Nil	Nil
Sweden	5/15 (3)	0/10 (4)	Nil
Switzerland	0/15 (40)	Nil	Nil
Syria	0/15 (29)	0/10 (9)	10/15 (38)
Thailand	10	10/15 (30)	5/10/15 (31)
Ukraine (53)	5/10 (54)	5	5/10 (33)
United Arab Emirates	Nil	Nil	Nil
United Kingdom (Old)	0/15 (34)	10	0/5 (17)
United Kingdom (New)	0/15 (49)	Nil	Nil
United States	5/15 (35)	0/10 (16)	Nil

Notes

1. The rate of 5% applies where a dividend is paid by a company in which the beneficial owner has invested less than €150.000
2. A rate of 5% applies where the investment is not less than €200.000 in the share capital of the company paying the dividend. If such investment is less than €200.000, dividends are subject to 15% which is reduced to 10% if the recipient company controls 25% or more of the paying company
3. A rate of 15% applies if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual
4. No withholding tax if paid to the government/Central Bank/ Public Authority of the other state
5. No withholding tax for interest on deposits with banking institutions
6. Serbia, Montenegro and Bosnia apply the Yugoslavia/Cyprus treaty
7. The 5% rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases is 10%
8. The treaty rates do not apply if the payment is made to a Cyprus entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity and the Cyprus entity pays tax in Cyprus at a tax rate lower than the usual tax rate
9. Nil if paid to a government/Central Bank/ Public Authority or for export guarantee
10. Nil on literary, dramatic, musical, or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television)
11. Nil applies if received by a company (excluding partnership) which holds directly at least 10% of the share capital of the paying company for an uninterrupted period of no less than one year. A rate of 5% applies in all other cases
12. 10% applies for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience
13. A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year. A rate of 15% also applies if received by an individual
14. A rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual
15. A rate of 15% if received by a company (partnership is excluded) holding less than 10% of the capital of the paying company and in all cases if received by an individual
16. Nil if paid to a government, bank, or financial institution

17. A rate of 5% on royalties for cinematographic films including films and video tapes for television
18. A rate of 15% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual
19. A rate of 5% on cinematographic film royalties (other than films shown on television)
20. Prior to 1 April 2017, the applicable rate is 15% if received by a company holding less than 10% of the shares of the paying company and in all cases if received by an individual
21. A rate of 10% is also applicable for payments of a technical, managerial, or consulting nature. Prior to 1 April 2017, a rate of 15% applies on royalties
22. A rate of 5% if received by a company (other than partnership) holding less than 10% of the capital of the company paying the dividend and, in all cases, if received by an individual
23. Nil rate applies if the recipient company (partnership is excluded) holds directly 10% of the share capital of the paying company for an uninterrupted period of at least 2 years. 5% in all other cases
24. A rate of 5% applies if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. 10% WHT rate with rate in all other cases
25. 5% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience
26. A rate of 10% on dividend if paid by a company in which the beneficial owner has invested less than €100.000 in the share capital of the company paying the dividend
27. A rate of 7% if paid to a bank or financial institution
28. A rate of 5% if received by a company holding less than 10% of the capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares
29. A rate of 15% if received by a company holding less than 25% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares
30. A rate of 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial, or scientific equipment or of merchandise
31. A rate of 5% applies for any copyright of literary, dramatic, musical, artistic, or scientific work. A 10% rate applies for industrial, commercial, or scientific equipment. A 15% rate applies for patents, trademarks, designs or models, plans, secret formulas, or processes

32. A rate of 15% if a dividend is paid by a company in which the beneficial owner holds less than 20% of the share capital of the paying company and the beneficial owner has invested less than €100.000
33. A 5% withholding tax will be levied on payment 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% WHT will be levied in all other cases
34. A rate of 15% applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to a rate of 15%. Companies controlling at least 10% of the voting shares are entitled to nil withholding tax
35. A rate of 15% if received by a company controlling less than 10% of the voting power of the paying company and in all cases if received by an individual. If a company controls at least 10% of the voting power of the paying company in order to benefit from the rate of 5% other conditions relating to the income of the paying company need to be satisfied, otherwise a rate of 15%
36. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends or if the beneficial owner of the shares is the Government of Cyprus or Norway. A rate of 15% in all other cases
37. The Cyprus - Czechoslovakia treaty applies with the Slovak Republic
38. 10% rate applies on payment of royalties of any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. A rate of 15% applies on payments of royalties of any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience
39. A rate of 5% if received by company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividend. 10% in all other cases
40. Nil rate applies if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends during an uninterrupted period of at least one year (the holding period condition may be satisfied post the date of the dividend payment). Nil rate also applies if the beneficial owner is a pension fund or other similar institution or relates to the Government of Cyprus or Switzerland. 15% in all other cases

41. A protocol to the treaty entered into force on 18 September 2015 but may apply retrospectively. 5% rate applies if the beneficial owner is a company which holds at least 10% of the capital of the company paying the dividend. 10% in all other cases
42. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 10% rate applies for all other cases (except for certain governmental interest)
43. Nil applies if the payer is a company that is a resident in Latvia and the beneficial owner of the income is a company (other than partnership) that is a resident in Cyprus. 5% rate applies for all other cases
44. Nil if paid to a government or any other institution agreed upon between the two States. Prior to 1 April 2017, nil rate also applies if paid to a bank or financial institution. 10% rate applies in all other cases
45. The rate of 5% applies if the beneficial owner of the dividends holds directly at least 25% of the capital of the company paying the dividends
46. The treaty/treaty amendments is/are effective as from 1 January 2019
47. Nil applies if the beneficial owner (other than a partnership) holds directly at least 10% of the capital of the company paying the dividends. 5% rate applies for all other cases
48. The old treaty (1974) applies up to 31 March 2019 for corporation tax and up to 5 April 2019 for income tax/capital gains tax in the UK. The new treaty (2018) applies after these dates
49. A rate of 15% applies to dividends paid out of income (including gains) derived directly or indirectly from immovable property by an investment vehicle which distributes most of its income annually and whose income from such immovable property is exempt from tax, except for cases where the beneficial owner of the dividend is a pension scheme established in Cyprus. Nil rate applies in all other cases
50. The treaty is effective as from 1 January 2020
51. A 0% rate applies to payments of dividends if the recipient is a company (other than partnership) that directly or indirectly holds at least 25% of the capital of the payer company. 5% applies in all other cases
52. 5% rate applies on payments for the use of, or the right to use, industrial, commercial or scientific equipment. A rate of 8% applies in all other cases
53. New protocol to the DTT with Ukraine is effective as from 1 January 2020
54. A rate of 5% applies if the beneficial owner company (other than a partnership) holds directly at least 20% of the capital of the paying company and has invested at least EUR100.000 in the acquisition of shares or other rights in the paying company. A rate of 10% applies in all other cases

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