KINANIS
LAW FIRM

CYPRUS - THE TAX TREATMENT OF INTEREST

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A. INTRODUCTION

With this publication we outline the main provisions of the Taxation Laws in relation to the tax treatment of interest income and interest expense and we elaborate on the various financing schemes available.

B. THE BASIS OF TAXATION OF INTEREST INCOME

Generally, the Taxation Laws in Cyprus are applicable **only to tax residents** of Cyprus**,** both individuals and companies, on their world-wide income.

(I) Definition of tax resident

a) **In the case of an individual** – means an individual who stays in Cyprus for one or more periods exceeding, in aggregate 183 days in the year of assessment.

b) **In the case of a company** – means a company whose *"management and control"* is exercised in Cyprus.

The management and control of a company is exercised by its board of directors. The nationality or the residence of the shareholders is irrelevant. It is also irrelevant where the company was registered, whether in Cyprus or abroad. Incorporation in Cyprus is not sufficient to qualify the company as a tax resident of Cyprus. There is no definition in the Law as to the meaning of *"management and control"*.

The main factors that will identify this issue are: -

- The place of directors' meetings. Where board decisions are taken. This factor is treated as being the most crucial;
- The residence of the directors or at least the majority of them;
- The degree of control exercised by the directors on company decisions;
- Whether the directors think and decide on the crucial management decisions affecting the business of the company or they simply follow instructions and rubber stamp;

- Where the general policy of the company is formulated and by whom.

Non-residents of Cyprus are not taxable in Cyprus. Despite this general rule, non - residents having income from within Cyprus (Cyprus source income) i.e., through a permanent establishment are taxable in Cyprus only as to this Cyprus source income.

For a detailed analysis as to the applicability of the taxation laws, kindly see our publication *"The Management and Control Test – Taxation of Cyprus and Foreign Companies"* as well as our publication *"Immigration and Retirement in Cyprus – The Tax Aspect".*

(II) Taxation of Interest Income

Taxation on interest income is imposed according to: -

- The "Income Tax Law''; or
- The "Special Defence Contribution for the Republic Law''.

The applicability of each of the above laws (herein referred to as the "Law") depends on the type of interest income a person will acquire which is divided into two main categories: -

1. Interest income acquired **from the ordinary activities of the business or closely connected with those activities.**

- In this case the interest is treated as active interest and is regarded as trading income and taxed according to Income Tax Law at the rate of 12.5% on any resulting net taxable profits, and

2. Interest income **not acquired from the ordinary activities of the business or closely connected with those activities.**

- In this case the interest is considered as passive interest and is taxed under Special Defense Contribution Tax at the rate of 30% on the interest income accrued or credited.

(III) <u>Interpretation of "ordinary activities" and "activities closely connected with ordinary activities"</u>

As the definition of what is regarded as "ordinary activities" or activities closely connected with ordinary activities" is not clearly identified in the Law, The Commissioner of Income Tax, has interpreted the above provisions of the Law in a separate circular as follows: -

1. **Interest that is acquired *"from the ordinary activities of the business"*: -**

This type of interest is considered to be: -

a) The interest of banking businesses.

This category includes all the banks, co-operative credit institutions and enterprises that have as their main purpose the granting of loans such as the Housing Finance Corporation.

b) The interest that is acquired by financing companies.

These are the companies which provide finance by the method of hire - purchase or leasing agreements or any other type of financing.

In effect, the interest that the banks and financial institutions or financing companies receive or credited, is considered as trading income and is NOT liable to Special Defence Contribution Tax but only liable to Income Tax at 12.5% on any resulting net profits.

2. **Interest that is acquired from *"activities closely connected with the ordinary activities of the business"*:-**

This type of interest is considered to be:-

a) The interest received or credited from trade debtors:

For example, the interest received or credited by companies or individuals when their normal business activity is the buying, selling or development of immovable property, or the interest received or credited by companies or individuals that are selling or re-selling cars or other vehicles or machinery or other products.

In effect, the interest that companies or individuals receive or credited from their ordinary trading activities with their debtors is considered as interest closely connected with the ordinary activities of the business and is not subject to Special Defence Contribution Tax but only to Income Tax.

b) Interest on current accounts

The interest that companies or individuals receive from banks in their commercial banking accounts (current accounts) used for their ordinary trading activities.

c) The interest of Insurance Companies;

d) The interest that companies receive or credited when they act as the vehicle through which the companies of the group are financed.

