COSTAS TSIELEPIS & CO
CHARTERED ACCOUNTANTS

Cyprus – Russia DTT article on ‘gains from alienation of property’ amended

30 December 2016 – **An agreement has been reached between Russian and Cypriot authorities to suspend the taxation of profits from the sale of shares of companies deriving more than 50% of their value from immovable property located in Russia.**

On 29 December 2016 the Cyprus Ministry of Finance announced that an agreement has been reached between Cyprus and Russia for postponing the application of the Protocol amending Article 13 “Gains from Alienation of Property” of the Double Tax Treaty (DTT) agreement between Cyprus and the Russian Federation.

The provisions of the article were deferred in order to allow for Russia to renegotiate similar provisions in its DTTs with other countries. Such negotiations however never took place as countries refused to negotiate as a result of the sanctions imposed on Russia. This left Cyprus in a position of disadvantage, which is now being regularised through amending the original protocol, removing the provision altogether.

The Protocol, signed on 7 October 2010, amended among others, Article 13 of the Cyprus-Russia DTT, which provided that as from 1 January 2017, profits derived by a Cyprus tax resident person from the alienation of shares or similar rights deriving more than 50% of their value from immovable property situated in Russia may be taxed in Russia.

According to a press release issued by the Ministry of Finance on the issue, a supplementary protocol is currently being prepared in which the revised provisions of Article 13 of the DTT will be suspended until the introduction of agreed provisions in other bilateral agreements with other European countries.

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