

## Cyprus, Malta & Luxembourg Double Taxation Treaties Revised: New Tax Rates

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On 25 March 2020, the Russian President proposed to renegotiate some of the Double Taxation Treaties (DTT) between the Russian Federation and several countries to introduce the 15% tax rate for dividend and interest incomes, while the majority of DTTs allowed the application of 0% – 10% tax rate under certain conditions.

The first results of the negotiations between Russia and other countries will affect the following DTTs:

- ▶ DTT between **Russia and Cyprus**<sup>1</sup> (amended by the additional protocol signed on 08.09.2020<sup>2</sup>);
- ▶ DTT between **Russia and Malta**<sup>3</sup> (amended by the additional protocol signed on 01.10.2020<sup>4</sup>);
- ▶ DTT between **Russia and Luxembourg**<sup>5</sup> (amended by the additional protocol signed on 06.11.2020<sup>6</sup>).

The additional protocols to these DTTs provide the following amendments to the taxation of the dividend and interest incomes:

- ▶ 15% tax rate on dividend payments;
- ▶ 15% tax rate on interest payments.

These protocols still provide some exceptions for certain persons. For example, the 5% tax rate on dividend payments may be applied by some legal entities and state authorities, which are listed in the amended article 10 (“Dividends”) of each DTT:

- ▶ insurance companies and pension funds – tax residents of Russia/the other signer of the DTT;
- ▶ Government or other state authorities of Russia/the other signer of the DTT;
- ▶ Central Bank of Russia/the other signer of the DTT;
- ▶ other tax residents of Russia/the other signer of the DTT, listed in the article 10 of each DTT.



According to each DTT, the standard tax rate on the dividend and interest incomes shall be 15% starting from 01.01.2021.

The 5% tax rate on interest payments can be applied to the legal entities and state authorities listed in the article 11 (“Interests”) of each DTT:

- ▶ insurance companies and pension funds – tax residents of Russia/the other signer of the DTT;
- ▶ Government or other state authorities of Russia/the other signer of the DTT;
- ▶ Central Bank of Russia/the other signer of the DTT;
- ▶ Banks – tax residents of Russia/the other signer of the DTT.

This tax rate can be also applied to the following securities, owned by the tax residents of Russia/the other signer of the DTT:

- ▶ Eurobonds;
- ▶ Government bonds;
- ▶ Corporate bonds.

The 5% tax rate on interest payments can also be applied in some cases, named in article 11 of each DTT.

The amendments to each DTT will be effective from **01.01.2021**.

According to the information from the various Russian authorities, the Russian government is also going to start negotiations with the Netherlands, Switzerland and Hong Kong regarding the amendment of the acting DTTs.

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<sup>1</sup> Agreement between the Government of the Russian Federation and the Government of the Republic of Cyprus for the avoidance of double taxation with respect to taxes on income and on capital, signed in Nicosia on 05.12.1998.

<sup>2</sup> Protocol on amending of the Agreement between the Government of the Russian Federation and the Government of the Republic of Cyprus for the avoidance of double taxation with respect to taxes on income and on capital, dated 05.12.1998, signed in Nicosia on 08.09.2020.

<sup>3</sup> Convention between the Government of the Russian Federation and the Government of Malta for the avoidance of double taxation and prevention of the tax evasion with respect to taxes on income, signed in Moscow on 24.04.2013.

<sup>4</sup> Protocol on amending of the Convention between the Government of the Russian Federation and the Government of Malta for the avoidance of double taxation and prevention of the tax evasion with respect to taxes on income, dated 24.04.2013, signed in Moscow on 01.10.2020.

<sup>5</sup> Agreement between the Russian Federation and the Grand Duchy of Luxembourg for the avoidance of double taxation and prevention of the tax evasion with respect to taxes on income and on property, signed in Moscow on 28.06.1993.

<sup>6</sup> Protocol on amending of the Agreement between the Russian Federation and the Grand Duchy of Luxembourg for the avoidance of double taxation and prevention of the tax evasion with respect to taxes on income and on property, dated 28.06.1993, signed in Moscow on 06.11.2020.