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CYPRUS SIGNS A TAX TREATY WITH JERSEY FOR THE AVOIDANCE OF DOUBLE TAXATION

The Republic of Cyprus has recently concluded a Double Tax Treaty with Jersey. The treaty was signed on 11th July 2016 and was published in the Official Cyprus Government Gazette on 5th August 2016. The Double Tax Treaty is expected to become effective as of 1st January 2017.

The treaty signed is based on the Organisation for Economic Co-operation and Development (OECD) Model Tax Convention for the Avoidance of Double Taxation on Income and on Capital.

The new treaty, together with the treaty signed recently between Cyprus and Guernsey, will contribute to the further development of the trade and economic links between Cyprus and the Channel Islands, as well as with other countries.

Upgrading and expanding the network of Double Tax Conventions, is of high economic and political importance and aims to further strengthen and attract foreign investment in Cyprus as its standing as an international business centre is elevated.

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 constitutes a permanent establishment, only if it lasts more than 12 months.

Withholding tax rate on dividend payments

• 0% withholding tax

Withholding tax rate on interest payments

• 0% withholding tax

Withholding tax rate on royalties payments

• 0% 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, irrespective if the value is derived directly or indirectly from immovable property.

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