**Cyprus. Income Tax Treaty with Latvia is signed**

In 2016 Cyprus and Latvia signed and ratified the first Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. The main advantage of the Treaty is a clear allocation of taxation rights between two jurisdictions and it will help investors to evaluate their potential tax liabilities. The Convention shall apply to any person who is either a resident of one or both of the above Contracting States.

Basic points of the Treaty are described below:

1. Dividends: 0% if the beneficial owner is a company (other than a partnership) in the other contracting state, and 10% in all other cases;
2. Tax on interest: 0% will apply to interest payments made to a company resident in the other contracting state that is the beneficial owner thereof. 10% in all other cases.
3. Royalties: 0% will apply to royalty payments made to a company resident in the other contracting state that is the beneficial owner thereof. If the recipient company will not be the beneficial owner of the royalty the withholding tax rate will be 5%.

So, the Treaty creates favorable conditions to strengthen economic relations between the two countries. In addition, the agreement provides a zero tax on dividends, interest and royalties, which will help to increase investments and to minimize the internal taxes on dividends in both countries.

The Treaty is based on the OECD Model Convention for the Avoidance of Double Taxation on Income and on Capital and will take effect from 1 January 2017.