



**Tax measures in the 2021 Cyprus draft budget aim to fight aggressive tax planning**

On 22 October 2020 the Cypriot Council of Ministers approved the draft budgetary plan for 2021 including anticipated tax measures to be implemented to address aggressive tax planning.

More specifically Cyprus announced two unilateral tax measures namely by the introduction of:

- Withholding tax on dividends, interest and royalty payments to countries in Annex I of the EU list of non-cooperative jurisdictions on tax matters (currently the countries on the list are American Samoa, Anguilla, Barbados, Fiji, Guam, Palau, Panama, Samoa, Trinidad and Tobago, US Virgin Islands, Vanuatu, Seychelles).
- Corporate tax residency test based on incorporation, in addition to the existing “management and control”.

It is expected that these draft bills will be submitted to the House of Representatives for final approval with effect as of 1 January 2021.