



M.C. FANDEOS CO LTD

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Cyprus adopts tax measures against EU-blacklisted jurisdictions and amends the definition of corporate residency



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On 21 December 2021, amendments to the Income Tax Law and Special Defence Contribution Law were published in the Cyprus Government Gazette, with respect to the definition of corporate tax residency and the imposition of withholding tax on outbound payments of dividends, interest and royalties made to companies registered in jurisdictions included on the **EU Black List of non-cooperative jurisdictions**.

The Law amendment will be effective as of 31 December 2022.

Overview of the new provisions:

- Amendment to the definition of corporate tax residency:

Based on the current definition, a Cyprus tax resident company is assessed based on the "management and control test", for example where the management and control of the Company is exercised.

The above test is expanded to additionally include the incorporation test. A Company which is incorporated or registered in Cyprus and its management and control is exercised abroad, the Company should be considered as a tax resident in Cyprus unless it is a tax resident in another country.

· Introduction of Withholding Taxes on Dividend:

Withholding tax (WHT) at 17% applies on the outbound payments of dividends to companies which are:

- Resident in jurisdictions included in the EU Blacklist or;
- Incorporated/registered in a jurisdiction included in the EU Blacklist and are not resident in another jurisdiction that is not included in the EU Blacklist.

The WHT applies where a company in the EU Blacklist holds 50% in voting rights or owns more than 50% of the share capital or is entitled to 50% or more of the Cypriot company. Also, no withholding tax will be imposed on dividend paid in relation to securities listed on a recognized stock exchange.

· Introduction of withholding taxes on Interest:

Withholding tax (WHT) at 30% applies on the outbound payments of interest to companies which are:

- Resident in jurisdictions included in the EU Blacklist or;
- Incorporated/registered in a jurisdiction included in the EU Blacklist and are not resident in another jurisdiction that is not included in the EU Blacklist.

No WHT will be imposed on the interest payments on securities listed on a recognized stock exchange and interest payments made by individuals.

· Introduction of withholding taxes on Royalties:

Withholding tax (WHT) at 10% applies on the outbound payments of royalties to companies which are:

- Resident in jurisdictions included in the EU Blacklist or;
- Incorporated/registered in a jurisdiction included in the EU Blacklist and are not resident in another jurisdiction that is not included in the EU Blacklist.

No WHT will be imposed on the royalty payments made by individuals.

As always, the Tax Department of M.C. Fandeos Co Ltd will be at your disposal for any further information.

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