

Russia

Dividends Received by Cypriot Resident Individual Taxable Under Tax Treaty If Distributed Before Suspension of Tax Treaty

12 October 2023

Report from our correspondent Kristina Trouch

The Ministry of Finance (MoF) has clarified that dividends distributed by a Russian resident limited liability company to a Cypriot resident shareholder are subject to withholding tax under the [Cyprus-Russia Income and Capital Tax Treaty \(1998\)](#), provided that the dividends were distributed before 8 August 2023, the date on which the Treaty was suspended.

The MoF explained that, since the Treaty was suspended effective from 8 August 2023 (Decree of the President No. 585), any profits of a Russian company distributed to a Cypriot shareholder before 8 August 2023 are subject to taxation in accordance with article 10, paragraph 2 of the Treaty. Dividends distributed after 8 August 2023 will be taxed in accordance with the provisions of the Russian Tax Code.

Also, the MoF clarified that after-tax profits distributed by a Russian company to a Cypriot shareholder that are not in proportion to the shareholder's stake in the authorized capital of the Russian company qualify as dividends.

The MoF published Guidance letter No. 03-04-05/82717 on 6 October 2023.

Russia - Dividends Received by Cypriot Resident Individual Taxable Under Tax Treaty If Distributed Before Suspension of Tax Treaty (12 Oct. 2023), News IBFD.

Exported / Printed on 7 Mar. 2024 by hkermadi@deloitte.lu.