

Corporate Tax - Cyprus

Cyprus soon to be removed from Russian tax blacklist

Contributed by **Andreas Neocleous & Co LLC**

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The long-awaited removal of Cyprus from the List of the States and Territories Providing Preferential Tax Treatment and Not Requiring Disclosure and Furnishing of the Information upon Conducting of Financial Transactions (Offshore Zones), appended to Order 108n of the Russian Ministry of Finance dated November 13 2007, will formally take effect at the beginning of 2013.

The ministry's Order 115n (dated August 21 2012), registered with the Russian Ministry of Justice on October 25 2012, provides that Cyprus will be deleted from the so-called 'blacklist' with effect from January 1 2013.

From that date, companies incorporated in Cyprus will be able to benefit from the participation exemption introduced by Russia with effect from January 1 2008, under which dividends received by Russian companies from qualifying participations will be exempt from tax, provided that:

- the recipient holds at least half the equity of the distributing entity and the participation confers the right to receive at least half of the dividend distributed;
- the recipient has held the investment for at least one year at the time the decision is made to distribute the dividend; and
- the cost of the investment is Rb500 million (approximately €13.6 million) or more.

Furthermore, transactions between unrelated Russian and Cyprus companies will no longer be subject to the automatic transfer pricing control scrutiny in Russia that applies to locations included in the blacklist.

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