PETERKA PARTNERS

THE CEE LAW FIRM

Update on the new Cyprus–Russia Double Tax Treaty

PETERKA & PARTNERS Russia is closely monitoring the new regulations that 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 the new Cyprus–Russia Double Tax Treaty.

Russia and Cyprus have executed the “Protocol to Amend the Russia-Cyprus Double Tax Treaty”. According to the Protocol, the withholding tax rate applied to the distribution of the dividends and interest from Russia to Cyprus increased to 15%. At the same time, the decreased 5% rate is provided as an exception particular for distribution of the dividends in favour of public Cypriot companies provided that 15% of their shares are public float and that they hold at least 15% in the Russian company distributing the dividends. The Protocol would not concern interest payments under Eurobond loans, or bond loans provided by foreign banks; such interest payments will still be exempt from withholding tax. Ratification of the Protocol is planned for before the end of the year and will come into force on 1 January 2021.

A similar protocol, the “Protocol to Amend the Russia-Malta Double Tax Treaty” has been executed, however, in comparison to the provisions of the Russia-Cyprus DTT, a decreased 5% withholding tax rate (instead of a tax exemption as provided in the Russia-Cyprus DTT) is provided for interest payments in favour of certain categories of persons.

Also, negotiations on potential amendments to the effective DTTs are being held with Luxemburg and the Netherlands. Russia is also considering the possibility of renegotiation of the conditions of the DTT with Switzerland and Hong Kong.