

INTERNATIONAL TAXATION



1. Tax Planning through Cyprus

Cyprus is consistently voted as the most attractive European tax regime by major business organizations and tax professionals across Europe. Cyprus has been commended for the stability of its tax law, the consistency in interpreting its tax legislation and its low tax and VAT rates.

Cyprus has molded itself as a highly advantageous venue for international business activity offering clients a tax efficient system in an unrivalled location within which to undertake international operations. The standard corporate tax rate of 12,5% is among the lowest in the European Union, and the lowest “non-offshore jurisdiction corporate tax rate” in the world. Cyprus is now a premier holding, finance, royalty and trading company jurisdiction.



WHT on dividend, interest and royalties tables

Dividends paid to a non-resident company or non-resident individual are not subject to withholding tax. Interest No withholding tax is imposed on interest paid to a non-resident company or individual. Royalties paid to a non-resident for the use of rights in Cyprus are subject to a withholding tax of 5% on film royalties and 10% on all other royalties. These rates may be reduced under a tax treaty or the EU interest and royalties directive. Royalties paid to a non-resident for the use of rights outside Cyprus are exempt from withholding tax. There is no withholding tax on the payment of royalties by one resident company to another resident company.

Quick reference guide of the most favourable Cyprus double tax treaties: (for payments received in Cyprus from foreign jurisdictions)

Treaties with other countries	Dividends %	Interest %	Royalties %
South Africa	0	0	0
India	10	10	10
Bulgaria	5	7	10
Poland	10	10	5
Romania	10	10	5
Hungary	5	10	0
Czech Republic	0	0	10
Norway	0	0	0
Qatar	0	0	5
Syria	0	10	15
Mauritius	0	0	0
Treaties CIS countries	Dividends %	Interest %	Royalties %
Russia	5	0	0
Ukraine	0	0	0
Armenia	0	0	0
Kyrgyzstan	0	0	0
Moldova	5	5	5
Tadzhikistan	0	0	0
Turkmenistan	0	0	0
Belarus	5	5	5
Treaties with all EU countries	Dividends %	Interest %	Royalties %
All EU countries (general)	0 *	0 **	0 **

* 0% withholding possible via EU Parent-Subsidiary Directive.

** 0% withholding possible via EU Interest and Royalties Directive.

Cyprus Double Tax Treaties

Underlying the advantageous corporation tax system is a developed network of Double Taxation Treaties (of which there are over 45 with more under negotiation) which help to ensure businesses are not taxed twice in different jurisdictions on the same income. For a list of those countries with which Cyprus has agreed double taxation treaties, please refer to the end of this article.

The following is a summary of the withholding tax rates provided by the treaties for the avoidance of double taxation entered into by Cyprus:

		Paid from Cyprus			Received in Cyprus		
		Dividends %	Interest %	Royalties %	Dividends %	Interest %	Royalties %
	Non-treaty countries	0 (1)	0 (1)	0 (1, 2)	n/a	n/a	n/a
1	Armenia (20, 32)	0	0	0	0	0	0
2	Austria	10	0	0	10	0	0
3	Belarus	5 (18)	5	5	5 (18)	5	5
4	Belgium	10 (6)	10 (6, 19)	0	10 (8)	10 (6, 19)	0
5	Bosnia and Herzegovina (26)	10	10	10	10	10	10
6	Bulgaria	5 (23)	7 (6)	10	5 (23)	7 (6, 24)	10 (24)
7	Canada	15	15(5)	10 (6)	15	15(4)	10 (5)
8	China	10	10	10	10	10	10
9	Czech Republic	0 (29)	0	10 (31)	0 (29)	0	10 (31)
10	Denmark	10 (8)	10 (6)	0	10 (8)	10 (6)	0
11	Egypt	15	15	10	15	15	10
12	France	10 (9)	10 (10)	0 (3)	10 (9)	10 (10)	0 (3)
13	Germany	10 (8)	10 (6)	0 (3)	10 (8)	10 (6)	0 (3)
14	Greece	25	10	0 (12)	25 (11)	10	0 (12)
15	Hungary	0	10 (6)	0	5 (8)	10 (6)	0
16	India	10 (9)	10 (10)	10 (16)	10 (9)	10 (10)	15 (15)

17	Ireland	0	0	0 (12)	0	0	0 (12)
18	Italy	0	10	0	15	10	0
19	Kuwait	10	10 (6)	5 (7)	10	10 (6)	5 (7)
20	Kyrgyzstan (20)	0	0	0	0	0	0
21	Lebanon	5	5	0	5	5	0
22	Malta	15	10	10	0	10	10
23	Mauritius	0	0	0	0	0	0
24	Moldova (27)	5 (28)	5	5	5 (28)	5	5
25	Montenegro (26)	10	10	10	10	10	10
26	Norway	0	0	0	0 (13)	0	0
27	Poland	10	10 (6)	5	10	10 (6)	5
28	Qatar	0	0	5	0	0	5
29	Romania	10	10 (6)	5 (7)	10	10 (6)	5 (7)
30	Russia	5 (17)	0	0	10 (17)	0	0
31	San Marino	0	0	0	0	0	0
32	Serbia (26)	10	10	10	10	10	10
33	Seychelles	0	0	5	0	0	5
34	Singapore	0	10 (6, 25)	10	0	10 (6, 25)	10
35	Slovakia	10	10 (6)	5 (7)	10	10 (6)	5 (7)
36	Slovenia (26)	10	10	10	10	10	10
37	South Africa	0	0	0	0	0	0
38	Sweden	5 (8)	10 (6)	0	5 (8)	10 (6)	0
39	Syria	0 (8)	10	15 (30)	0 (8)	10 (4)	15 (30)
40	Tadzhikistan (20)	0	0	0	0	0	0
41	Thailand	10	15 (21)	5 (22)	10	15 (21)	5 (22)
42	Ukraine (20)	0	0	0	0	0	0