In effect, companies which are used as a financing vehicle of their group, i.e. financing a mother, subsidiary or other related company (associate), then the interest received or credited is considered as trading income and is not subject to Special Defence Contribution Tax, but only subject to Income Tax at a rate of 12.5% on any resulting net profits.

The meaning of "group companies"

The meaning of group of companies is defined in the Companies' Law Cap. 113, where according to Art. 2 of this law, "group of companies" means the whole body of companies which consists of the mother and its subsidiary or its subsidiaries.

Further, according to Art.148 of the Companies' Law Cap. 113, the meaning of subsidiary and holding companies is defined as follows:-

A company is deemed to be a subsidiary of another if, but only if,

a) that either –
   (i) is a member of it and controls the composition of its board of directors; or
   (ii) holds the majority of the voting shares (rights) ; or
   (iii) is its member and controls the majority of the voting shares (rights) by agreement which has been signed with other members.
b) the first mentioned company is a subsidiary of any company which is that other's subsidiary.

A company controls the composition of the board of directors if, but only if, that other company can appoint or remove the holders of all or the majority of the directorships without the consent or concurrence of any other person.

For the purposes of the Companies Law, a company shall be deemed to be another's holding company if, but only if, that other is its subsidiary.

Further, according to International Financial Reporting Standards applicable in tax audit matters, an associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but without being able to exercise control over those policies. If an investor holds, directly or indirectly through subsidiaries, 20% or more of the voting power of the investee, it is presumed that the investor does have significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiaries, less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessary preclude an investor from having significant influence.

The commissioner of Income Tax considers within the definition of a "group of companies", any parent or subsidiary company as specified in the Law as well as any associate company (holding more than 20% of the voting shares).

In view of the above, full disclosure as to the group structure will need to be provided to the company's auditors in order to be able to assess the correct tax treatment of the interest income.

3. Interest received or credited liable to Special Defence Contribution Tax

Examples of interest liable to Special Defence Contribution Tax: -

- Interest received by the resident company/individual from fixed deposit accounts and bonds that are not held as a trading activity;
- Interest received or expected to be received from loans granted by companies that do not qualify as an ordinary activity or an activity closely connected with the company's ordinary activities.

C. TAX DEDUCTIBILITY OF INTEREST EXPENSE

According to the Income Tax Law, for an expense to be considered as tax deductible the general rule is that it must be made wholly and exclusively for the production of taxable income.

(I) The general rule

In regards to the tax treatment of the interest expense, the decisive factor is the purpose for which the loan that generates the relevant interest expense was used for. If the loan was used for the production of taxable income, i.e. for the acquisition of a business asset, then such interest expense is regarded as a tax deductible expense for income tax purposes.

If, on the other hand, the loan was acquired for the acquisition of a non-business asset, i.e. an asset that will not be used in the business for the production of taxable income, then such interest expense will not be regarded as tax deductible. It must be stressed that shares or other non-interest bearing titles are considered as non-business assets.

Therefore, when the acquisition of shares in other companies is financed by interest bearing loans, the interest expense will not be deductible for taxation purposes. The acquisition, however, of interest bearing titles such as debentures and bonds are considered as business assets as they generate taxable income (i.e. interest income) for the company.

This restriction on the deductibility of interest expense on loans obtained for the acquisition of non-business assets will apply for a period of seven years from the date of acquisition of these assets or up to the date of disposal of such assets.

If a loan acquired is used for the acquisition of both business and non-business assets, then the restriction is apportioned according to the acquisition cost of each asset.

(II) Notional Interest Deduction (NID) provisions on Qualifying Equity

The Law provides that a company can to claim a Notional Interest Deduction (NID) on the new capital introduced into the company. The NID can be set against any income generated by the company during the specific tax year.

The NID will equal the multiple of the “**Reference interest rate**” and the “**new equity**” as defined below:

"**Reference interest rate**" is defined as the 10-year government bond yield of the country in which the new equity is invested increased by 5%. The 10-year government bond yield used for the calculation of the NID is the rate as at 31st December of the year preceding the tac year in which the NID and there is no minimum reference rate.

The 2020 reference rates that have been announced by the Cyprus Tax Department are set out on the table below.

