

## ***Doing business together!***

The first double tax treaty (DTT) between Cyprus and Latvia which was ratified by both countries, is effective as from 1<sup>st</sup> January 2017. The DTT is expected to give new investments and business co-operations between the two countries.

The main provisions of the new DTT are analysed below:

- ✓ Dividends - 0% withholding tax (WHT) – refer note 1 below.  
- 10% WHT will apply in all other cases.
- ✓ Interest - 0% WHT– refer note 1 below.  
- 10% WHT will apply in all other cases.
- ✓ Royalties - 0% WHT – refer note 1 below.  
- 5% WHT will apply in all other cases.

### Note 1:

The 0% WHT will apply if the payer is a company that is a resident of a Contracting State and the beneficial owner of the income is a company that is a resident of the other Contracting State (i.e. payment between companies).

It should be noted that as per the provisions of the Cyprus domestic tax legislation, there is no WHT on dividends, interest and royalty payments from Cyprus to Latvia, irrespective of the provisions of the DTT.

Moreover, Cyprus retains the exclusive taxing right on disposal of shares in Latvia Companies, except in the cases where:

- i) more than 50% of the value of the shares is derived directly or indirectly from immovable property situated in Latvia and
- ii) in case the greater part of the value of the shares relates directly or indirectly to certain Latvian offshore rights/properties.

## ***Meet the Team***

Our tax experts will be glad to discuss with you the provisions of the treaty and provide support, if needed.

## Contact us

Should you need any clarifications regarding the above, feel free to contact us via email, or by phone. See below our contact details:

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Important note: The above is intended to provide general information only. It should not be used as a substitute for consultation with professional advisors.