

Corporate Tax - Cyprus

New double tax agreement between Cyprus and Portugal

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Following the removal of Cyprus from the Portuguese tax blacklist in 2011, the two countries have now signed a double tax agreement.

The agreement is based on the latest Organisation of Economic Cooperation and Development Model Convention. It covers personal and corporate income taxes in both countries, including the Portuguese corporate income tax and local surcharges, and special defence contribution and capital gains tax in Cyprus. It provides for a maximum withholding tax rate on dividends, interest and royalties of 10%. However, as both countries have adopted the EU Parent-Subsidiary Directive and the EU Interest and Royalties Directive (Portugal's transitional period for the latter expires on July 1 2013), it should be possible to eliminate withholding tax altogether.

In addition, gains on disposal of shares in 'property-rich' companies may be taxed in the country in which the immovable property is located.

The agreement will enter into force once formal ratification procedures have been completed.

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