Country	10-year Bond Yield	2020 NID Reference Rate
Armenia	7.485%	12.485%
Abu Dhabi	1.618%	6.618%
Albania	N/A	N/A
Argentina	3.269%	8.269%
Australia	1.005%	6.005%
Austria	-0.433%	4.567%
Azerbaijan	N/A	N/A
Bulgaria	0.190%	5.190%
Belgium	-0.388%	4.612%
Belarus ($ USA)	6.075%	11.075%
Bermuda (US $)	1.783%	6.783%
British Virgin Islands	N/A	N/A
Canada	0.675%	5.675%
Cayman Islands	N/A	N/A
China	3.180%	8.180%
Cyprus	0.136%	5.136%
Costa Rica	9.627%	14.627%
Croatia	0.548%	5.548%
Czech Republic	1.252%	6.252%
Denmark	-0.459%	4.541%
Dubai (€)	N/A	N/A
Dubai (US $)	2.594%	7.594%
Egypt	14.006%	19.006%
Egypt ($ USA)	6.678%	11.678%
Estonia	-0.211%	4.789%
Finland	-0.425%	4.575%
France	-0.343%	4.657%
Germany	-0.388%	4.612%

Greece	0.190%	5.190%
Guernsey	N/A	N/A
Hong Kong	0.541%	5.541%
Hungary	2.135%	7.135%
India	5.865%	10.865%
Ireland	-0.318%	4.682%
Isle of Man	0.985%	5.985%
Israel	0.770%	5.770%
Israel ($ USA)	1.551%	6.551%
Italy	0.541%	5.541%
Ivory Coast	N/A	N/A
Jordan (US $)	4.480%	9.480%
Kazakhstan (€)	0.653%	5.653%
Kazakhstan (US $)	4.030%	9.030%
Kenya	11.977%	16.977%
Latvia	-0.180%	4.820%
Luxembourg	-0.415%	4.585%
Lithuania	-0.197%	4.803%
Marocco	2.403%	7.403%
Mauritius	1.580%	6.580%
Netherlands	-0.490%	4.510%
Nigeria (€)	N/A	N/A
Nigeria	7.261%	12.261%
Norway	0.944%	5.944%
Poland	1.229%	6.229%
Portugal	0.026%	5.026%
Romania	2.959%	7.959%
Russia	5.910%	10.910%
Russia ($ USA)	1.546%	6.546%
Saudi Arabia	2.399%	7.399%
Serbia	3.480%	8.480%
Singapore	0.834%	5.834%
Slovakia	-0.520%	4.480%
Slovenia	-0.187%	4.813%
South Africa	8.736%	13.736%
Spain	0.043%	5.043%
Switzerland	-0.523%	4.477%
Sweden	0.022%	5.022%
Taiwan	0.300%	5.300%

USA	0.916%	5.916%
Ukraine (€)	N/A	N/A
Ukraine ($ USA)	6.062%	11.062%
United Arab Emirates	N/A	N/A
United Kingdom	0.192%	5.192%
Vietnam	2.202%	7.202%

"**New Equity**" is defined as any equity introduced in the business on or after 1st January 2015 in the form of issued share capital and share premium (provided it is fully paid either in cash or in kind). New equity does not include amounts that have been capitalised and which are the result of a revaluation of movable or immovable property. Further there are several anti-abuse provisions in order to ensure that the NID is only calculated on New Equity introduce to the company after 1st of January 2015.

It is important to note that the NID granted on new equity cannot exceed 80% of the company's taxable profits. In addition, the NID cannot create tax losses and it cannot be brought forward to be set off against future profits. Effectively, this means that the NID cannot create or increase a tax loss.

In addition, the NID is considered as interest expense and as such is subject to the same limitation rules as interest especially when the New Equity is invested in non-business assets.

(III) <u>Exceptions of assets from the interest restriction calculation</u>

The above mentioned restriction on the deductibility of interest expense on loans obtained for the acquisition of non-business assets will not apply for assets acquired under the following situations:-

- In case the acquisition of the non-business assets was financed through the issue of new share capital without any actual cash movement (i.e. share for share exchange) given that there will not be a reduction of capital while the non-business asset is still held by the company, for a period of seven year from the date of the acquisition of such asset.

- In case the acquisition of the non-business assets was financed through the issue of new share capital given that this can be clearly verified and that the payment for the acquisition of such assets is made within 6 months from the date of the issue of the new share capital.

