



Tax Update

Treaty Signed Between Cyprus and Ukraine

November 2012

Delivering results on time ...

On 8th November 2012 a new treaty was signed between Cyprus and Ukraine which will replace the old treaty with the USSR. The treaty will take effect on the 1st of January following the exchange of notification of ratification between the two states.

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The most significant provisions of the new treaty are as follows:

- The withholding tax rate on dividends is 5% provided that the beneficial owner holds at least 20% of the capital of the dividend paying company or has invested over €100,000 in its share capital. In all other cases the withholding tax rate is 15%.
- The withholding tax rate on interest is 2% which is the lowest in the Ukrainian treaty network.
- The withholding tax rate on royalties is 5% in the case of scientific work, patents, trade marks, secret formulas, processes and information concerning industrial, commercial or scientific or experience and 10% in all other cases.
- The taxing of the capital gains arising from the disposal of shares or any other movable property is granted to the state in which the person making the disposal is tax resident regardless of the underlying assets of the company whose shares are being sold,. Therefore, it is also valid for disposing shares of property rich companies.

Our View: Despite the increase in the WHT rates the new treaty is one of the most beneficial treaties in the Ukrainian treaty network which makes Cyprus the most suitable jurisdiction for financing and property structures.

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