



**K. TREPPIDES
& CO LTD**

Direct Taxation

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Imposition of withholding taxes (addition of BVI, Costa Rica, Marshall Islands, Russia in EU Blacklist) and tax residency of Cyprus Companies

We would like to remind you about the amendments in the Special Defence Contribution Law and the Income Tax Law, which are effective as from 31 December 2022, regarding the imposition of withholding taxes under certain conditions upon the payment of dividends, interest or royalties by a Cyprus tax resident company to companies in jurisdictions included in the EU Blacklist of non-cooperative jurisdictions, and the tax residency of Cyprus companies.

It should be noted that as from 14 February 2023, the European Council has added the **British Virgin Islands, Costa Rica, the Marshall Islands and Russia** to the said list. This means that withholding taxes may be imposed upon the payment of dividends, interest or royalties by a Cyprus tax resident company to a company in these jurisdictions. The list of all the jurisdictions which are included in the EU Blacklist of non-cooperative jurisdictions can be found [here](#).

1. Withholding taxes (WHT)

As from 31 December 2022, withholding taxes will be imposed in Cyprus on the payment of dividends, interest or royalties to companies which are in jurisdictions included in the EU Blacklist of non-cooperative jurisdictions.

Royalties

10% WHT shall apply on royalties paid by a Cyprus tax resident company to companies which are:

- resident in jurisdictions included in the EU Blacklist, or
- incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT does not apply to any royalty payments made by individuals.

Dividends

WHT at the rate of 17% shall apply on dividends paid by a Cyprus tax resident company to companies which are:

- resident in jurisdictions included in the EU Blacklist, or
- incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The imposition of WHT shall apply only if:

- the company that receives the dividends, directly owns either alone or together with related companies, more than 50% of the voting rights, share capital or is eligible to receive more than 50% of the profits in the Cyprus tax resident company paying the dividends.

- the related companies are included in the EU Blacklist or incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT shall not apply in case the dividends are paid on shares listed on a recognized stock exchange.

Interest

WHT at the rate of 30% shall apply on interest paid by a Cyprus tax resident company to companies which are:

- resident in jurisdictions included in the EU Blacklist, or
- incorporated/registered in a jurisdiction included in the EU Blacklist and are not tax resident in any other jurisdiction that is not included in the EU Blacklist.

The WHT does not apply in the case of:

- interest payments on securities listed on a recognized stock exchange.
- interest payments made by individuals.

2. Tax residency for companies

As from 31 December 2022, in case a company is incorporated/registered in Cyprus, but its 'management and control' is exercised outside Cyprus, the company will be deemed as a Cyprus tax resident and will be taxed on its worldwide income in Cyprus unless the company is a tax resident in any other country.

For any further information and/or clarifications required please do not hesitate to contact us.



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