- In case the acquisition of the non-business assets was financed through an interest free loan received from a related party specifically for the purpose of obtaining the non-business assets, given that this can be clearly verified, and provided that the payment for the acquisition of such assets is made within 6 months from the date the interest free loan was obtained. Such interest free loan must remain outstanding for at least a period of seven years or up to the date the non-business asset is disposed.

- In case the acquisition of the non-business assets was financed through the company's own capital and reserves given that within a period of six months from the acquisition of the non-business assets the company has not created any other loan obligation, provided that for a period of seven years from the acquisition or up until the disposal of the non-business asset, there will be no capital reduction or dividend payment.

- In cases of back to back to loans, either between related parties or between the company and third parties, and given that it can be clearly verified that it relates to back to back loans, then there will be no interest expense restriction on the loan acquired, provided that the time between the date of obtaining the loan and the date of granting the respective loan will not exceed a period of six months.

D. INTRA-GROUP BACK-TO-BACK FINANCING

The term intra-group financing transaction refers to any activity consisting in the granting of loans or cash advances remunerated by interest to related parties. The companies are considered to be related if they fall within the scope of Article 33 of the Income Tax Law. As per Article 33 of the Income Tax Law where a business or person(s) in the Republic participates directly or indirectly in the management, control or capital of a business and conditions are made or imposed between the two businesses in their commercial or financial relations which differ from those which would be made between independent businesses, then any profits which would have accrued to one of the businesses, but, by reason of those conditions, have not so accrued, may be included in the profits of that business and taxed accordingly. The law provides for a very wide definition of "connected parties" as well as a wide definition of what constitutes "control" of a company.

As per the Circular issued by Tax Department of Cyprus dated 8th of February 2017 such transactions should be supported by a Transfer Pricing Study.

The Transfer Pricing legislation is put in place to ensure that transactions between related parties are performed based on the at arm's length principle (ALP). This means that a commercial or financial transaction between two or more related parties should not differ from those which will be made between independent parties.

E. TAX IMPLICATIONS OF LOANS GRANTED BY THE COMPANY TO ITS SHAREHOLDERS AND DIRECTORS

The Law makes a distinction on the loans or other facilities granted by the company to its shareholders or directors based on whether they are legal or natural persons.

(I) To legal persons

Loans provided by the company to legal persons acting as directors or shareholders of the company are treated as normal loans granted to related parties and should therefore be made in accordance with the arms-length principle, i.e. they must be provided at an interest rate according to the market rates prevailing at the date the loan was granted, as if the transaction was performed between unrelated parties.

(II) To natural persons

On the loans provided by the company to natural persons acting as directors or shareholders of the company there is a deemed benefit of 9% per year on the outstanding balance. This deemed benefit is allocated and taxed on the natural person receiving the loan and not to the company granting it. If this natural person will be a tax resident of Cyprus (i.e. spends more than 183 days in Cyprus) then this benefit will be added to his worldwide income and be taxed according to the income tax rates applicable for individuals. If however, this person is not a tax resident of Cyprus, then this benefit will be taxable in Cyprus if the Cyprus income of non-tax resident exceed the EUR 19.500.

Unpaid Share Capital

It must be noted that the above principles will apply also in the case where the company's share capital remains unpaid, as this unpaid share capital is regarded in effect as a loan facility from the company to its shareholders, legal or natural persons.

F. THE USE OF DOUBLE TAX TREATIES, EU DIRECTIVES AND UNILATERAL TAX CREDIT RELIEF

For the operations of the Cyprus companies with international financing activities in foreign countries, the wide network of double tax treaties as well as the applicability of the EU Interest and Royalty Directive, is of immense importance as it allows for interest income to be received from treaty countries or from other EU member states with low or no withholding tax deductions at the country from which interest is paid.

Under the EU Interest and Royalty Directive, interest payments from one member state company to another should not be subject to any withholding tax at source. The directive allows countries to impose some minimum shareholding or minimum duration of investment holding conditions in order for the directive to be applicable.

Under the relevant provisions of the Double Tax Treaties, the amount of withholding tax deduction on interest is agreed between the states. Usually the withholding tax rates between treaty countries are significantly lower than withholding tax rates between countries that they have not concluded into a Double Tax Treaty. On payments of interest from Cyprus to a foreign lender in any country, under local legislation there is no withholding tax deduction.

