Corporate Tax - Cyprus

Double tax agreement between Cyprus and Portugal enters into force

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The double tax agreement between Cyprus and Portugal, which was signed on November 19 2012, entered into force on August 16 2013 following the completion of ratification procedures by the two countries and the exchange of notifications of ratification.

The new agreement applies to 2014 and subsequent tax years. It mirrors the latest Organisation for Economic Cooperation and Development Model Agreement and provides for a maximum withholding tax rate of 10% on dividends, interest and royalties. Cyprus does not impose withholding taxes, except on royalties arising from the use of an IP asset within Cyprus, and withholding taxes may also be eliminated under EU directives.

The protocol to the agreement provides safeguards against abuse of the exchange of information provisions. Requests for information from the tax authorities of one country to the other must be accompanied by statements:

- demonstrating the foreseeable relevance of the information to the request;
- confirming that the request conforms with the law and administrative practices of the contracting state requesting it;
- confirming that if the requested information were within the jurisdiction of that contracting state, the competent authority would be able to obtain the information under the laws of the requesting contracting state or in the normal course of administrative practice; and
- confirming that the contracting state making the request has exhausted all reasonable means available in its own territory to obtain the information.

Information will be provided only if the contracting state making the request has reciprocal provisions or applies appropriate administrative practices for provision of the information requested.

The entry into force of the double tax agreement normalises tax relations between Cyprus and Portugal, which still retains a blacklist of more than 80 countries or territories (including the Channel Islands, Gibraltar, Hong Kong, the Isle of Man, Qatar, the Seychelles and the British and US Virgin Islands) whose residents are denied certain benefits of the Portuguese tax system and are subject to the Portuguese rules on controlled foreign companies and to higher rates of certain taxes. Cyprus was removed from the list in 2011.

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