

Cyprus and Iran - Double Tax Treaty

October 2017



Introduction

The double tax treaty with Iran has now entered into force and will come into effect as from 1st January 2018. The new double tax treaty with Iran is expected to strengthen further the Cypriot treaty network.

Below is a summary of the main provisions included in the treaty:

Dividends

Dividend payments will be subject to withholding tax at the rate of 10%, which may be reduced to 5% if the beneficial owner holds directly at least 25% of the capital of the dividend paying Company.

The above applies for payments from Iran to Cyprus. Payments from Cyprus to Iran or other foreign persons or entities do not carry any withholding tax due to Cyprus local tax law provisions.

Interest

Withholding tax on interest payments shall not exceed the rate of 5% provided that the recipient is the beneficial owner of such interest income.

The above applies for payments from Iran to Cyprus. Payments from Cyprus to Iran or other foreign persons or entities do not carry any withholding

tax due to Cyprus local tax law provisions.

Royalties

Withholding tax on royalty payments shall not exceed the rate of 6% provided that the recipient is the beneficial owner of such royalty income.

The above applies for payments from Iran to Cyprus. Payments from Cyprus to Iran or other foreign persons or entities do not carry any withholding tax due to Cyprus local tax law provisions.

Capital Gains

Capital gains arising from the alienation of the shares of a company will be taxable only in the state of residency of the alienator, unless more than 50% of the value of such shares is derived directly from immovable property situated in the other state in which case taxation will be levied at the state where the immovable property is situated.

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