A table with all the double tax treaties Cyprus have signed and the respective withholding tax rates for dividends, interest and royalties can be found in **Appendix I** of this publication.

In cases where there will be a withholding tax deduction on the interest income that a Cyprus company will receive from abroad, there is the possibility for the Cyprus Company to claim a tax credit relief on the taxation paid abroad in any foreign country so that taxation will not be paid on the same income twice. In these cases, proper documentation evidencing the payment of taxes on the same income in the foreign country will have to be provided.

G. CONCLUSION

It is evident from the above analysis of the tax treatment of interest in Cyprus has significantly evolved in order to improve the jurisdiction's attractiveness for conducting financing activities. The flexibility of the legal and tax legislation, the applicability of the Interest Directive as well as the wide network of double tax treaties makes the Cyprus company one of the most efficient vehicles for conducting financing activities in Europe. The international investors should always be aware of the possibilities that are offered when doing business through Cyprus. The above analysis of the Law can provide to the international investor an excellent overview on the tax treatment of interest in Cyprus.

H. DISCLAIMER

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.

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Appendix I – Double Tax Treaties Table

The following table gives a summary of the withholding taxes for dividends, interest and royalties received in Cyprus provided by the double tax treaties entered into by Cyprus. It must be mentioned that for payment made from Cyprus to any foreign jurisdiction, there is no withholding tax deduction under the local legislation. In case royalties are paid on rights used within Cyprus, there is a withholding tax of 10% unless restricted by a treaty.

Received in Cyprus

Payer	Dividends (%)	Interest (%)	Royalties (%)	Notes	Payer	Dividends (%)	Interest (%)	Royalties (%)	Notes
Treaty countries:					**Treaty countries:**				
Andorra	0	0	0		Latvia	0	0	0	*
Armenia	0	5	5	*	Lebanon	5	5	0	
Austria	10	0	0		Luxembourg	5	0	0	*
Bahrain	0	0	0		Lithuania	0	0	5	*
Barbados	0	0	0		Malta	15	10	10	
Belarus	5	5	5	*	Mauritius	0	0	0	
Belgium	10	10	0	*	Moldova	5	5	5	*
Bosnia	10	10	10	*	Montenegro	10	10	10	*
Bulgaria	5	7	10	*	Norway	0	0	0	*
Canada	15	15	10	*	Poland	0	5	5	*
China, P.R.	10	10	10		Portugal	10	10	10	
Czech Republic	0	0	0	*	Qatar	0	0	5	*
Denmark	0	0	0	*	Romania	10	10	5	*
Egypt	5	10	10	*	Russia	15	15	0	*
Ethiopia	5	5	5		San Marino	0	0	0	
Estonia	0	0	0		Saudi Arabia	0	NA	5	*
Finland	5	0	0	*	Serbia	10	10	10	*
France	10	10	0	*	Seychelles	0	0	5	
Georgia	0	0	0		Singapore	0	10	10	*
Germany	5	0	0	*	Slovak Republic	10	10	5	*
Greece	25	10	0	*	Slovenia	5	5	5	*
Guernsey	0	0	0		South Africa	5	0	0	*
Hungary	5	10	0	*	Spain	0	0	0	
Iceland	5	0	5	*	Sweden	5	10	0	*
India	10	10	15	*	Switzerland	0	0	0	*
Iran	5	5	6	*	Syria	0	10	10	*
Ireland, Rep. of	0	0	0	*	Thailand	10	15	5	*
Italy	15	10	0		United Arab Emirates	0	0	0	
Jersey	0	0	0		Ukraine	5	5	5	*
Kazakhstan	5	0	10	*	United Kingdom	0	0	0	*
Kuwait	0	0	5	*	United States	5	10	0	*

NOTES

Armenia

- **Dividends:** A rate of 5% if a dividend is paid by a company in which the beneficial owner has invested less than EUR 150.000,00

Belarus

- **Dividends**: If investment is less than EUR 200.000,00 dividends are subject to 15% WHT which is reduced to 10% if the recipient company controls 25% or more of the paying company.

Belgium

- **Dividends:** A rate of 15% if received by a company controlling less than 25% of the voting power.
- **Interest:** Nil if paid to a government, bank, or financial institution. Nil if paid to the government of another state. No WHT for interest on deposits with banking institutions.

