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Russia denounced agreement for avoidance of double taxation with Cyprus

The Ministry of Finance announced the start of the denunciation procedure today.

Implementing the instruction of the President of the Russian Federation on the adjustment of agreements to avoid double taxation (AADT) the Ministry of Finance of Russia held talks with the Ministry of Finance of Cyprus, but the agreement never came.

As reported, the Finance Ministry proposed the increase in interest rates on income, dividends and interest borrowing up to 15% was rejected by Cyprus, while Cyprus submitted proposals did not meet the interests of the Russian Federation on maintenance of national economy and preserve the ability of the tax-free withdrawal from the Russian Federation to Cyprus a significant amount of funds.

According to the Russian Ministry of Finance, many Russian companies have used the jurisdiction of the Republic of Cyprus during the period of the SIDN, for example, in 2018, 1.4 trillion rubles were withdrawn to Cyprus, and in 2019 – more than 1.9 trillion rubles.

The Cyprus jurisdiction was often used by Russian companies, since the provisions of the AADT allowed for a significant reduction in the rates for paying dividends (up to 5% or 10%), as well as for paying interest on loans (up to 0%), whereas in the Russian Federation similar rates are 13-15%.

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