

**Cyprus-Russia: Conclusion of new Protocol for DTT**
*April 2012*
**New Protocol concluded between Cyprus and Russia**

On 16 April 2009, Cyprus and Russia signed a Protocol in relation to the Double Tax Treaty (DTT) between the two countries. The current DTT between Cyprus and Russia has been in effect since 1998. This new Protocol clearly identifies the changes to be made in a new DTT between the two countries. It is expected that this Protocol will be ratified by both countries during 2009 so that it becomes effective as from 1 January 2010. The changes as per this Protocol are clearly set out in the Appendix of this information sheet.

The new DTT will retain most of the favourable provisions that currently exist and shall remain one of the best (if not the best) DTTs that Russia has with another country. Consequently, Cyprus shall continue to be the prime springboard for inward and outward investments in Russia.

Furthermore, Russia has agreed to remove Cyprus from the so-called Russian 'blacklist'. The actual removal of Cyprus from this list is a matter of time and is expected to happen as soon as the above Protocol is ratified.

**STOP PRESS – UPDATE**
**March 2012:**

**The Protocol in relation to the DTT between Cyprus and Russia has been ratified.** For more information and an analysis on the main technical changes brought by the Protocol, you may refer to [Information Sheet No. 92](#)

**May 2010:**

**Following an announcement in May 2010 by the Central Bank of the Russian Federation, Cyprus has officially been removed from the Russian List of "offshore" countries. This is with effect from 29 March 2010.** For more on this issue refer to [Information Sheet No. 84](#)

**Exchange of Information / Russian Blacklist**

Recently, there has been much attention and coverage in the Russian media regarding the issue of the 'exchange of information' between the tax authorities of Cyprus and Russia. It is noted that this 'exchange of information' issue between the two countries is not something new as there has long been an exchange of information tax agreement between the two countries. Specifically, the 'exchange of information' has existed as a provision in the 1998 DTT between Cyprus and Russia and prior to that in the DTT between Cyprus and the USSR since 1982.

However, there have been legal and practical restrictions for Cyprus in complying with certain exchange of information requests; mainly because of the lack of specific paragraphs/provisions on the 'exchange of information' section of the applicable DTT.

As a result, in 2008 Russia placed Cyprus on its 'blacklist'. Specifically, last year, Russia introduced a new tax provision (effective from 1 January 2008) exempting from tax, under conditions, dividends paid from foreign subsidiary companies to a parent company in Russia.

Russia also created a list of “offshore” countries (the so-called ‘blacklist’) for which this exemption shall not apply; and placed Cyprus on this list. The main reason for the inclusion of Cyprus on this list has been the general legal and practical restrictions on the exchange of information agreement between the two countries.

*It is noted that the inclusion of Cyprus on this list has not affected the favorable benefits of the Russia-Cyprus DTT in the most usual structure where a Cyprus holding company is the parent company of Russian subsidiaries.*

Ever since the inclusion of Cyprus on this Russian list, there have been efforts and negotiations at the highest level to remove Cyprus from this list.

**Following the latest developments and the conclusion of this new Protocol, the removal of Cyprus from the so-called Russian ‘blacklist’ is only a matter of time.**

**NOTES:**

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.