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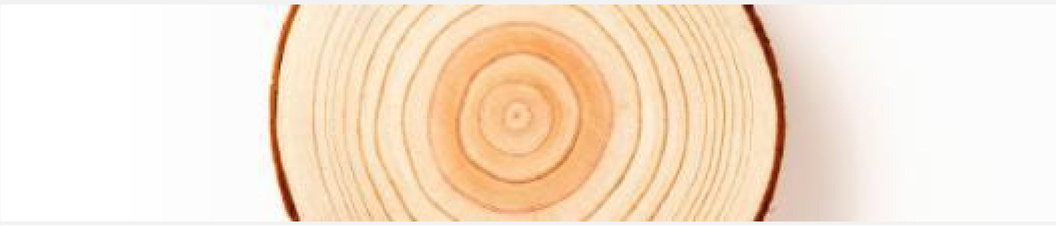
Cyprus | Tax & Legal Services | 23 May 2017 Issue 11/2017



Cyprus Tax News
Tax treaty signed with Luxembourg

Cyprus and Luxembourg signed a tax treaty on 8 May 2017. The treaty is expected to strengthen economic ties between the two EU member states.

The treaty, which is based on the OECD model treaty, provides for the following maximum withholding tax rates on dividends, interest and royalty payments:

- Dividends: No withholding tax on dividends paid to a company that holds directly at least 10% of the capital of the dividend paying company; otherwise, the rate will be 5%.
- Interest and royalties: No withholding tax on interest and royalties paid to a resident of the other contracting state.

With Cyprus steadily developing its investment fund industry, an industry that is already established in Luxembourg, the two countries have agreed that, for the purposes of the treaty, a collective investment vehicle will be considered a resident of a contracting state if, under the domestic law of that state, it is liable to tax therein by reason of its domicile, residence, place of management or any other criterion of a similar nature. A collective investment vehicle will be considered as liable to tax if it is subject to the tax laws of that contracting state irrespective if it is exempt from tax.

The treaty also includes provisions for the exchange of financial and other information in accordance with the OECD model treaty.

The treaty will enter into force once both Cyprus and Luxembourg exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty with respect to taxes will have effect in both contracting states on or after 1 January following the date the treaty enters into force.

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