

Updated Cyprus/Russia Double Tax Treaty

September 2020

At the beginning of April 2020, the Russian Ministry of Finance – upon instruction from the President of the Russian Federation – sent an official letter to the Cyprus Ministry of Finance requesting changes to the provisions of the current Cyprus/Russia double tax treaty (DTT). On 8 September 2020, Cyprus and Russia signed the protocol for the amendment of the Treaty for Avoidance of Double Taxation between the two countries, which is expected to take effect from 1 January 2021.

The amendments principally affect the minimum withholding tax rate on dividends and interest paid from Russia. The standard Russian withholding tax rates on dividends and interest are 15% and 20%, respectively.

Key Amendments

- Minimum withholding tax rate on dividends from Russia to Cyprus will be raised to 15%
- Minimum withholding tax rate on interest payments from Russia to Cyprus will be raised to 15%
- 0% or 5% (as appropriate) withholding tax of regulated entities, such as pension funds and insurance undertakings, as well as listed entities with specific characteristics

- Exemption from the withholding tax applies on interest payments from corporate bonds, government bonds and Eurobonds

- The current relief for royalty payments (0% withholding tax) is set to be preserved

The changes do not create adverse tax implications for Cyprus tax-resident entities paying interest and/or distributing dividends to Russian entities, as Cyprus does not impose withholding tax on dividend distribution and interest payments to non-Cyprus tax-resident companies.

If you or your clients would like to discuss these developments, please contact your usual Trident contact or our Cyprus office at +357-258-20-650 or cyprus@tridenttrust.com.

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