



Prevention of tax abuse laws expected soon

29 March 2021 – The Ministry of Finance has submitted to the Cyprus Parliament two draft Laws for the purpose of amending the provisions of the Income Tax Legislation and strengthening the Cyprus tax framework for the prevention of tax manipulation, tax evasion and tax avoidance.

The draft legislations, which are expected to enter into force within 2021, provide for the following:

(a) WHTs for payments to companies in EU blacklisted jurisdictions

For payments made to companies which are tax residents in jurisdictions included within the EU Blacklist, withholding taxes are expected to be introduced as follows:

- for payments of dividends, WHT at the rate of 17%
- for payments of passive interest, WHT at the rate of 30%
- for payments of royalties, WHT at the rate of 10%

(b) Corporate Tax Residency Test

Currently, the tax residency for Cyprus tax purposes is based on the management and control test. Based on the proposed amendment the tax residency test will be expanded with the introduction of a test based on incorporation in Cyprus, for companies that do not have an official tax residency anywhere else in the world. Such Cypriot incorporated companies will be considered as tax residents in Cyprus if they cannot prove that they are tax residents in any other jurisdiction.

A more detailed Alert on the final provisions of the draft laws will follow once those are voted by the Parliament and published in the official Government Gazette.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications on this or any other tax matter.