



## TAX ALERT

### **Russia, Cyprus signed protocol on amending double tax treaty between the two countries as from 1 January 2021**

On September 8<sup>th</sup> 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.

According to the approved Protocol, the tax levied on dividends and interest should not exceed 15% of the total amount of dividends. In some cases, dividend tax can be up to 5%, in particular if the person entitled to the dividends is a foreign insurance company or a pension fund, as well as a local authority or central bank. The Protocol will enter into force in 2021.

The changes in the withholding taxes to the Cyprus/Russia double tax are as follows:

<b>Tax on dividends paid from Russia</b>	
	<b>Changes from 2021</b>
➤ 10% in general.  ➤ 5% of the total dividend amount if the person holding the actual right to the dividends made a direct contribution to the capital of the dividend paying company amounting to at least €100.000.	➤ 15% in general.
	➤ 5% on the dividends received by pension funds and insurance companies.
	➤ 5% on the dividends received by the Government, a political subdivision, a local authority or the Central Bank of the other Contracting State.

Tax on interest paid from Russia	
	Changes from 2021
➤ 0% in general.	➤ 15% in general.
	➤ 5% on interest, if the beneficial owner of the interest is a publicly listed company, with minimum participation of the public at large.
	➤ 0% on loans paid to Cypriot banks, pension funds and insurance companies.
	➤ 0% on interest from state, corporate bonds and Eurobonds of Russian entities, which are listed on a registered stock exchange.

Although the increase of the tax to 15% from the revision of the tax agreement, the exceptions agreed in the Protocol to the Cyprus - Russia DTT along with a number of the other non-tax considerations relating to Cyprus, such as the establishment of regional headquarters in Cyprus, easy access to international capital markets, to EU markets, the common law system, hence continue to provide opportunities for investments into Russia and making international transactions through Cyprus entities.

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- Consulting Services



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