



## **CYPRUS SIGNS A TAX TREATY WITH ETHIOPIA FOR THE AVOIDANCE OF DOUBLE TAXATION**

The Republic of Cyprus has recently concluded a Double Tax Treaty with the Federal Democratic Republic of Ethiopia. The treaty was signed on the 30th of December 2015.

The new treaty shall enter into force upon ratification and the provisions of the treaty will apply in the case of Cyprus on or after the 1st of January following the date upon which the Convention enters into force and in the case of Ethiopia on or after the 8th of July following the date upon which the Convention enters into force.

The new treaty is based on the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention framework and will contribute to the expansion of Cyprus' trade and economic relations between the two countries as well as with other African developing countries which became a magnet for new investments.

### *The main provisions of the Double Tax Treaty*

#### **Permanent Establishment**

The permanent establishment definition included in the treaty is in line with the meaning provided in the OECD model tax convention. In particular, any building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts *more than 6 months*.

#### **Withholding tax rate on dividend payments**

- 5% withholding tax

#### **Withholding tax rate on interest payments**

- 5% withholding tax

#### **Withholding tax rate on royalties payments**

- 5% withholding tax

#### **Capital Gains Tax**

- Gains from the disposal of *immovable property* are taxed in the country where the immovable property is situated.
- Gains from the disposal of *shares* are taxable in the country of which the seller is located.