

New double tax agreement between Cyprus and Ethiopia



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Corporate Tax, Cyprus

A double tax agreement between Cyprus and Ethiopia was signed on December 30 2015 and published in the *Official Gazette* on January 18 2016. It will enter into force once the requisite ratification procedures have been completed in both countries and will have effect from the following January 1.

The agreement is based on the Organisation for Economic Cooperation and Development (OECD) Model Convention. It limits withholding tax on dividends, interest and royalties paid by a resident of one contracting state to a resident of the other to no more than 5%. Cyprus does not impose withholding taxes on dividends or interest and imposes them on royalties only if they derive from the use of intellectual property in Cyprus.

Capital gains derived by a resident of a contracting state from the alienation of immovable property situated in the other contracting state – together with gains from the alienation of movable property forming part of the business property of a permanent establishment – may be taxed in the contracting state in which the property is located. Gains on the disposal of ships or aircraft that operate in international traffic are taxable only in the contracting state where the place of effective management of the enterprise is situated. Other capital gains – including gains on the disposal of shares in property-rich companies – are taxable only in the contracting state in which the alienator is resident. Relief against double taxation is provided under the credit method.

The agreement's exchange of information provisions replicate those of the latest OECD Model Convention and are supplemented by a protocol setting out the information required to accompany a request for information, in order to demonstrate the foreseeable relevance of the information requested in line with Cyprus's Assessment and Collection of Taxes Law. The protocol also provides that information should not be provided unless the contracting state that made the request has reciprocal provisions or applies appropriate administrative practices for handing over the information requested.

Either contracting state may terminate the agreement by giving six months' written notice no earlier than five years after the agreement enters into force.

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