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The Republic of Cyprus has agreed to a new double tax Treaty with Russia

The Republic of Cyprus has agreed to a new double taxation agreement (DTA) with Russia and is ready to raise the withholding tax increase to 15% for dividends and interest. This was announced on August 10 by the Ministry of Finance of the Russian Federation.

Earlier, we reported that as a result of lengthy negotiations, it was not possible to reach an agreement and Russia announced on August 3 the beginning of the procedure for denouncing the previous agreement. These actions prompted the Republic of Cyprus to return to negotiations and now the new agreement will enter into force on January 1 2021.

Under the new rules, all dividends and income at source will now be subject to a 15% tax. This requirement was made by Russia in respect of all countries with which the SIDN is concluded, including Luxembourg, Malta and the Netherlands.

Who can keep the preferential terms?

The preferential rate of 5% will remain for dividends received by a Cyprus public company, subject to two conditions:

At least 15% of its shares must be in free circulation, and the share in the Russian asset that pays dividends must also exceed 15%.

Most likely, this is done to preserve the benefit for real investors, and not for the Cypriot "layers"; between the Russian asset and the offshore. Shares can be registered on any exchange. However, it is not clear whether Depositary receipts that are traded abroad will be equated to shares.

Conditions for interest:

The zero interest rate will remain only for Eurobonds. This was stated earlier by Deputy Finance Minister Alexey Sazanov. It will apply to any outstanding bonds, says one of The vtimes interlocutors.

Pension funds and insurance companies will also be able to take advantage of the benefits.

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