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Update on the new Cyprus– Russia Double Tax Treaty

During a meeting held in Moscow between the Minister of Finance of the Republic of Cyprus and the Deputy PM of the Russian Federation on the 10th of August 2020, an agreement was reached on updating the Convention for the Avoidance of Double Taxation ('DTT') between the two countries. The revised protocol is expected to be signed in September and the updated agreement should be effective as of January 1, 2021.



The key points of the agreement are the following:

- The increase of withholding tax to 15% on dividend income and interest income, following a demand by the Russian Federation;
- Certain exemptions were requested by Cyprus and accepted by the Russian Federation. Namely, the 0% exemption from withholding tax for regulated entities such as pension funds, insurance companies, and Cypriot listed companies with a percentage of free-float shares and a percentage of direct ownership in Russian subsidiaries. In addition, bond interest payments from the government, corporations, and Eurobonds are exempt from withholding tax. Details of these exemptions will be available once the protocol is signed;
- The Russian Federation will discontinue any actions aimed at terminating the DTT between Cyprus and the Russian Federation;
- To maintain a level playing field, the Russian Federation has requested similar amendments to treaties with other countries, including Malta, Luxembourg and the Netherlands and it is intended that such amendments will also be effective on January 1, 2021.

During the current global uncertainty, this agreement highlights the significant bilateral relationships between Russia and Cyprus and provides stability and certainty in the years to come, ensuring that Cyprus remains a reliable international business centre.

We remain available to provide specialised advice to our clients and associates.