

Cyprus Double Tax Treaties



Cyprus is a prime jurisdiction within the EU offering substantial tax benefits to corporations through a wide network of double tax treaties.

The concept

Cyprus has entered into an extended number of double tax treaties, unusual of for a low tax jurisdiction.

These treaties follow closely the OECD model and the general effect of these treaties is that a Cyprus registered company that has tax exemptions in Cyprus will have the same exemptions in the treaty country. Hence, the country of residence will give a credit for taxes paid in the other treaty country.

Out of all the treaties now in force, only Canada, Denmark, France, Germany, Sweden, U.K and USA have some anti-avoidance provisions. Even so, these countries, with the exception of Canada and the USA, provide tax sparing credits to their residents on income received from Cypriot entities.

Some of the double tax treaties have tax sparing provisions that have the effect that if tax is spared (i.e. exempted in Cyprus), then it is credited against the investor's tax liability in his home country as if it had actually been paid in Cyprus.

Tax sparing provisions exist in the following countries (Canada, Czech Republic, Denmark, Germany, Greece, India, Ireland, Italy, Malta, Romania, Slovakia, Sweden, Syria, UK, Yugoslavia).

A company in order to be entitled to take advantage of a Double Taxation Treaty it must be considered resident in Cyprus.

Therefore a Cyprus International Business Company may be deemed resident in Cyprus only if the majority of its directors reside in Cyprus, board meetings take place in Cyprus, the preparation of yearly financial reports (bookkeeping, auditing, correspondence, payroll, etc) and generally the control and decision making is made in Cyprus.

The shareholders of a company are not required to have their place of residence in Cyprus.

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Treaty Countries	Paid from countries shown to Cyprus Residents			Paid from Cyprus to Residents of countries shown below		
	Dividend%	Interest%	Royalties%	Dividend%	Interest%	Royalties%
Austria	10	0	0	10	0	0
Belarus	5 ⁽¹⁸⁾	5	5	5 ⁽¹⁸⁾	5	5
Belgium	10 ⁽⁸⁾	10 ^(6,19)	0	10 ⁽⁸⁾	10 ^(6, 19)	0
Bulgaria	5 ⁽²¹⁾	7 ^(6, 24)	10 ⁽²⁴⁾	5 ⁽²³⁾	7 ⁽⁶⁾	10
Canada	15	15 ⁽⁴⁾	10 ⁽⁵⁾	15	15 ⁽⁴⁾	10 ⁽⁵⁾
China	10	10	10	10	10	10
C.I.S	0	0	0	0	0	0
Czech Rep	10	10 ⁽⁶⁾	5 ⁽⁷⁾	10	10 ⁽⁶⁾	5 ⁽⁷⁾
Denmark	10 ⁽⁸⁾	10 ⁽⁶⁾	0	10 ⁽⁸⁾	10 ⁽⁶⁾	0
Egypt	15	15	10	15	15	10
France	10 ⁽⁹⁾	10 ⁽¹⁰⁾	0 ⁽³⁾	10 ⁽⁹⁾	10 ⁽¹⁰⁾	0 ⁽³⁾
Germany	10 ⁽⁸⁾	10 ⁽⁶⁾	0 ⁽³⁾	10 ⁽⁸⁾	10 ⁽⁶⁾	0 ⁽³⁾
Greece	25 ⁽¹¹⁾	10	0 ⁽¹²⁾	25	10	0 ⁽¹²⁾
Hungary	5 ⁽⁸⁾	10 ⁽⁶⁾	0	0	10 ⁽⁶⁾	0
India	10 ⁽⁹⁾	10 ⁽¹⁰⁾	15 ⁽¹⁵⁾	10 ⁽⁹⁾	10 ⁽¹⁰⁾	10 ⁽¹⁶⁾
Ireland	0	0	0 ⁽¹²⁾	0	0	0 ⁽¹²⁾
Italy	15	10	0	0	10	0
Kuwait	10	10 ⁽⁶⁾	5 ⁽⁷⁾	10	10 ⁽⁶⁾	5 ⁽⁷⁾
Malta	0	10	10	15	10	10
Mauritius	0	0	0	0	0	0
Norway	0 ⁽¹⁴⁾	0 ⁽¹⁵⁾	0	0	0	0
Poland	10	10 ⁽⁶⁾	5	10	10 ⁽⁶⁾	5
Romania	10	10 ⁽⁶⁾	5 ⁽⁷⁾	10	10 ⁽⁶⁾	5 ⁽⁷⁾
Russia	5 ⁽¹⁷⁾	0	0	5 ⁽¹⁷⁾	0	0
Singapore	0	10 ^(6, 25)	10	0	10 ^(6,25)	10
Slovakia	10	10 ⁽⁶⁾	5 ⁽⁷⁾	10	10 ⁽⁶⁾	5 ⁽⁷⁾
Slovenia	10	10	10	0	10	10
South Africa	0	0	0	0	0	0
Sweden	5 ⁽⁸⁾	10 ⁽⁶⁾	0	5 ⁽⁸⁾	10 ⁽⁶⁾	0
Syria	0 ⁽⁸⁾	10 ⁽⁴⁾	10	15 ⁽⁸⁾	10	10
Thailand	10	15 ⁽²¹⁾	5 ⁽²¹⁾	10	15 ⁽²¹⁾	5 ⁽²³⁾
UK	15 ⁽¹⁴⁾	10	0 ⁽³⁾	0	10	0 ⁽³⁾
USA	5 ⁽⁹⁾	10 ⁽¹⁰⁾	0	0	10 ⁽¹⁰⁾	0
Yugoslavia (26)	10	10	10	10	10	10
Non Treaty Countries	0	0	0	0	0	0

