Cyprus - Switzerland Tax Treaty

New Double Tax Treaty enters into force as of 1/1/2016

Author: Demetris Papaprodromou
Publication Date: 24 November 2015
Subject Area: Tax

Background

On the 25th day of July 2014 Cyprus and Switzerland signed their first ever Double Tax Treaty (DTT) agreement.

The ratification procedure of the DTT has finally been completed by both countries and as a result the DTT will come into effect as from the 1st day of January 2016.

Cyprus ratified the treaty on the 30th day of July 2014, and Switzerland on the 15th day of October 2015.

The ratification of the DTT agreement by both countries 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 Switzerland.

It will definitely be a significant instrument for bilateral investment.

The new agreement closely follows the 2010 Organisation for Economic Cooperation and Development(OECD) Model Convention, with only minor modifications, and the protocol to the agreement clarifies certain detailed provisions.

The main provisions of the treaty are summarized below.

Withholding tax rates

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

Withholding tax on Dividend payments is 0% if the beneficial owner is.

- a company (the term does not include partnerships) whose capital is wholly or partly divided into shares holding directly at least 10% of the capital of the company paying the dividend for an uninterrupted period of at least one year (the time period criterion may be satisfied post the date of the dividend payment), or
- a pension fund or other similar institution recognized as such for tax purposes, or
- the Government, a political subdivision, local authority or central bank of one of the two contracting states

A 15% withholding tax rate will be applied in all other cases.

Withholding tax rates

- Dividends - 0% or 15%
  - i. 0% if >10% holding and holding period >one year
  - ii. 0% if recipient is a pension fund
  - iii. 0% if recipient is Government or central bank
  - iv. 15% in all other cases

Withholding tax on Interest payments is 0%.

Interest payments made by a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

Thus all interest payments will be exempt from any withholding tax in the country of payment.

Withholding tax on Royalty payments is 0%.

Royalty payments made by a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

Thus all Royalty payments will be exempt from any withholding tax in the country of payment.

Withholding tax rates

- Interest - 0%
- Royalties - 0%

Capital Gains

Gains derived by a resident of one contracting state from the alienation of immovable property situated in the other contracting state, or from the disposal of property associated with a permanent establishment situated in the other contracting state, may be taxed in the contracting state in which the immovable property or the permanent establishment is situated.

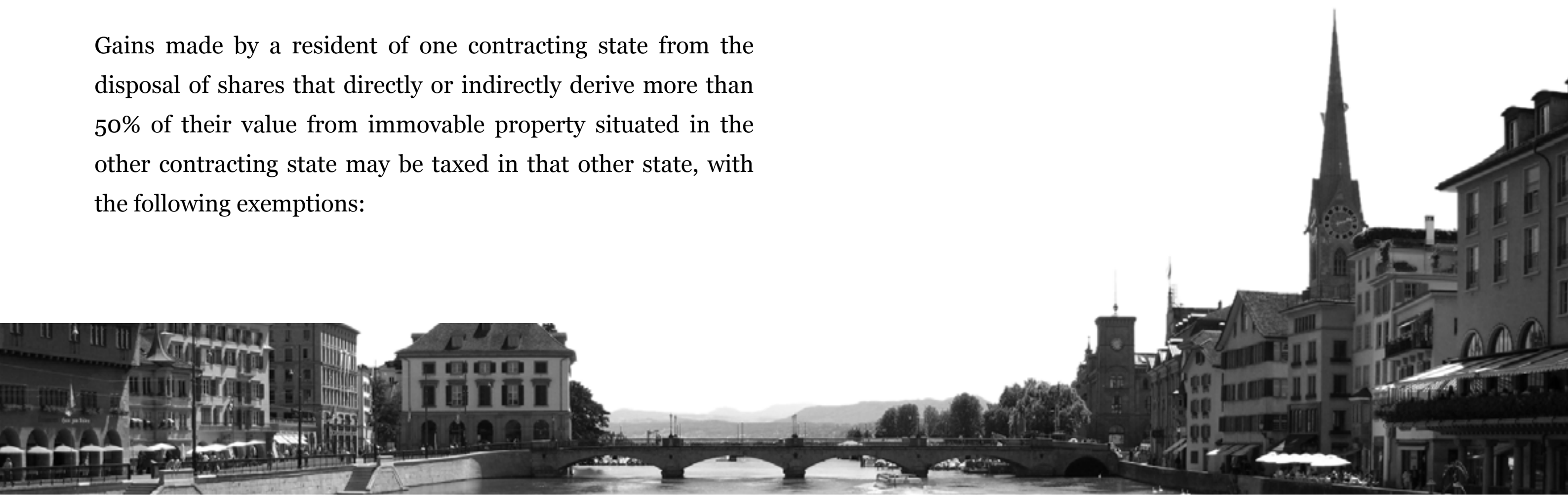
Gains made by a resident of one contracting state from the disposal of shares that directly or indirectly derive more than 50% of their value from immovable property situated in the other contracting state may be taxed in that other state, with the following exemptions:

- shares listed on a stock exchange established in either contracting state or agreed upon by the competent authorities of the contracting states;
- shares of a company the majority of whose assets comprise real estate used for its normal business activities; and
- disposals in the course of a reorganisation, merger, de-emerger of companies or similar transaction. Article 3 of the protocol provides that the entities concerned must be members of the same group in order to qualify.

Gains derived from the disposal of all other property are taxable only in the contracting state in which the seller 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. However, the protocol to the agreement provides robust safeguards against abuse of the information exchange provision by requiring the contracting state that requests information to fulfil specified procedures to demonstrate the foreseeable relevance of the information to the request.



Contact Information

Address

Centaur House
2 Apostolos Varnavas
2571 Nisou Nicosia
PO Box 28779
2082 Strovolos Cyprus

Communication

Tel:	+357 22 499994
Fax:	+357 22 499984

Office Hours

Monday to Thursday:	08:30 to 17:00
Friday:	08:30 to 15:00
	(GMT +2)

Disclaimer Notice

The contents of this publication are for information purposes only and cannot be construed as providing any advice on matters including, but not restricted to, financial, accounting, tax or legal advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, Centaur Trust, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of the reader or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

As such the reader should not use this publication as a substitute for professional consultation with competent accounting, tax, legal or other advisors.