



Cyprus to impose withholding tax on EU blacklisted countries

6 November 2020 - Cyprus is setting up to impose Withholding Tax (WHT) on 12 countries that have been identified by the European Union as non-cooperative jurisdictions on tax matters.

The measure, one of two related to corporate taxation, was included in the 2021 Budgetary plan that was presented by the Ministry of Finance to the House Finance Committee on 26 October 2020, following its approval by the Council of Ministers on 22 October 2020 (you may download [here](#)).

Introduction of WHT

The first measure is the introduction of WHT on dividend, interest and royalty payments to countries included in Annex I of the EU list of non-cooperative jurisdictions on tax matters. It is at the discretion of each member state to decide on the WHT rates. Cyprus decided to impose 17% on Dividends, 30% on Interest and 10% on Royalties.

As of 6 October 2020, the 12 countries that are included in Annex I are:

- American Samoa
- Anguilla
- Barbados
- Fiji
- Guam
- Palau
- Panama
- Samoa
- Trinidad and Tobago
- US Virgin Islands
- Vanuatu
- Seychelles

Tax Residency Test

The second measure is the introduction of a corporate tax residency test based on incorporation, in addition to the existing 'management and control' test.

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For these two measures, draft bills have already been sent to the Attorney General's office for legal vetting.

Further information will be released as it is made available.

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.