



Cyprus Tax News

Tax treaty signed with Jersey

On **11 July 2016**, Cyprus signed a tax treaty with **Jersey**, a Crown dependency of the United Kingdom, which was published in the Official Cyprus Government Gazette on **5 August 2016**.

The key provisions of the treaty provide as follows:

Withholding taxes: Nil withholding tax applies to dividend, interest and royalty payments.

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. Gains derived by a resident of a contracting state from the disposal of shares will be taxable only in the alienator's state of residence.

Permanent Establishment: A building site or construction or installation project will constitute a permanent establishment only if it lasts more than 12 months.

Exchange of information: The treaty contains an OECD-compliant exchange of information article.

Entry into force: The treaty will enter into force once both Cyprus and Jersey exchange notifications that their formal ratification procedures have been completed. The provisions of the treaty with respect to taxes will have effect in both contracting states on or after 1 January following the date the treaty enters into force.

Deloitte View:

Cyprus has concluded tax treaties with both Crown dependencies of the Channel Islands namely, Jersey and Guernsey. Jersey and Guernsey are treated as part of the European Community for the purposes of free trade in goods, but are not otherwise part of the EU. This treaty expands Cyprus's existing tax treaty network and provides a tax efficient way for Jersey resident companies to invest into the EU.

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



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