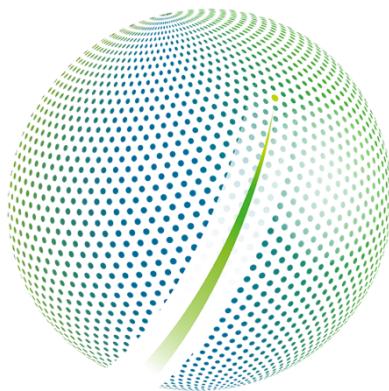


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Cyprus Tax News

Tax Treaty signed with Vietnam

On **15 December 2025**, Cyprus signed a tax treaty with **Vietnam**.

The tax treaty is based on the OECD and UN Model Conventions and its main provisions are briefly outlined below:

Permanent Establishment (PE): further to the fixed place of business PE and agent PE concepts which are generally aligned with the OECD Model, the tax treaty also has PE thresholds for:

- construction projects (if they last for at least 6 months),
- furnishing of services (for at least 6 months during any 12-months period) and
- exploration/exploitation of natural resources (without temporal thresholds).

Dividends: withholding tax (WHT) on dividends shall not exceed 5%, if the beneficial owner (BO) is a company which holds directly or indirectly at least 70% of the capital of the company paying the dividends or has invested at least USD 10m. Otherwise, the WHT shall not exceed 10%.

Interest: WHT levied on the income of the BO shall not exceed 10%.

Royalties: WHT levied on the income of the BO shall not exceed 10% of the gross amount of royalties.

Capital gains: further to the provisions allocating taxing rights on capital gains which are generally aligned with the OECD Model the tax treaty contains specifically:

- a clause that allows the source State to tax capital gains from shares in companies whose value is primarily derived from real estate situated in that State (i.e. property-rich companies),
- a provision which allows the source State to tax capital gains from the alienation of shares forming part of more than 15% of the capital of the company which is a resident of that State.

Credit for underlying tax: in the case of a dividend paid by a company which is a resident of one of the Contracting States to a company which is a resident of the other Contracting State, in addition to credit claimed in the latter State for any dividend withholding tax, credit may also be claimed for the underlying tax payable on the profits of the dividend paying company. In order to be eligible to claim the credit for the underlying tax the company receiving the dividend must control directly or indirectly at least 10% of the voting power in the company paying the dividend.

The treaty will **enter into force** once both Cyprus and Vietnam exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty will have **effect** in both contracting States **on or after 1 January** following the date the treaty enters into force.

The conclusion of the treaty is expected to enhance co-operation in tax matters between the two States and further develop their economic relationship.

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

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