43	United Kingdom	0	10	0 (3)	15 (14)	10	0(3)
44	United States of America	0	10 (10)	0	5 (9)	10(10)	0
45	Uzbekistan (20)	0	0	0	0	0	0

Notes

- Under Cyprus domestic legislation there is no withholding tax on dividends, interests and royalties paid to non-residents of Cyprus.
- In case where royalties are earned on rights used within Cyprus there is withholding tax of 10%.
- 5% on film and TV royalties.
- 0% if paid to a Government or for export guarantee.
- 0% on literary, dramatic, musical or artistic work.
- 0% if paid to the Government of the other state.
- This 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.
- 15% if received by a company controlling less than 25% of the voting power or by an individual.
- 15% if received by a person controlling less than 10% of the voting power.
- 0% if paid to a Government, bank or financial institution.
- The treaty provides for withholding taxes on dividends but Greece does not impose any withholding tax in accordance with its own legislation.
- 5% on film royalties (apart from films broadcasted on television).
- 5% if received by a person controlling less than 50% of the voting power.
- This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting shares are also entitled to this rate.
- 10% for payments of a technical, managerial or consulting nature.
- Treaty rate 15%, therefore restricted to Cyprus legislation rate.
- On 8 September 2020 Russia and Cyprus signed the Protocol amending the intergovernmental agreement on the avoidance of double taxation with respect to taxes on income and capital. The tax levied on dividends and interest should not exceed 15% of the total amount of dividends effective from 1.1.2021.
- If investment is less than €200,000, dividends are subject to 15% withholding tax which is reduced to 10% if the recipient company controls 25% or more of the paying company.
- No withholding tax for interest on deposits with banking institutions.
- On 8 November 2012, Cyprus signed a tax treaty with Ukraine to replace the existing treaty between the countries (namely the USSR treaty, which will continue in force until the respective internal ratification procedures are completed).
- 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.
- This rate applies for any copyright of literary, dramatic, musical, artistic or scientific work. 10% rate applies for industrial, commercial or scientific equipment. 15% rate applies for patents, trademarks, designs or models, plans, secret formulae or processes.
- This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the withholding tax is 10%.

24. This rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity.
25. 7% if paid to bank or financial institution.
26. Montenegro, Bosnia Herzegovina, Serbia and Slovenia apply the Yugoslavia/Cyprus treaty.
27. The treaty is effective from 1 January 2009.
28. This rate applies if received by a company (excluding partnership) which holds directly 25% of the shares. 10% rate applies in all other cases.
29. This rate applies if received by a company (excluding partnership) which holds directly at least 10% of the shares for an uninterrupted period of no less than one year. 5% applies in all other cases.
30. 10% on literary, dramatic, musical, artistic work, films and TV royalties.
31. Pursuant to the protocol signed on 28 April 2009 between the Czech Republic and Cyprus, the former pledged that in the case that it signs with any other EU member State an agreement which will limit the taxation of royalties arising in the Czech Republic to a rate effectively lower than 10%, then that lower rate will automatically be applicable for the purposes of Article 12 of the New Treaty.
32. On 17 January 2011, Cyprus signed a tax treaty with Armenia to replace the existing treaty between the countries (namely the USSR treaty, which will continue in force until the respective internal ratification procedures are completed).

Cyprus Tax Sparing Provisions

A tax-sparing provision has the effect that if tax is 'spared' i.e. exempted in Cyprus, then it is credited against an investor's tax liability in his home country (the treaty counterpart) as if it had actually been paid in Cyprus. At the time of writing, there are tax-sparing provisions in the treaties with the following countries:

- | | | | |
|-------------------------|------------------|-------------------|-------------------------|
| ▪ Canada | ▪ Greece | ▪ Malta | ▪ Syria |
| ▪ Czech Republic | ▪ India | ▪ Romania | ▪ United Kingdom |
| ▪ Denmark | ▪ Ireland | ▪ Slovakia | ▪ Yugoslavia |
| ▪ Germany | ▪ Italy | ▪ Sweden | ▪ Poland |

The taxes all or partly spared are as follows:

- Tax on interest paid on loans for economic development in Cyprus (Canada, Denmark, Germany, France, UK).
- Tax relieved because of deductions in respect of investment in Cyprus (Canada, UK).
- Tax on interest or profits which is unpaid because of tax incentives, reliefs or exemptions in Cyprus (Czech Republic, Greece, Ireland, Romania, Slovakia, Yugoslavia).
- Tax not withheld on dividends (15%) if the exemption is given for the purposes of economic development in Cyprus (Denmark, Germany, France).
- 10% credit, automatically applied on all dividends, interest and royalties, irrespective of tax suffered (Poland).



Europe Private Wealth Ltd

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- Tax and VAT Services
- Corporate Compliance Services
- Consulting Services



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