



Cyprus Tax News

Tax Treaty signed with Ethiopia

On **30 December 2015**, Cyprus signed a tax treaty with Ethiopia for the avoidance of double taxation, which was published in the Official Cyprus Government Gazette on **18 January 2016**.

This is the fifth tax treaty that Cyprus signed with an African country (the others being Egypt, Mauritius, Seychelles and South Africa). The signing of this treaty is a reflection of the Government's objective to expand Cyprus' tax treaty network within Africa.

The tax treaty is based on the OECD Model Convention for the Avoidance of Double Taxation on Income and on Capital and its main provisions are briefly outlined below:

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Permanent Establishment: A building site or construction or installation project constitutes a 'permanent establishment' only if it lasts more than **6 months**.

Dividends: The withholding tax shall not exceed **5%** of the gross amount of the dividends, if the recipient is the beneficial owner of the dividends.

Interest: The withholding tax shall not exceed **5%** of the gross amount of interest, if the recipient is the beneficial owner of the interest.

Royalties: The withholding tax shall not exceed **5%** of the gross amount of royalties, if the recipient is the beneficial owner of the royalties.

Entry into force: The treaty will enter into force once both States exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty shall have effect:

- in the case of Cyprus, on or after the **1st of January** following the date upon which the treaty enters into force.
- in the case of Ethiopia, on or after the **8th of July** following the date upon which the treaty enters into force.

We are at your disposal to discuss how the above development may affect your business.

Deloitte Tax Services



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