



House passes laws for the prevention of international tax abuse

5 January 2022 - The Cyprus House of Representatives has voted into law two bills for amending the Cyprus Tax Legislation, with the purpose of strengthening the Cyprus tax framework for the prevention of tax abuse, tax evasion and tax avoidance.

The bills were passed by the House on 9 December 2021, were published in the Cyprus Government Gazette on 21 December 2021 and will come into effect on 31 December 2022.

The purpose of the new bills is to prevent aggressive tax planning and make the tax framework fairer and more effective.

Overview of the new provisions:

1. Definition of “Cyprus tax resident company”

The Cyprus corporate tax residency test (currently the ‘management and control’ test) is expanded with the introduction of a test based on incorporation/registration in Cyprus, for companies that do not have a tax residency anywhere else in the world.

2. Introduction of Withholding Taxes

Introduction of withholding taxes (WHT) on payments to companies in jurisdictions included in the EU Blacklist of non-cooperative jurisdictions (“EU Blacklist”).

▪ Dividends

WHT at the rate of 17% applies on dividends paid by a Cyprus tax resident company to companies which are:

- resident in jurisdictions included in the EU Blacklist, or
- incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT does not apply in the case of dividend payments on shares listed on a recognized stock exchange.

▪ Interest

WHT at the rate of 30% applies on interest paid by a Cyprus tax resident company to companies which are:

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- resident in jurisdictions included in the EU Blacklist, or
 - incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT does not apply in the case of interest payments on securities listed on a recognized stock exchange and on interest payments made by individuals.

▪ **Royalties**

WHT at the rate of 10% applies on royalties paid by a Cyprus tax resident company to companies which are:

- resident in jurisdictions included in the EU blacklist, or
- incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT does not apply in the case of royalty payments made by individuals.

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 issue.