

# “Cyprus—Ukraine Tax Treaty”

## New Double Tax Treaty signed

### 1. Background

On 8 November 2012 Cyprus signed a new Double Tax Treaty agreement with Ukraine. The conclusion of the new Double Tax Treaty marks the end of a long period of uncertainty and is definitely a welcoming development for investors.

The new treaty was signed in Nicosia with the participation of Ukrainian President Viktor Yanukovich and President of Cyprus Dimitris Christofias.

The convention will replace the current intergovernmental agreement on the avoidance of double taxation of October 29, 1982 and will enhance even further the very good economic and commercial ties between Cyprus and Ukraine. It will definitely be a significant instrument for bilateral investment.

The negotiations between the two countries have been going on for some years now and have taken into consideration the new economic facts in both states.

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

**Ukrainian Finance Minister  
Yuriy Kolobov**



*Ukrainian Finance Minister Yuriy Kolobov signed the agreement on behalf of Ukraine.*

*He told journalists that the talks on the subject had been held since 1997. “After long efforts, we have reached an agreement which is to the benefit of both states and further enhance the very good economic and commercial relations of our states”, Mr Kolobov went on to say. “*

According to the State Statistics Service of Ukraine, Cypriot companies are the largest investors in Ukraine: \$14.52 billion as of July 1, 2012, or 27.7% of total foreign direct investment in the country. They are followed by German companies: \$7.4 billion, or 14.1%.



### Contact Us

#### Address:

Centaur House  
2 Apostolos Varnavas  
2571 Nisou, Nicosia,  
Cyprus

Tel: +357 22 499 994  
Fax: +357 22 499 984

#### Email:

[cyprus@centaurtrust.com](mailto:cyprus@centaurtrust.com)

#### Website:

[www.centaurtrust.com](http://www.centaurtrust.com)

#### Contributed by:

**Demetris Papaprodromou** (BA, MSc, FCA, CPA)  
Managing Director

# “Features of the new Double Tax Treaty”

## New withholding tax rates



### 2. New withholding tax rates

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

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

The 5% rate requires a minimum % holding of 20% in the capital of the paying company OR has invested an amount of at least Euro100.000, otherwise the withholding tax rate of 15% will be applied.

- **Withholding tax on Interest payments is 2%.**

A reduced withholding tax rate of 2% on interest payments will apply under the new treaty.

- **Withholding tax on Royalty payments is 5%.**

A reduced 5% withholding tax in respect of the use or the right to use of any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience will be apply under the new Treaty. In all other cases a general withholding tax on royalties of 10% will apply.

**“Any gains from the sale of shares in Ukrainian Companies, even for companies that hold real estate property will attract 0% tax ”**

#### New withholding tax rates

- **Dividends—5%**
- **Interest-2%**
- **Royalties-5%**

#### Capital Gains

Most importantly under the provisions of the new Treaty any gains from the sale of shares, will only be taxed in the country of residence of the seller of the shares, even in the case where the assets of the company derive their value wholly from real estate.

#### 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.

#### Entry into force

The new Treaty will come into effect once the ratification procedure is completed by both countries. If this procedure is completed before 31st December 2012, it would apply from 1st January 2013. Otherwise, the entry into effect will be postponed until 1st January 2014.

#### Contact Us

##### Address:

Centaur House  
2 Apostolos Varnavas  
2571 Nisou, Nicosia,  
Cyprus

Tel: +357 22 499 994  
Fax: +357 22 499 984

##### Email:

[cyprus@centaurtrust.com](mailto:cyprus@centaurtrust.com)

##### Website:

[www.centaurtrust.com](http://www.centaurtrust.com)

##### Contributed by:

Demetris Papaprodromou (BA, MSc, FCA, CPA)  
Managing Director