



## Cyprus Tax News

### Tax Treaty signed with Saudi Arabia

On **3 January 2018**, Cyprus signed a tax treaty with **Saudi Arabia**.

The tax treaty is based on the OECD Model Convention and its main provisions are briefly outlined below:

**Dividends:** No withholding tax (WHT) on dividends, if the beneficial owner (BO) is a company which holds directly or indirectly at least 25% of the capital of the company paying the dividends. Otherwise, the WHT shall not exceed 5%.

**Interest:** No WHT as long as the recipient of the interest is the BO of the income.

**Royalties:** If the recipient is the BO of the royalties, the WHT shall not exceed:

- 5% of the gross amount of royalties which are paid for the use of, or the right to use, industrial, commercial or scientific equipment,
- 8% of the gross amount of royalties in all other cases.

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

The conclusion of the treaty is expected to enhance co-operation in tax matters between the two States and further develop their economic relationship.

We are at your disposal to discuss the above development with you.



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