

ANDREAS P.DEMETRIADES & ASSOCIATES
Advocates and Legal Consultants

P.O.Box 24533 * Nicosia * Cyprus * Telephone 00357 22 774775 * Fax 00357 22 420772
E - MAIL: ademlaw@spidernet.com.cy

Investing in Poland via Cyprus: *Cyprus-Poland Double Tax Treaty*

Poland, as a developing country, has attracted the interest of numerous investors, including multinational companies, real estate funds, private equity funds, among other.

One of the most popular investment paths into Poland is through Cyprus, for a number of reasons. Most importantly, Cyprus has concluded a most favourable Treaty for the Avoidance of Double Taxation (DTT) with Poland, which, if combined with the investor friendly tax system of Cyprus can infer enhanced benefits to international investors.

The Treaty provides for a withholding tax at source on dividend 5% (0% in cases that the shareholding is 10% for more than 24 months) and interest payments of 10% where and respectively of 5% on royalty payments. Irrespective of the provisions of the DTT, Cyprus does not impose any withholding taxes on the payment of dividends, interest, or royalties to non resident shareholders.

As a general principle, gains from the disposal of property are subject to tax only at the level of the alienator, with the exception of immovable property and movable property belonging to a permanent establishment. The general principle extends its application to the gains from the sale ships, aircraft or road vehicles operated in international traffic, or movable property related thereto.

In the case of Poland, double taxation is eliminated by the allowance of an exemption from Polish tax whereby income may be taxed in Cyprus in accordance with the provisions of the DTT.

Notwithstanding the above, a tax credit is allowed with respect to dividend, interest and royalty income derived from Cyprus.

Cyprus on the other hand provides for a tax credit with respect to income derived from Poland. Tax sparing credit provisions apply which allow for a credit to be granted in either country in respect of taxes which could have imposed but for the application of favourable incentive legislation.

Chambers: Optimum House, 1 Andreas Patsalides Avenue, Nicosia, Cyprus.

A list of associate names is open to inspection at the above address.

ANDREAS P.DEMETRIADES & ASSOCIATES
Advocates and Legal Consultants

P.O.Box 24533 * Nicosia * Cyprus * Telephone 00357 22 774775 * Fax 00357 22 420772
E - MAIL: ademlaw@spidernet.com.cy

There are a lot of benefits using a Cyprus company when trading in shares and bonds. We have outlined the most important. Regarding shares:

1. Profit from the sale of shares that a Cyprus company holds in another company is tax free in Cyprus, for both listed company participations abroad and also for investments/participations in private companies.
2. Dividends received by a Cyprus company from its participation are almost in all cases non taxable in Cyprus.
3. When the Cyprus company distributes profits to its non Cyprus tax resident owners, there are no withholdings on those payments.

Regarding bonds:

1. If the Cyprus company has interest income from bonds and this is from its normal business activity, this interest income is only taxed @ 10% on corporation tax **after deducting other business expenses such as accounting/audit/administration/other fees and any interest paid by the company and also any other business expense that is closely related to its business activity.**
2. If the company paid any tax abroad on that interest income, this tax is given as a tax credit against any tax for the same interest in Cyprus, up to the level of the Cyprus tax. Having in mind that 10% taxation rate in Cyprus is the lowest tax rate in Europe and in case that tax is paid abroad, this interest income is for sure not taxable in Cyprus.
3. Same as point 3 above, when the company distributes dividends from profits form interest income, there are no withholding taxes for non Cyprus tax residents.

Chambers: Optimum House, 1 Andreas Patsalides Avenue, Nicosia, Cyprus.

A list of associate names is open to inspection at the above address.