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Withholding tax

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In short: Withholding tax is tax the payer deducts from a payment, such as a dividend, interest or a royalty, and pays to its own tax authority on the recipient's behalf. Payments to foreign companies often face a domestic rate of 0–35%, which a double tax treaty or an EU directive can reduce, often to 0–15% (as of November 2026).

Withholding tax (WHT) is collected at source: the company making the payment keeps back part of it and pays that amount to the tax authority. For cross-border payments it is often the only tax the source country can collect from a foreign recipient, which is why double tax treaties cap it.

What is usually subject to withholding tax

- **Dividends** paid by a company to its shareholders.
- **Interest** on loans and bonds, often with exemptions for bank loans or listed bonds.
- **Royalties** for the use of patents, trademarks, copyright, know-how and sometimes software or equipment.
- In some countries: technical or management service fees, rent, and payments to entertainers and athletes.

Domestic rates in 12 countries

Country	Treaty network	Dividends	Interest	Royalties
Cyprus	67 treaties	0%	0%	0/10%
Estonia	60 treaties	0%	0%	10%
Georgia	58 treaties	5%	5%	5%

Country	Treaty network	Dividends	Interest	Royalties
Germany	about 94 treaties in force	26.375%	0%	15.825%
Ireland	78 treaties signed, 75 in effect	25%	20%	20%
Netherlands	about 100 treaties	15%	0%	0%
Poland	88 treaties	19%	20%	20%
Singapore	about 98 treaties	0%	15%	10%
Switzerland	99 treaties in force	35%	35%	0%
United Arab Emirates	about 110 treaties	0%	0%	0%
United Kingdom	about 130 treaties	0%	20%	20%
United States	about 60 treaties	30%	30%	30%

Domestic (non-treaty) withholding tax on payments to non-resident companies. Germany's rates include the solidarity surcharge; Cyprus taxes royalties only for rights used in Cyprus. Source: PwC Worldwide Tax Summaries, reviewed May–September 2026. Each country guide has the full treaty-rate table.

How to reduce withholding tax

1. **Domestic exemptions:** several countries charge nothing on some payments. Estonia, Cyprus, Singapore and the UK, for example, levy no withholding tax on dividends to foreign companies.
2. **EU directives:** payments between qualifying EU group companies can be exempt.
3. **Tax treaties:** the treaty between the payer's and recipient's countries caps the rate.
4. **Relief at source or refund:** with the right documents, typically a certificate of residence, the payer applies the lower rate immediately; otherwise the recipient claims a refund afterwards.

The withholding tax paid can usually be credited against the recipient's own tax at home, but only up to the home-country tax on that income, so excess withholding is often a real cost.

Practical points for contracts

- State whether amounts are **gross or net** of withholding tax. A "gross-up" clause makes the payer bear the tax.
- Collect residence certificates and treaty forms **before** the first payment.
- Check whether payments for services or software count as royalties in the payer's country.

Frequently asked questions

Who pays withholding tax: the payer or the recipient?

Legally it is the recipient's tax, but the payer deducts it and pays it to the tax authority, and the payer is usually liable if it fails to withhold.

Can I get withholding tax back?

If too much was withheld compared with the treaty rate, you can usually claim a refund from the source country. Tax correctly withheld under the treaty is normally credited against your tax at home instead.

Which of the 12 countries charge no withholding tax on dividends?

Under domestic law: Cyprus, Estonia, Singapore, the United Arab Emirates and the United Kingdom (except REIT distributions).

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