



## Cyprus Tax News

### Agreement reached to amend the Cyprus-Russia Double Tax Treaty (DTT)

On 10 August 2020, Cyprus and Russia concluded the negotiations of a new protocol to amend the existing provisions of the Cyprus-Russia tax treaty.

#### **15% WHT on dividend and interest payments**

According to the agreement reached, the existing withholding tax (**WHT**) rates on **dividend** and **interest** payments made from Russia to Cyprus will increase to **15%** subject to certain **exceptions** noted below.

#### **Exceptions from the 15% WHT**

The two countries have agreed that a **5% WHT** should apply, where the recipient/beneficial owner of a dividend is:

- a regulated entity such as a pension fund or insurance undertaking;
- a company the shares of which are listed on a registered stock exchange (subject to conditions);
- the Government or a political subdivision or a local authority;
- the Central Bank.

In addition, the two countries have agreed that **no WHT** shall apply on interest payments if the beneficial owner is:

- an insurance undertaking or a pension fund;
- the Government or a political subdivision or a local authority;
- the Central Bank;
- a banking institution.

Furthermore, **no WHT** shall apply in respect of interest earned on the following listed bonds:

- corporate bonds;
- government bonds and
- Eurobonds.

Finally, where the beneficial owner of the interest is a company whose shares are listed on a registered stock exchange (subject to conditions), the WHT shall not exceed **5%**.

### **Nil WHT on royalty payments**

The nil WHT on royalty payments from Russia to Cyprus will not change.

### **Effective date**

The intention of both countries is for the revised WHT rates to be effective from **1 January 2021**, through the signature of a protocol amending the existing tax treaty over the next months.

### **Concluding remarks**

On 25 March 2020, Vladimir Putin, president of the Russian Federation, proposed that Russia should withhold a higher percentage of taxes on dividend and interest payments leaving Russia, to mitigate the adverse economic effects of COVID-19. The agreement reached between the two countries is in line with the above plan and puts an end to the uncertainty triggered that Russia would denounce the Cyprus-Russia tax treaty.

Russia confirmed its intention to introduce similar provisions to its bilateral tax treaties with Malta, Luxembourg and the Netherlands with the same effective date (1 January 2021). In this way, Russia would provide a “level playing field” for European countries competing for investments into Russia.



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