

# PETERKA PARTNERS

THE CEE LAW FIRM

## **INCREASE OF WHT RELEVANT TO DIVIDEND DISTRIBUTION AND INTEREST PAYMENT UP TO 15%**

PETERKA & PARTNERS Russia is closely monitoring the new regulations and policies set by the Russian government which may have an impact on normal business activities, and providing analysis of the latest tax law developments in order to inform our clients and business partners.

Below you will find information on recent tax developments in Russia related to an increase in WHT on dividends and interest paid abroad.

The President of Russia has declared a planned increase in withholding tax (WHT) relevant to the distribution of dividends and interest from Russia abroad of up to 15% instead of the decreased rates specified in Double Tax Treaties (DTT). The relevant amendments are planned to be negotiated with other countries and introduced thereto, otherwise, in the absence of cooperation, Russia is ready to terminate DTT unilaterally. The planned amendments are applicable only to DTT with jurisdictions which are usually used as “transit” jurisdictions for the transfer of funds off-shore.

Cyprus was the first country to receive a letter from Russia with the proposed increase of WHT of up to 15% instead of the current WHT under the Russian-Cyprus DTT: 5-10% for dividends (depending on the amount of investments) and the absence of WHT in the case of interest payments from 2021. The deadline for a Cypriot reply is June 15, 2020.

Later, similar notifications regarding an increase in WHT of up to 15% were forwarded to Luxemburg and Malta.

In case of the withdrawal of Russia from DTT, the domestic WHT to be applied to the passive income paid abroad shall be: 15% WHT on dividends and 20% on other passive income (i.e., interest, royalties, etc).

For any legal matters arising in these special circumstances, please do not hesitate to contact our COVID-19 Help desk at [covidhelpdesk@peterkapartners.com](mailto:covidhelpdesk@peterkapartners.com).