CYPRUS SIGNS A TAX TREATY WITH IRAN FOR THE AVOIDANCE OF DOUBLE TAXATION

Cyprus has recently concluded a Double Tax Treaty (DTT) with Iran. The treaty was signed on 4 August 2015 and shall enter into force once each country completes the ratification process.

The new treaty is based on the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention framework and will contribute to the expansion of Cyprus' trade and economic relations with Iran, only a few weeks after the historic Iranian nuclear agreement and lifting of international sanctions.

Main Provisions of the Double Tax Treaty

Permanent Establishment

The permanent establishment definition included in the treaty is in line with the meaning provided in the OECD model tax convention. In particular, any building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts more than twelve months.

Withholding tax rate on dividends payments

- 5% withholding tax on dividends paid, if the beneficial owner of the dividends is a company holding at least 25% of the capital of the company paying the dividend;
- 10% withholding tax on dividends paid , in all other cases;

Currently, neither Cyprus nor Iran withholds any tax on dividends. The above provisions will apply only in case a Contracting state imposes withholding tax in its domestic legislation.

Withholding tax rate on interest payments

- 5% withholding tax

Withholding tax rate on royalties payments

- 6% withholding tax

Capital Gains Tax

- Gains from the disposal of immovable property may be taxed in the country where the immovable property is situated.
- Gains from the disposal of shares, deriving more than 50% of their value directly or indirectly from immovable property may be taxed in the country in which the immovable property is situated.

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