

Cyprus-Qatar Treaty for the Avoidance of Double Taxation

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The treaty for the avoidance of double taxation between Cyprus and Qatar was signed in November 2008, ratified in March 2009 and entered into force on 1 January 2010. Specifically, the provisions of the treaty apply:

- (a) with respect to taxes withheld at source, for amounts paid or credited on or after 1 January 2010;
- (b) with respect to any other taxes, for taxes payable in connection with tax years beginning after 1 January 2010.

The treaty is based on the OECD model convention and incorporates exchange of information provisions in accordance with article 26 of the OECD model tax convention. In accordance with its provisions:

- (i) dividends are taxed in the state of residence of the recipient;
- (ii) interest is taxed in the state of residence of the recipient;
- (iii) royalties are taxed at source at a rate not exceeding 5%; and
- (iv) capital gains emanating from the disposal of immovable property are taxed in the country in which the immovable property is situated.

The treaty is nil-rated on withholding taxes for dividends and interest and imposes a maximum 5% rate on royalties at source.

Qatar has a flat 10% tax rate (this only applies to local source income) and has concluded over 35 treaties for the avoidance of double taxation to date, including with jurisdictions such as Russia, Singapore, India, Luxembourg and the United Kingdom. The new treaty with Cyprus presents interesting tax planning opportunities for Qatari investments to be routed through Cyprus where there is a gap in the Qatari network or where the Cyprus treaty rates are more advantageous. So a Qatari investment into the Ukraine for example, with which Qatar has not concluded a treaty for the avoidance of double taxation can be routed through Cyprus to benefit from the nil withholding tax rates applicable in the Ukraine-Cyprus treaty.

Cyprus itself does not impose withholding taxes on dividends paid to non Cyprus residents and Qatar will not tax the incoming dividend so a zero tax structure can be achieved. Cyprus is also an interesting gateway for Qatari investments into the European Union where, subject to complying with the conditions of the parent/subsidiary directive, Cyprus can extract dividends and route them back to Qatar at zero withholding tax rates.

If you require further information about these issues please contact Head of Tax & Regulatory Emily Yiolitis (emily.yiolitis@harneys.com).

The foregoing discussion and analysis is for general information purposes only and not intended to be relied upon for legal advice in any specific or individual situation