



Cyprus-Russia tax treaty amended

25 August 2020 - Cyprus and Russia have agreed on an amendment of their 1998 tax treaty, earlier this month.

The agreement was reached following negotiations between the two countries' Finance Ministries on 10 August.

15% WHT on Dividend and Interest payments

According to the agreement reached, the existing Withholding Tax (WHT) rates on dividend and interest payments made from Russia to Cyprus will increase to 15% subject to certain exceptions noted below.

Exceptions from the 15% WHT

The two countries have agreed that a 5% WHT should apply, where the recipient/beneficial owner of a dividend is:

- a regulated entity such as a pension fund or insurance undertaking;
- a company the shares of which are listed on a registered stock exchange (subject to conditions);
- the Government or a political subdivision or a local authority;
- the Central Bank.

In addition, the two countries have agreed that no WHT shall apply on interest payments if the beneficial owner is:

- an insurance undertaking or a pension fund;
- the Government or a political subdivision or a local authority;
- the Central Bank;
- a banking institution.

Furthermore, no WHT shall apply in respect of interest earned on the following listed bonds:

- corporate bonds;
- government bonds and
- Eurobonds.

Finally, where the beneficial owner of the interest is a company whose shares are listed on a registered stock exchange (subject to conditions), the WHT shall not exceed 5%.

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Nil WHT on Royalty Payments

The nil WHT on royalty payments from Russia to Cyprus will not change.

Cyprus Withholding Tax Rates Remain at 0%

Cyprus will continue to apply no withholding tax on dividend and interest payments to non-residents of Cyprus as per the local domestic legislation.

Effective Date

The intention of both countries is for the revised WHT rates to go into effect from 1 January 2021, through the signing of a protocol amending the existing tax treaty over the next few months.

Malta and Luxembourg have also agreed to amend their respective DTTs with Russia and raise the tax rates on interest and dividends from Russia to 15% while negotiations are now ongoing with The Netherlands with the exact same terms.

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.