

# “Cyprus—Finland Tax Treaty”



## New Double Tax Treaty signed

### 1. Background

On 15th November 2012, Cyprus and Finland signed a new income tax treaty. The agreement was signed by Cypriot Minister of Finance Vasos Shiarly and Ambassador of Finland in Nicosia Anu Saarela, at the Ambassador's residence.

Speaking at the ceremony, Saarela noted, "This is a significant step, indeed it is a milestone after long negotiations. We look forward to strengthening bilateral economic ties with Cyprus and this agreement will be a concrete tool in facilitating investments and economic ties between our countries," Saarela went on to say.

She noted that , "...It is really gratifying to note that the ties between Cyprus and Finland are excellent. We have no problems. This year we have witnessed a record number of visits between our countries. Also the Cypriot Presidency has brought numerous Ministers and high level officials to your beautiful country," she added, noting that the Finnish Minister of Finance was in Cyprus in September and had "very good talks."

*".....It is really gratifying to note that the ties between Cyprus and Finland are excellent."*

Ambassador of Finland in Nicosia  
Anu Saarela



She furthermore said that the agreement would "add a new, very positive element to our relations and will further strengthen our ties."

Shiarly confirmed everything the Ambassador said and noted that "...It is a mutually beneficial agreement and this is the important thing. It is an agreement from which both sides will benefit. It is a taxation agreement, which opens up transparency between the two countries and the people of those two countries, be they individuals or corporations who wish to trade and do business with each other. It creates transparency, which is very, very important,".

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# “Features of the Double Tax Treaty”

## Withholding tax rates

### 2. 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 10% in the capital of the paying company .

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

A withholding tax rate of 0% on interest payments will apply under the new treaty.

- **Withholding tax on Royalty payments is 0%.**

A 0% 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 applied under the new Treaty.

#### Withholding tax rates

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

### Capital Gains

Under the provisions of the new Treaty any gains from the sale of shares, in “Property Companies”, ie companies where the assets of the company derive their value wholly from real estate, are taxed in the country where the immovable property is situated.

### 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. This procedure is expected to be completed before 31st December 2013, and thus the Treaty will come into effect on the 1st January 2014.

**“It is expected that the new Treaty will come into effect on the 1st of January 2014 ”**



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