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Cyprus Tax News

Cyprus – Georgia Tax Treaty for the avoidance of double taxation

On 29 May 2015, the tax treaty for the avoidance of double taxation signed between Cyprus and Georgia was published in the Official Gazette.

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 as follows:

Permanent Establishment: A building site, construction or installation project or supervisory activities in connection therewith, constitutes a permanent establishment only if it lasts more than nine months.

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Dividends: Zero withholding tax.

Interest: Zero withholding tax.

Royalties: Zero withholding tax.

Capital gains: Gains derived by a resident of a Contracting State from the disposal of immovable property situated in the other Contracting State may be taxed in that other State.

Capital gains arising from the disposal of shares (irrespective of the underlying assets of the company of which the shares are being disposed) are taxable only in the Contracting State in which the alienator is tax resident.

Entry into force: The treaty will enter into force once both countries have exchanged notifications that their formal ratification procedures have been completed. The provisions of the treaty with respect to taxes will come into effect on or after the following 1 January.

Deloitte View: The treaty is expected to strengthen the economic relations between the two countries. More specifically, the new tax treaty should encourage inbound investments into Georgia as it provides for zero withholding tax on dividends, interest and royalty payments, effectively reducing Georgian domestic withholding taxes.

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