Amendment of the Cyprus Poland Double Taxation Agreement

The protocol amending the double taxation agreement between Cyprus and Poland has been signed on behalf of both countries. The protocol makes a number of changes to the existing agreement, which dates back to 1992. The principal changes are outlined below.

Reduction of withholding tax on dividends

The maximum rate of withholding tax on dividends will be reduced from 10% to zero if the owner is a company (other than a partnership) resident in the other contracting state which has directly held at least 10% of the capital of the company paying the dividends for an uninterrupted period of twenty four months, and to 5% otherwise.

Reduction of withholding tax on interest

The maximum rate of withholding tax on interest will be reduced from 10% to 5%.

Beneficial ownership and withholding tax

In line with the latest OECD Model Convention the concept of beneficial ownership has been introduced in the articles relating to withholding tax on dividends, interest and royalties.

Directors' fees

Under the 1992 agreement directors' fees may be taxed in the state in which the director is resident and in the state of residence of the company. Once the protocol takes effect directors' fees will be taxable only in the state in which the director is resident.

Elimination of double taxation

The amount allowed as a deduction from tax on income or capital gains in Poland will be based on the tax paid in Cyprus, limited to the amount attributable to such income or capital gains derived from Cyprus. The protocol explicitly includes tax on capital gains, which was not included in the 1992 agreement. The "tax sparing" provisions of paragraph 3 of article 24 of the 1992 agreement will be abolished.

Exchange of information

The protocol replaces article 27 of the 1992 agreement with a new article, which reproduces the information exchange article of the OECD Model Convention verbatim and supplements it with details of the information to be supplied by a state when making a request for information to demonstrate the foreseeable relevance of the information to the request. This prevents tax authorities embarking on speculative enquiries and safeguards the interests of taxpayers.

Entry into force and effective date

The protocol will enter into force when both states have exchanged notifications that the necessary ratification procedures have been completed and the changes it introduces will have effect from the beginning of the following calendar year.

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