

Cyprus and Kazakhstan Double Tax Treaty – Effective as from 1st January 2021

On 17 January 2020, the Cyprus-Kazakhstan double tax treaty (The DTT) entered into force, with the application of its provisions starting on 1st of January 2021.

Outlined below are the main features of the DTT.

Dividends

- There is a 5% withholding tax (WHT) if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends.
- The withholding tax is 15% in all other cases.

As per the domestic Cyprus tax legislation no Cyprus WHT applies on dividend payments to non-Cyprus tax residents.

Interest

- The DTT provides for a 10% withholding tax on interest payments, provided that the recipient is the beneficial owner of such interest.
- No withholding tax should apply on interest payments where the beneficial owner of the interest is the Government of the other Contracting State a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other Contracting State.

As per the domestic Cyprus tax legislation no Cyprus WHT applies on interest payments to non-Cyprus tax residents.

Royalties

- The DTT provides for a 10% withholding tax on royalty payments, provided that the recipient is the beneficial owner of such royalties.

As per the Cyprus domestic tax legislation no Cyprus WHT applies on royalty payment to non-Cyprus tax residents (except in the case of royalty payments earned on rights used within Cyprus).

Capital gains

- Under the DTT, gains derived by a resident of a Contracting State from the alienation of shares or comparable interests in the capital of a company deriving more than 50% of their value

directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other Contracting State.

- The above does not apply to gains derived from alienation of shares listed on an approved stock exchange.

Permanent Establishment

The Permanent Establishment (PE), described in Article 5, takes one of the central spots in the Convention. The wording of the “PE” is almost equal to the OECD Model Tax Convention (2017) and includes both construction activities lasting for a period of more than 6 months within any twelve months, as well as the provision of services for a period or periods aggregating more than 183 days in a twelve-month period.

We would be pleased to have a talk in case where your business has close economic relations with Kazakhstan and further consultation is needed on the relevant provisions of the DTT.