

ALERT**Kazakhstan has ratified the Convention on avoidance of double taxation with Cyprus**

On 30 December 2019 the Republic of Kazakhstan has ratified the Convention on avoidance of double taxation with Cyprus and the Protocol thereto¹ (hereinafter – the 'Convention').

The Convention comes into effect upon receipt of the last written notification confirming that all necessary interstate procedures were finalised. If these procedures are finalised this year, the residents of the states will be entitled to apply the Convention provisions in respect of income received (capital owned) effective 1 January 2021.

Below you will find a brief overview of the main provisions of the Convention.

Dividends, interest, royalty

The Convention provides for opportunity to reduce income tax rates in respect of:

Dividends	Net income of permanent establishment	Interest	Royalty
<ul style="list-style-type: none"> • 5% - if the company directly owns not less than 10% of the capital of the company paying dividends • 15% - in all other cases. 	5%	10%	10%

Permanent establishment

Activity of the resident of Cyprus/Kazakhstan related to exploration/exploitation of the sea bed, subsoil and natural resources including installation and exploitation of pipes and other installations under and above sea surface in Kazakhstan/Cyprus for the period exceeding 30 calendar days in any 12-months period is recognised as performance of activity through a permanent establishment.

Sale of real estate

Income received by the resident of Cyprus/Kazakhstan from the sale of real estate located in Kazakhstan/Cyprus is, in general, taxed in Kazakhstan/Cyprus.

'Real estate' definition is determined in accordance with the law of the state where the property is located.

Sale of shares

Income of the resident of Cyprus/Kazakhstan from the sale of shares or participant shares in a Kazakh/Cyprian company is subject to taxation in Kazakhstan/Cyprus, if more than 50% of such shares or participant shares is comprised of real estate located in Kazakhstan/Cyprus.

¹Convention between the Government of the Republic of Kazakhstan and the Government of the Republic of Cyprus on avoidance of double taxation and prevention of tax evasion in respect of taxes and the Protocol thereto dated 15 May 2019 ratified by the Law of the Republic of Kazakhstan dated 30 December 2019 No. 298-VI On ratification of the Convention between the Government of the Republic of Kazakhstan and the Government of the Republic of Cyprus on avoidance of double taxation and prevention of tax evasion in respect of taxes and the Protocol thereto.

**Information
exchange**

Kazakhstan and Cyprus authorities are entitled to exchange information required for enforcement of the Convention's provisions.

About GRATA International

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Throughout its existence the Firm has developed an experienced tax practice. In view of this, in 2005 the tax department was formed. Unlike many consulting companies, GRATA's tax team comprised mainly of lawyers and auditors who have experience of working in the tax authorities. This feature enables us to provide our clients not only correct but practically feasible advice.

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