



Cyprus Tax Update – Year 2018

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TAX TREATY SIGNED WITH SAUDI ARABIA

On 3rd January 2018, Cyprus signed a tax treaty with Saudi Arabia.

The tax treaty is based on the OECD Model Convention and its main provisions are briefly outlined below:

Dividends: No withholding tax (WHT) on dividends, if the beneficial owner (BO) is a company which holds directly or indirectly at least 25% of the capital of the company paying the dividends. Otherwise, the WHT shall not exceed 5%.

Interest: No WHT as long as the recipient of the interest is the BO of the income.

Royalties: If the recipient is the BO of the royalties, the WHT shall not exceed:

- 5% of the gross amount of royalties which are paid for the use of, or the right to use, industrial, commercial or scientific equipment,
- 8% of the gross amount of royalties in all other cases.

The treaty will enter into force once both Cyprus and Saudi Arabia exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty will have effect in both contracting states on or after 1st January following the date the treaty enters into force.

AuditPro Comments

The conclusion of the treaty is expected to enhance co-operation in tax matters between the two States and further develop their economic relationship..

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