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Cyprus Tax News

New Double Tax Treaty signed between Cyprus and Norway and published in the Gazette

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On 20 June 2014, the double tax treaty (DTT) signed between the Republic of Cyprus and the Kingdom of Norway was published in the official Government Gazette.

Currently, double taxation avoidance between the two countries is regulated by the 1951 DTT between Norway and the United Kingdom, which was extended in 1955 to include several British colonies, including Cyprus.

The provisions of the new DTT will come into effect on the first day of January following the date upon the DTT will enter into force. The DTT shall enter into force once the two parties exchange notifications that all necessary procedures have been completed.

The new DTT is generally based on the OECD Model Convention and provides for the exchange of information and the assistance in the collection of taxes. In addition, the treaty provides specific guidance for the avoidance of double taxation with regards to offshore activities (e.g. exploration and exploitation of natural resources).

Below, we briefly outline the main provisions of the new DTT and the applicable withholding tax rates with respect to dividends, interest and royalties.

Permanent Establishment: The permanent establishment definition included in the treaty is generally in line with the definition 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 twelve months.

Dividends: 0% withholding tax if the beneficial owner is a company (other than a partnership) holding at least 10% of the voting power of the capital of the company paying the dividend or 15% in all other cases.

Interest: Nil withholding tax.

Royalties: Nil 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.

There are special provisions for the gains from disposal of containers used for transportation of goods or merchandise which shall be taxable only in the place of residence of the enterprise disposing of the containers, unless such containers are used for transport solely within the other state.

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