Bosnia

- Applies the Yugoslavia/Cyprus treaty.

Bulgaria

- **Dividends:** 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 WHT is 10%.
- **Interest:** Nil if paid to the government of the other state. This 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.

Canada

- **Interest:** Nil if paid to a government or for export guarantee.
- **Royalties:** Nil on literary, dramatic, musical, or artistic work.

Czech Republic

- **Dividends:** This rate applies if received by a company (excluding partnership) which holds directly at least 10% of the shares for an uninterrupted period of no less than one year. 5% applies in all other cases.
- **Royalties:** 10% for patent, trademark, design or model, plan, secret formula or process, computer software or industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.

Denmark

- **Dividends:** Nil if paid to the government of the other state. A rate of 15% if received by a company controlling less than 10% of the share capital of the paying company or the duration of any holding is less than one uninterrupted year.

Egypt

- **Dividends:** 5% if a dividend is paid to a company (excl. partnerships), which owns at least 20% of share capital of the paying company. 10% for all other cases

Finland

A rate of 15% applies if received by a company controlling less than 10% of the voting power in the paying company and in all cases if received by an individual.

France

- **Dividends:** A rate of 15% if received by a person controlling less than 10% of the voting power.
- **Interest:** Nil if paid to a government, bank, or financial institution.
- **Royalties:** A rate of 5% on film and TV royalties.

Germany

- **Dividends:** A rate of 15% if received by a company controlling less than 10% of the voting power.

Greece

- **Dividends:** The treaty provides for WHT on dividends but Greece does not impose any withholding tax in accordance with its own legislation.
- **Royalties:** A rate of 5% on film royalties.

Hungary

- **Dividends:** A rate of 15% if received by a company controlling less than 25% of the voting power.
- **Interest**: Nil if paid to the government of the other state.

Iceland

- **Dividends:** 5% if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividends. 10% in all other cases

India

- **Dividends:** A rate of 15% if received by a person controlling less than 10% of the voting power.
- **Interest:** Nil if paid to a government, bank, or financial institution.
- **Royalties:** A rate of 10% for payments of a technical, managerial, or consulting nature.

Ireland

- **Royalties:** A rate of 5% on film royalties.

Iran

- **Dividends:** 5% if the beneficial owner is a company (other than partnership) which holds directly at least 25% of the capital of the company paying the dividends. In all other cases the withholding tax rate is 10%

Kazakhstan:

- **Dividends:** 5% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends. 15% in all other cases.

- **Interest:** NIL if the beneficial owner is the Government of the other Contracting State, a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other Contracting State. 10% in all other cases.

Kuwait

- **Interest:** Nil if paid to the government of the other state**.**

- **Royalties:** 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.

Latvia:

- **Dividends:** 0% if the beneficial owner is a company (excl. partnerships). 10% in all other cases

- **Interest:** 0% of the gross amount of the interest, if the interest is paid by a company that is a resident of a Contracting State to a company (excl. partnership) that is a resident of the other Contracting State and is the beneficial owner of the interest. 10 in all other cases.

- **Royalties:** 0% on the gross amount of the royalties, if the royalties are paid by a company that is a resident of a Contracting State to a company (excl. partnership) that is a resident of the other Contracting State and is the beneficial owner of the royalties. 5% in all other cases

Luxembourg:

- **Dividends:** A rate of 0% applies for corporate investors holding directly at least 10% of the capital of the paying company.

- The DTT incorporates the OECD/G20 Base Erosion and Profit Shifting (BEPS) project Action 6 PPT.

Lithuania

- **Dividends:** NILL if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividends. 5% in all other cases

Moldova

- **Dividends:** This rate applies if received by a company (excluding partnerships) that holds directly 25% of the shares. A rate of 10% applies in all other cases.

Montenegro:

- Applies the Yugoslavia/Cyprus treaty.

Norway

- **Dividends:** A rate of 5% if received by a person controlling less than 50% of the voting power.

Poland

- **Dividends:** Requirement to hold at least 10% for an interrupted period of 24 months. Otherwise, a rate of 5% will be applicable.

- **Interest**: Nil if paid to the government of the other state.

Qatar

- **Royalties:** Applies to any consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work (including cinematograph films and films, tapes or discs for radio or television broadcasting), computer software, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial, or scientific experience.

