Corporate Tax - Cyprus

Cyprus-Lithuania double tax agreement takes effect

Contributed by **Andreas Neocleous & Co LLC**

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The double tax agreement between Cyprus and Lithuania, which was signed in June 2013, took effect from January 1 2015 in respect of taxes withheld at source on or after that date and all other taxes on income for fiscal years beginning on or after that date.

Under the agreement there is no withholding tax on dividends paid by a company resident in Lithuania to a company (but not a partnership) resident in Cyprus, provided that the recipient is the beneficial owner of at least 10% of the shares in the company paying the dividend. Otherwise, the maximum rate of withholding tax is 5%. There are no withholding taxes in Cyprus on dividends paid to non-residents. Interest paid by a resident of one state to a resident of another is taxable only in the recipient's state of residence. The maximum withholding tax on royalties is limited to 5%. Gains derived by a resident of one contracting state from the alienation of immovable property situated in the other contracting state – or from the disposal of immovable or movable property associated with a permanent establishment situated in the other contracting state – may be taxed in the contracting state in which the immovable property or the permanent establishment is situated. All other gains, including gains on the disposal of shares in property-rich companies, are taxable only in the country of residence of the disponor.

Lithuania's economy is one of the fastest growing in the European Union and the new agreement should strengthen economic ties between Cyprus and Lithuania.

For further information on this topic please contact Philippos Aristotelous at Andreas Neocleous & Co LLC by telephone (+357 25 110 000), fax (+357 25 110 001) or email (aristotelous@neocleous.com). The Andreas Neocleous & Co LLC website can be accessed at www.neocleous.com.

Author

Philippos Aristotelous