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Notes:

1. Under the Cyprus legislation there is no withholding Tax on Dividends, interest and royalties paid to non-residents of Cyprus.
2. In the case where royalties are earned on rights used within Cyprus there is withholding Tax of 10%.
3. 5% on film and TV royalties.
4. Nil if paid to a Government or for export guarantee.
5. Nil on literary, dramatic, musical or artistic work.
6. Nil if paid to the Government of the other state.
7. This rate applies for patents, trademarks, designs or models, plans, secret formulas or processes or any industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience.
8. 15% if received by a company controlling less than 25% of the voting power.
9. 15% if received by a company controlling less than 10% of the voting power.
10. Nil if paid to a Government, bank or financial institution.
11. The treaty provides for withholding taxes on dividends but Greece does not impose any withholding Tax in accordance with its own legislation.
12. 5% on film royalties
13. 5% if received by a company controlling less than 50% of the voting power.
14. This rate applies to individual shareholders regardless of their percentage of shareholding. Companies controlling less than 10% of the voting power.
15. 10% for payments of a technical, managerial or consulting nature.
16. Treaty rate 15%, therefore restricted to Cyprus legislation rate.
17. 10% if dividend paid by a company in which the beneficial owner has invested less than US\$100,000.
18. If investment is less than €200,000, dividends are subject to 15% withholding Tax which is reduced to 10% if the recipient company controls 25% or more of the paying company.
19. No withholding Tax for interest on deposits with banking institutions.
20. Armenia, Kurghystan, Moldova, Turkmenistan and Ukraine apply the former USSR/Cyprus treaty.
21. 10% on interest received by a financial institution or when it relates to sale on credit of any industrial, commercial or scientific equipment or of merchandise.
22. This rate applies for any copyright of literary, dramatic, musical, artistic or scientific work. A 10% rate applies for industrial, commercial or scientific equipment. A 15% rate applies for patents, trade marks, designs or model, plans, secret formulae or processes.
23. This rate applies to companies holding directly at least 25% of the share capital of the company paying the dividend. In all other cases the withholding tax is 10%.
24. The rate does not apply if the payment is made to a Cyprus international business entity by a resident of Bulgaria owning directly or indirectly at least 25% of the share capital of the Cyprus entity.
25. 7% if paid to bank or financial institution.
26. Slovenia and Serbia/Montenegro apply the Yugoslavia/Cyprus treaty.

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