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

The Republic of Cyprus has concluded a new Double Tax Treaty with the Republic of Kazakhstan. The treaty was signed on the 15th of May 2019. The actual publication of the treaty in the official Gazette of the Republic of Cyprus took place on the 24th of May 2019.
The new treaty shall enter into force upon both the Republic of Cyprus and The Republic of Kazakhstan exchanging notifications that the formal ratification procedures have been completed. The provisions of the treaty with respect to taxes will have **effect on or after 1 January post ratification**.

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 trade and economic relations between the two countries.

The preamble to the double tax treaty refers to avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

The main provisions of the Double Tax Treaty

The convention shall apply to the following taxes:

a) **In the Republic of Cyprus:**
   a. The income tax
   b. The corporate income tax
   c. The special contribution for the Defence of the Republic; and
   d. The capital gains tax.

b) **In the Republic of Kazakhstan:**
   a. The corporate income tax; and
   b. The individual income tax.

Permanent Establishment

The definition of permanent establishment in the context of the double tax treaty is a fixed place of a business through which the business of an enterprise is wholly or partly carried on.
Any building site, construction, assembly or installation project constitutes a permanent establishment only if it lasts more than 6 months within any twelve-month period.

Capital Gains Tax

Gains from the disposal of immovable property are taxed in the country where the immovable property is situated.

The term “immovable property” shall have the meaning which it has under the laws of the Contracting State in which the property in question is situated.

Gains derived by alienation of shares in a company, where more than 50% of the value of the shares derives directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other State.

Directors’ fees

Directors’ fees derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Withholding tax rate on interest payments

- 10% withholding tax, if the recipient is the beneficial owner of such interest

Withholding tax rate on dividend payments

- 5% withholding tax if the beneficial owner is a company (other than partnership) which holds directly at least 10% of the capital of the company paying the dividends

- 15% withholding tax in all other cases

Withholding tax rate on royalties payments

- 10% withholding tax, if the recipient is the beneficial owner of such royalties

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