

Cyprus and Slovenia sign new tax convention

After the visit of the President of Slovenia in Cyprus on the 12th October 2010, a new Double Tax Treaty Agreement was signed between the 2 countries (the 'Convention') which is expected to come into effect on 1st January 2011. At the moment the treaty in force is the one of Cyprus and the Socialist Federal Republic of Yugoslavia which will be terminated once the Convention enters into force.

The Convention introduces the following changes:

- Reduction on Withholding Rates on dividends and interest from 10% now being **5%**
- Withholding tax on royalties of **5%** remains unchanged.

The provision of exchange of information in the 1985 convention has been amended almost identical to the article 26 of the OECD Model Treaty. This means that the inquiring jurisdiction may request for identity information of a beneficial owner of a company but not without having strong reasons and evidence justifying why the information is required and this being provided to the Commissioner of the Inland Revenue tax office of Cyprus. In this way fishing expeditions on persons are avoided. This is a position also integrated in the Cyprus domestic legislation, Law 72(1)/2008 (the 'Law').

Furthermore, a declaration from the inquiring country must be provided to the Commissioner that the request for information is in accordance with its domestic legislation and administrative practice. The Commissioner will not release the requested information unless he/she have been satisfied of that respective disclosure is also permitted under the laws of the inquiring jurisdiction and unless the written consent of the General Attorney of Cyprus has been obtained.

By concluding, the important amendment of the DTT Agreement is that of the reduction from 10% to 5% of the withholding rates on dividends and interest while the 5% withholding tax on royalties remains unchanged. This amendment will give further ground for investments between the 2 countries.

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