

New treaty signed between Cyprus and Ukraine

A new tax treaty was signed on 8 November 2012 by representatives of Cyprus and Ukraine during an official visit of the President of Ukraine Mr. Viktor Yanukovich in Cyprus. The treaty will enter into effect on 1 January following the year in which the parties exchange notifications of ratification and will replace the old treaty with the USSR. Below there is a summary with the most important provisions of the new treaty:

- The withholding tax rate on interest is set at 2%.
- The withholding tax rate on dividends is set at 5%. This rate applies if the beneficial owner of the shares holds at least 20% of the capital of the dividend paying company or has invested in the acquisition of shares or other rights of the dividend paying company of at least €100,000. In any other case the withholding tax rate is 15%.
- The withholding tax rate on royalties in respect of any copyright of scientific work, any patent, trade mark, secret formula, process or information concerning industrial, commercial or scientific experience is set at 5%. In any other case the withholding tax is 10%.
- In the case of disposal of shares (irrespective of the underlying assets of the company in which the shares are being disposed of) any capital gains tax arising is granted to the State in which the person making the disposal is tax resident.

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