Romania

- **Interest**: Nil if paid to the government of the other state.

- **Royalties:** 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.

Russia

- **Dividends:** a rate 0% or 5% on dividend payments will be imposed where the recipient/beneficial owner of the income are certain regulated entities or listed companies with specific characteristics.

- **Interest:** a rate 0% or 5% on interest payments will be imposed where the recipient/beneficial owner of the income are certain regulated entities or listed companies with specific characteristics. In addition, no withholding tax shall be applicable on interest payments arisings on listed corporate bonds, government bonds and Euro bonds.

Despite the rates of withholding tax mentioned above, Cyprus will continue to apply no withholding tax on dividend and interest payments as per the Cyprus Domestic Law.

Saudi Arabia

- **Dividends:** 0% if received by a company (excluding partnership) which holds directly or indirectly at least 25% of the shares of the company paying the dividends. In all other cases the withholding tax rate is 5%.

- **Interest:** Nil on payments of income from debt-claims.

- 5% applies for royalty payments for the use of, or the right to use, industrial, commercial or scientific equipment. In all other cases the withholding tax rate is 8%.

Serbia

- Applies the Yugoslavia/Cyprus treaty.

Singapore

- **Interest:** Nil if paid to the government of the other state. A rate of 7% if paid to a bank or financial institution.

Slovak Republic

- **Interest:** Nil if paid to the government of the other state.

- **Royalties:** 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.

Slovenia

- **Dividends:** The provisions of the Parent-Subsidiary EU directive are applicable.

South Africa

- **Dividends:** A rate of 5% if the beneficial owner of the dividend holds at least 10% of the share capital of the company paying the dividends. 10% in all other cases.

Spain

- A rate of 5% if received by a company holding less than 10% of the share capital of the paying company and in all cases if received by an individual or a company not limited at least partly by shares

Sweden

- **Dividends:** A rate of 15% if received by a company controlling less than 25% of the voting power.

- **Interest:** Nil if paid to the government of the other state.

Switzerland

- **Dividends:** Nil if the beneficial owner is:

  i) A company (other than a partnership) the capital of which is wholly or partly divided into shares and which holds directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year.
  ii) A pension fund or other similar institution recognised as such tax purposes, or
  iii) The Government, a political subdivision, local authority or central bank of one of the two contracting states. 15% in all other cases.

Syria

- **Dividends:** A rate of 15% applies if received by a company controlling less than 25% of the voting power.

- **Interest:** Nil if paid to a government or for export guarantee.

Thailand

- **Interest:** A rate of 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**.**
- **Royalties:** 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, trademarks, designs or models, plans, secret formulas, or processes.

Ukraine:

- **Dividends:** 5% is applicable if the dividend is received by a company owning at least 20% of the capital of the dividend paying company and has invested in the acquisition of shares or other rights of the dividend paying company of at least €100.000. 15% in all other cases.

- **Royalties:** A rate of 5% on payment or royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience. 10% WHT applies in all other cases

United Kingdom

- **Dividends:** where dividends are paid out of income derived directly or indirectly from immovable property by an investment vehicle which distributes most of this income annually and provided that such income is tax exempt then a 15% withholding tax applies on the gross amount of the dividends, unless the beneficial owner of the dividends is a pension scheme established in the other Contracting State.

- The DTT incorporates the OECD/G20 Base Erosion and Profit Shifting (BEPS) project Action 6 PPT.

United States

- **Dividends:** A rate of 15% if received by a person controlling less than 10% of the voting power.

- **Interest:** Nil if paid to a government, bank, or financial institution.

OUR FIRM

We are a Law Firm with offices in Cyprus and Malta and a representative office in Shanghai China comprising of more than 50 lawyers, accountants and other professionals who advise, international and local clients.

The Firm has been offering legal and consulting services since 1983 evolving from a traditional law firm to an innovative cutting-edge multidisciplinary law firm combining exceptional expertise in law, tax, vat and accounting.

From its establishment the Firm's focus has been heavily business oriented and always abreast with the latest global developments and innovations. Drawing from our pool of experienced professionals we provide our clients' businesses full legal and accounting support on an everyday basis as well as customized solutions in today's global financial and legal challenges.

We consider ourselves as 'traditional pioneers' and our motto is to foresee and anticipate any issues that may potentially impact our clients' business and to offer effective advice and solutions proactively.

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