

TAX update

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“New Double Taxation Treaty between Cyprus and Ukraine”



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"Double Tax Agreement CYPRUS-UKRAINE"

The Parliament of Ukraine in 4 July 2013 finally ratified the New Double Tax Treaty between Cyprus and Ukraine.

The respective Double Taxation Treaty and Protocol were signed on 8 November 2012 and will replace the existing Tax Treaty signed between Cyprus and the USSR in 1982. The new Treaty enters into force as from **1 January 2014**.

The most significant provisions of the new treaty are summarized as follows:

Withholding Tax Rates:

On dividends:

- The withholding tax rate on dividends is set at 5%. This rate applies provided that the beneficial owner of the shares holds at least 20% of the capital of the dividend paying company or has invested in shares or other rights of the dividend paying company an amount of at least €100,000.
- 15% in any other case.

On royalties:

- The withholding tax rate on royalties in respect of any copyright of scientific work, any patent, trademark, secret formula, process or information concerning industrial, commercial or scientific experience is set at 5%.
- 10% in any other case.

On interest:

- 2% withholding tax in case Interest paid by a Company which is resident in a contracting state to a resident of the other contracting state.



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Capital Gain Tax:

- In the case of disposal of shares (irrespective of the underlying assets of the company in which the shares are being disposed of) any capital gains tax arising is granted to the State in which the person making the disposal is tax resident.

Elimination of Double Taxation:

- The Treaty also provides for the availability of tax credit, where a resident of a contracting state receives income in accordance with the provisions of this Treaty, which was taxed in the other contracting state. Any taxation paid abroad shall be allowed as a deduction from the tax payable in the other contracting state for the same source of income.

