

# “Cyprus—Germany tax treaty”

## New Double Tax Treaty signed

### 1. Background

On 18 February 2011 Cyprus signed a new Double Tax Treaty agreement with Germany. The conclusion of a Double Tax Treaty with the strongest Economy in Europe and one of the world’s leading economies, proves once again the acceptance by the leading world economies of Cyprus as a reputable financial centre.

The new double tax treaty agreement will replace the Cyprus-West Germany income and capital tax treaty of 1974, in respect of relations between Cyprus and the Federal Republic of Germany.

The agreement was signed in Nicosia by the Cyprus Minister of Finance Mr Charilaos Stavrakis and by the German Ambassador in Nicosia Mr Gottfried Zeitz. Both of them pointed out that this new agreement further enhances the very good economic and commercial ties between Cyprus and Germany.

*“.....the new agreement further  
strengthens the already  
excellent financial relations  
between the two states”*

German Ambassador  
Mr Gottfried Zeitz



In his statements, the German Ambassador said he was satisfied with this new step adding that the new agreement further strengthens the *“already excellent financial relations between the two states”*.

Mr Zeitz said that *“Cyprus has become ‘an important EU partner for Germany’*”, and referred to the recent visits paid to Cyprus by German Chancellor Angela Merkel and German Foreign Minister Guido Westerwelle.

The Cypriot Minister described the agreement as very important, noting that negotiations had begun in 2005, taking into consideration the new economic facts in both states.

*“After long efforts, we have reached an agreement which is to the benefit of both states and further enhances the very good economic and commercial relations of our states”*, Mr Stavrakis went on to say.

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# “Features of the new Double Tax Treaty”

## New withholding tax rates

### 2. New reduced withholding tax rates

The main provisions of the treaty can be summarized as follows:

- **Withholding tax on Dividend payments is reduced to 5%.**

The 5% rate requires a minimum % holding of 10%, otherwise the withholding tax rate of 15% will be applied. The previous treaty imposed a 10% withholding tax rate and a minimum % holding of 25%.

- **Withholding tax on Interest payments is reduced to 0%.**

The previous treaty imposed a 10% withholding tax rate.

- **Royalty payments not be subject to withholding tax.**

The previous treaty had also a 0% withholding tax rate but also imposed a 5% withholding tax on film royalties.

**“The new treaty is one of the most beneficial in the German treaty network”**

#### New withholding tax rates

- **Dividends—5%**
- **Interest—0%**
- **Royalties—0%**

#### Exchange of Information

The new treaty incorporates the latest version of Article 26 of the OECD Model Convention on the exchange of information, illustrating Cyprus’ commitment to internationally accepted tax standards.

#### New treaty at the forefront of the German treaty network

The fact that the new treaty is one of the most beneficial ones, in the German treaty network raises the expectations of greater economic cooperation between the two countries and at the same time enhances the credibility that the Cyprus economy has developed and managed to maintain over the last years.

Formal ratification is expected to happen before the end of 2011 so that the new Double Tax Treaty could come into effect on 1 January 2012.

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