Cyprus Signs Double Tax Treaty with Spain

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On 14 February 2013, the governments of Cyprus and Spain concluded and signed a double taxation treaty (DTT). The DTT is based on the 2010 OECD Model Convention, meaning it adheres to the most recent internationally recognised tax transparency standards.

The DTT will enter into force on 1 January 2014, following the completion of the ratification process by the governments of the two countries. Following the treaty's ratification, Cyprus will be removed from Spain's jurisdiction "black list" and will cease to be considered a tax haven by the Spanish tax authorities.

The DTT allows international businesses and private individuals investing in Spain to take advantage of a number of tax benefits Cyprus can offer, while enabling Spanish investors to use Cyprus as gateway to the range of non-EU countries with which Cyprus has concluded double taxation agreements. The most significant provisions of the new treaty are:

Dividends

- 0% on withholding tax rate if the beneficial owner is a company (other than a partnership) holding at least 10% of the capital of the company paying the dividend.
- 5% in all other cases.

Royalties

- 0% withholding tax rate on royalties.

Interest

- 0% withholding tax rate on royalties.

Capital Gains

- Gains from the disposal of immovable property are taxed in the country where the immovable property is situated.
- Gains from the disposal of shares or comparable interests not listed on the Stock Exchange of either country (deriving more than 50% of their value from immovable property), are taxed in the country in which the immovable property is situated. For the purposes of determining the value referred to above, the domestic law of the country where the immovable property is situated applies.
- Gains from the disposal of any other type of shares are taxed in the country of which the seller is tax resident.

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