



RUSSIAN- CYPRUS DOUBLE TAXATION TREATY (DTT)

Russian businesses that works with offshore companies in Cyprus will face challenging times of double taxation treaty (DTT).

President Vladimir Putin demanded from the Cypriot Ministry of Finance an increase in minimum withholding tax rate on dividends and interests paid from Russia from 5%-10% (10% if amount invested is less than Eur 100.000) to 15%. In terms of denunciation of the suggested scenario Russia will severe tax-related relationships.

The Ministry of Finance of Cyprus proposed at any case to keep up the rates but increase control over financial activities of Russian businesses. Lately, the Russian Ministry of Finance sent an official proposition letter requesting amendments to the provision of the current DTT as well as a draft Protocol amending the DTT's Protocol.

In the draft Protocol it requests dividends/interests payed to have an option to be taxed in the country of source, but at the same time the rates should NOT exceed 15% rate. Any probability of applying for reduced tax rates is not provided.

In the letter Russian Ministry of Finance states that if the amendments finally will be accepted by Cyprus, they should enter into force one year after compliance (allegedly in 2021).

The burden on royalties paid to Cyprus as a result will be increased dramatically. In the draft Protocol it was not requested to rise royalty tax rates, but at the end without the agreement it will be rated with 20%. Therefore, patents and trademark owners might be negatively affected.

There will be increase in the costs of the logistic business and leasing vessels companies that will lead to 10% and 20% rates of taxation. Furthermore, Russian companies that receive dividends from Cypriot subsidiaries will not be able to take advantage of the preferential zero rate and will be obligated to pay a 13% tax rate on such dividends.



At the same time, Russians who lately transferred money to Cypriot brokerage companies will not be required to pay tax on it when they receive income.

Russian tax residents who receive a salary in Cyprus or own real estate in Cyprus will be negatively affected. At the selling stage an individual will be obligated to pay tax in both countries.

CPV Corporate and CPV Audit are professional accounting and finance companies that have vast experience in local and international taxation.

If your business faces any problem in planning any tax restructuring precocious related to Russian-Cyprus DTT case, then don't hesitate to contact us for tax consultancy.





TO RECEIVE MORE VALUABLE
INFORMATION IN AUDIT
AND TAXATION

SUBSCRIBE:



@cpvaudit



CPV AUDIT
/thecpvgaudit/



Antonis Chrysanthou,
FCCA, ADIT



www.cpvaudit.com

TRUST IN THE BEST