



## Cyprus Tax News

### Cyprus – Kazakhstan tax treaty signed and published

On 15 May 2019, Cyprus signed a tax treaty with Kazakhstan which was published in the Gazette on 24 May 2019.

This is an important development as Kazakhstan is the 9th largest country in the world, the largest of the former Soviet republics (excluding Russia) and a growing economy.

The tax treaty is based on the OECD Model Convention and its conclusion is expected to enhance the bilateral trade and economic relations between the two countries.

It is worth noting that under the domestic law, Kazakhstan levies withholding taxes at the rate of 15% on dividends, interest and royalties, rates that can be reduced by taking advantage of the provisions of the Cyprus – Kazakhstan tax treaty. The treaty provides for the following maximum withholding tax (WHT) rates on dividends, interest and royalty payments:

#### Dividends

- **5% WHT** if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends.
- **15% WHT** in all other cases.

#### Interest

- **10% WHT** on interest payments, provided that the recipient is the beneficial owner of such interest.
- **Nil WHT** on interest payments where the beneficial owner of the interest is the Government of the other Contracting States, a political subdivision, a central or local authority, the Central Bank or any other financial institution wholly owned by the Government of the other Contracting State.

## Royalties

- **10% WHT** on royalty payments, provided that the recipient is the beneficial owner of such royalties.

In terms of capital gains, the treaty provides that gains derived by a resident of a Contracting State from the alienation of shares or comparable interests in the capital of a company deriving more than 50% of their value directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other Contracting State, with the exception of gains derived from the alienation of shares listed on an approved stock exchange.

The treaty will enter into force once both Cyprus and Kazakhstan exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty with respect to taxes will have effect in both contracting states on or after 1 January following the date the treaty enters into force.

We are at your disposal to discuss the above development with you.

### Get in touch

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