

New Double Taxation Treaty: Cyprus and The Netherlands

On 1st June 2021, the Republic of Cyprus and the Netherlands signed, for the first time ever for the two countries, a Double Taxation Treaty.

By **Charalambos Pittas**, 14th December 2023

Cyprus and The Netherlands Double Tax Treaty

For the first time in the history of the Republic of Cyprus and The Kingdom of The Netherlands, a Double Tax Treaty came into force on 30th June 2023 and its provisions are applicable as from 1 January 2024 onwards.

This article updates our note issued in June 2021, with regards to the execution of a Double Tax Treaty, on 1st June 2021.

Main provisions of the Double Tax Treaty

The Treaty is based on the OECD Model Convention for the Elimination of Double Taxation on Income and on Capital and incorporates all the minimum standards of the Actions against Base Erosion and Profit Shifting (BEPS) concerning bilateral agreements.

Withholding Tax Rates

Dividends – 0%

There is no withholding tax (WHT) on dividends if the recipient/beneficial owner is:

- a company that holds at least 5% of the capital of the company paying the dividends throughout a 365 day period or

- o a recognized pension fund which is generally exempt under the corporate income tax law of Cyprus

The WHT in all other cases shall not exceed 15% of the gross amount of dividends.

Interest – 0%

There is no withholding tax on payments of interest provided that the recipient is the beneficial owner of the income.

Royalties – 0%

There is no withholding tax on payments of royalties provided that the recipient is the beneficial owner of the income.

Capital Gains

Capital gains arising from the disposal of shares are taxed exclusively in the country of residence of the alienator.

Certain exemptions apply.

The below exemptions apply:

- a. Capital gains arising from the disposal of shares or comparable interests 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 State.

- a. Capital gains arising from the disposal of shares or comparable interests deriving more than 50% of their value directly or indirectly from certain offshore right/property relating to exploration of the seabed or subsoil or their natural resources located in the other Contracting State, may be taxed in that other State.

Principal Purpose Test (PPT)

The DTT incorporates the OECD/G20 Base Erosion and Profit Shifting (BEPS) project
Action 6

PPT, which is a minimum standard under the BEPS project. The PPT provides that a DTT benefit shall not be granted, under conditions, if obtaining that benefit was one of the principal purposes of an arrangement or transaction.

Additional Information

If you require further information as to how the DTT between Cyprus and the Netherlands could be of benefit please contact the Dixcart office in Cyprus: advice.cyprus@dixcart.com or your usual Dixcart contact.