COSTAS TSIELEPIS & CO
CHARTERED ACCOUNTANTS

INFORMATION SHEET 11

Subject:	Cyprus - Switzerland DTT		
Authored:	November 2015	**Updated:**	------------------------------
Company:	Costas Tsielepis & Co Ltd		
Reference:	Cyprus - Switzerland Double Tax Treaty		

General

The Double Tax Treaty (DTT) signed between Cyprus and Switzerland on 25 July 2014 was entered into force on 15 October 2015 with the treaty provisions with respect to withholding taxes coming into effect on 1 January 2016.

The new double tax treaty with Switzerland is expected to further strengthen the island's treaty network and will contribute to the further development of trade and economic relations between the Republic of Cyprus and Switzerland as well as other countries. The Cyprus - Switzerland DTT will enhance the tax benefits already provided by the EU - Switzerland Agreement on taxation and will promote the combined use of Cypriot and Swiss companies in international tax structuring.

The double tax treaty agreement is based on the model agreement for the avoidance of double taxation of the OECD Model Convention for the Avoidance of Double Taxation on Income and on Capital).

Together with the Swiss treaty the active treaties which Cyprus has signed have now reached 55.

Tax Withholding Rates

The DDT's relevant withholding tax rates with respect to dividends, interest and royalties are as follows:

a) Dividends: Dividend payments by Switzerland will be subject to a withholding tax (WHT) of 15%, which may be reduced to 0% if the beneficial owner (other than a partnership) holds directly at least 10% of the capital of the dividend paying company for an uninterrupted period of at least 1 year.
b) Interest: 0%
c) Royalties: 0%

Capital Gains

With respect to the capital gains tax the treaty provides that gains derived by a Cyprus company from the alienation of shares of a Swiss company deriving more than 50% of their value directly or indirectly from immovable property situated in Switzerland may be taxed in Switzerland.

The provisions of the treaty will not apply to gains derived from:

a) The alienation of shares quoted on a stock exchange established in either Cyprus or Switzerland or on a stock exchange as may be agreed by the Competent Authorities of Cyprus and Switzerland; or

b) the alienation of shares in a company the value of which consist of more than 50% of immovable property, in which the company carries on its business; or

c) the alienation of shares resulting from a corporate reorganization, amalgamation, division or similar transaction.

In all other cases, capital gains derived by a Cyprus company from the sale of shares of a Swiss company will be subject to taxation in Cyprus only.

Permanent Establishment

The permanent establishment definition included in the treaty is in line with the definition provided in the OECD model tax convention. In particular, any building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts more than twelve months.

It is further noted that the treaty does not contain a limitation of benefits clause.