CYPRUS

KEY FACTS
TAX SNAPSHOT – SOUTH AFRICA

THIS KEY FACTS SHEET PROVIDES A CONCISE OVERVIEW OF THE KEY TAX CONSIDERATIONS RELEVANT TO SOUTH AFRICA–CYPRUS CROSS-BORDER STRUCTURING, WITH A FOCUS ON THE BENEFITS AVAILABLE UNDER THE DOUBLE TAX TREATY (DTT) BETWEEN THE TWO JURISDICTIONS.

It highlights the treatment of withholding taxes, capital gains, residency definitions, and the advantages of using Cyprus-based entities for financing and intellectual property planning. The sheet also outlines the core features of Cyprus's corporate tax framework, including applicable rates, incentives, and mechanisms that support efficient international structuring.

SOUTH AFRICA–CYPRUS DTT AND CYPRUS CORPORATE TAXATION

DTT Between Cyprus and South Africa

The **DTT** between **Cyprus and South Africa** offers several key benefits for individuals and businesses engaged in cross-border activities between the two countries.

Reduced Withholding Tax Rates

- **Dividends**
  - **5%** if the recipient company holds at least 10% of the capital of the dividend-paying company
  - **10%** in all other cases
- **Interest: 0% withholding tax** on interest payments from South Africa to Cyprus
- **Royalties: 0% withholding tax** on royalty payments from South Africa to Cyprus

PAYMENT TYPE	SOUTH AFRICA → CYPRUS WHT	CONDITIONS
DIVIDENDS	5%	Recipient holds ≥10% of capital
DIVIDENDS	10%	All other cases
INTEREST	0%	No conditions
ROYALTIES	0%	No conditions

Capital Gains Tax Relief

Capital gains from the sale of shares in companies owning movable or immovable property are not taxed in the country where the property is located. The taxing right remains with the **country of the seller**.

SCENARIO	TAXED IN	NOTES
SALE OF SHARES IN COMPANIES HOLDING ASSETS	Country of seller	No taxation in asset location country

No Withholding Tax from Cyprus

Cyprus does **not impose withholding tax** on outbound payments of dividends, interest, or royalties to non-residents.

Favourable Tax Treatment for IP and Financing Structures

Cyprus companies can be used effectively for:

> **Financing South African operations:** Interest income taxed at Cyprus's corporate rate of 15%, with no withholding tax on outbound interest.

> **Holding intellectual property:** Royalty income from South Africa is tax-free in South Africa and taxed at an effective rate of 3% in Cyprus (after applying IP regime deductions).

STRUCTURE	SOUTH AFRICA TAX TREATMENT	CYPRUS TAX TREATMENT	NOTES
FINANCING	0% WHT on interest	15% CIT	No outbound WHT from Cyprus
IP HOLDING	0% WHT on royalties	3% effective rate	Under IP Box regime

Exchange of Information

The treaty includes provisions aligned with the **OECD Model**, allowing for the exchange of tax-related information between the two countries to prevent tax evasion.

Residency Definitions

The definition of "resident" is aligned with the **OECD 2010 Model**, helping clarify tax obligations for individuals and entities operating in both jurisdictions.

OVERVIEW OF CORPORATE TAXATION IN CYPRUS

Corporate Income Tax (CIT)

> **Standard rate: 15%,** one of the lowest in the EU.

> **Tax residency:** A company is considered tax resident if it is **managed and controlled** in Cyprus.

> **Scope**

> > **Resident companies:** taxed on **worldwide income**

> > **Non-resident companies:** taxed only on **Cyprus sourced income**

CIT COMPONENT	DETAILS
CIT RATE	15%
RESIDENCY TEST	Management & control
RESIDENT COMPANIES	Taxed on worldwide income
NONRESIDENT COMPANIES	Taxed on Cyprus income only

Special Defence Contribution (SDC)

Applies to **Cyprus tax resident companies** on:

- **Passive interest income: 17%** (or **3%** for certain bonds)
- **Dividend income:** May be exempt if participation exemption criteria are met

INCOME TYPE	RATE	NOTES
PASSIVE INTEREST	17% / 3%	Reduced rate applies to specific bonds
DIVIDEND INCOME	Exempt (if criteria met)	Participation exemption

Value Added Tax (VAT)

- Standard rate: 19%
- Reduced rates: 5% and 9% for specific goods/services

VAT RATE	APPLICATION
19%	Standard rate
9% / 5%	Select goods/services

Capital Gains Tax

- **Rate**: **20%** (only applies to gains from **Cyprus-situated immovable property** or shares in companies holding such property)

Tax Incentives

- **IP Box Regime:** Qualifying IP income taxed at an effective rate of 3%
- **Notional Interest Deduction (NID):** Allows deduction on new equity introduced into the company, encouraging equity financing

Double Tax Treaties

- Cyprus has an extensive network of DTTs, including with South Africa, which helps:
  - Avoid double taxation
  - Reduce withholding taxes
  - Facilitate cross-border investments

CONCLUSION

The South Africa–Cyprus tax framework offers a highly efficient platform for cross-border business, investment, and structuring. Through favourable withholding tax rates, capital gains provisions, and Cyprus's competitive corporate tax regime, businesses can achieve meaningful tax efficiencies while maintaining compliance with international standards.

HOW WE CAN HELP

Our team supports clients and intermediaries in structuring efficient, compliant, and commercially practical South Africa–Cyprus arrangements. We also work closely with tax advisors and legal counsel to ensure smooth implementation and ongoing compliance across both jurisdictions.

For further information or to discuss how these structuring options may benefit your business, please contact Andreas Mercouri, Managing Director of our Cyprus office, at amercouri@tridenttrust.com.