"Cyprus–Ukraine Tax Treaty"

New Double Tax Treaty enters into force

1. Background

On 8 November 2012 Cyprus signed a new Double Tax Treaty agreement with Ukraine. The conclusion of the new Double Tax Treaty was going to replace the intergovernmental agreement of the former Soviet Union on the avoidance of double taxation of October 29, 1982.

On the 4th of July 2013, the Ukrainian Parliament ratified the above Double Tax Treaty, with 244 Members of the Parliament supporting the decision.

The ratification by the Ukrainian Parliament marks the end of a long period of uncertainty and is definitely a welcoming development for investors.

It 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 main provisions of the treaty are summarized on the next page.

Entry into force

The new Treaty will come into effect from 1st January 2014.

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"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.

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