

Cyprus and Germany - Sign a New Double Tax Treaty

Cyprus and Germany have signed a new Double Tax Treaty (DTT) agreement replacing the 1974 DTT. The agreement was signed on the 18th February 2011 in Nicosia.

The political and financial developments since 1974 pressed for an update of the existing DTT therefore both Contracting States initiated a new agreement back in 2009 Delegation teams from both countries expressed their satisfaction about this progress and the importance of the agreement to the business world of Cyprus and Germany.

MAIN CHANGES OF THE AGREEMENT

- Improved withholding tax rate with regards to dividends. German dividends paid may be taxed at source and qualify for 5% withholding tax if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividend;
- The definition of "Interest" has been extended to include income from debt claims of every kind whether or not secured by mortgage, income from bonds and debentures, including premiums and prizes attaching to such securities, bonds or debentures
- Interest and Royalties payments will not bear any withholding taxes
- The term "Royalties" now includes any kind of payments for the use or the right to use person's name, picture or any other similar personality rights and on payments received as consideration for the registration of entertainers or sportsmen's performances by radio or television
- Provisions relating to the Exchange of Information and Assistance in Collection of Taxes are now in full compliance with the respective article of the OECD Model Convention
- Changes in the capital gains article to allow a contracting state to tax capital gains from the sale of shares and similar rights in a company which derive more than 50% of their value directly or indirectly from immovable property situated in that contracting state
- The profits from the operation of ships or aircraft in international traffic and the operation of boats engaged in inland waterways transport shall only be taxable in the contracting state in which the places of effective management of the enterprise is situated

The new DTT is currently pending parliamentary ratification from both sides; it will come into force as from the date the Contracting State shall notify each other that the internal procedures have been completed and shall have effect on 1st January of the year following the year in which it enters into force. The current DTT will cease to have effect the date that the new DTT will be in effect and this is expected to take place in the beginning of 2012.

News

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