



## Double Tax Treaty (DTT) signed between Cyprus and Kazakhstan

A DTT between Cyprus and Kazakhstan has been signed and ratified by Cyprus on the 15th of May 2019. The DTT is expected to “enter into force” as from the 1st of January 2020, provided that the various legal procedures involved are finalized. Kazakhstan currently has the largest and strongest performing economy in Central Asia.

The DTT provides for a 10% WHT on interest as long as the recipient of the interest is the beneficial owner of the income. (As per the Cyprus tax legislation, no Cyprus WHT applies on interest payments to non-Cyprus tax residents).

Furthermore the treaty provides for a 5% withholding tax (WHT) on dividends if the beneficial owner of the dividends is a company (other than a partnership) that holds directly at least 10% of the capital of the payer company. In other cases a 15% WHT applies on dividends (Cyprus tax does not impose any WHT on dividend payments).

The DTT provides for a 10% WHT on royalty payments, provided that the recipient is the beneficial owner of such royalty (Cyprus WHT does not apply to royalty payments to non-Cyprus tax residents – only with regards to royalty payments earned on rights used within Cyprus).

In relation to capital gains, Cyprus retains the exclusive taxing rights on disposals of shares made by Cyprus tax residents, with the exception of the following cases:

- non-listed shares which derive more than 50% of their value, directly or indirectly, from immovable property situated in Kazakhstan, and,
- shares which derive the greater part of their value from certain offshore rights and/or movable property relating to exploration or exploitation of the seabed or subsoil or their natural resources located in Kazakhstan.

The DTT incorporates the OECD/G20 Base Erosion and Profit Shifting (BEPS) project Action 6 Principal Purpose Test (PPT), which is a minimum standard under the BEPS project. The PPT provides that a DTT benefit shall not be granted, under conditions, if obtaining that benefit was one of the principal purposes of an arrangement or transaction. This measure is designed to tackle “treaty shopping” and puts a strong emphasis on ensuring that operations are supported by appropriate substance and reflect a principal commercial rationale.

The above DTT further expands the Cyprus DTT network, and opens the way for new investment opportunities and trade relations between Cyprus and Kazakhstan.