



## **Cyprus – Ethiopia Double Tax Treaty**

Cyprus is continuing to develop its network of Double Taxation Treaties through the signing of a new DTT with the Federal Democratic Republic of Ethiopia, on 30<sup>th</sup> December 2015. The treaty is based on the OECD Model Convention for the avoidance of Double Taxation on income and on capital, and it was published with the official Cyprus Government Gazette on 18<sup>th</sup> January 2016.

The signing of this agreement also verifies the Cyprus Government efforts to strengthen trade and financial ties with the African continent, as another four DTTs are in force with African countries, these being South Africa, Mauritius, Seychelles and Egypt.

Main provisions of the Cyprus - Ethiopia DTT:

Amongst the key provisions of the newly signed treaty are clauses specifying:

- ❖ For Royalties: The withholding tax on royalties will not be more than 5% of the gross royalties amount, if the recipient is the beneficial owner of the royalties.
- ❖ For Interest: The withholding tax on interest will not be more than 5% of the gross interest amount, if the recipient is the beneficial owner of the interest.
- ❖ For Dividends: The withholding tax on dividends will not be more than 5% of the gross dividends amount, if the recipient is the beneficial owner of the dividends.

Also, the permanent establishment [P.E.] definition within the treaty is referencing to a building site or construction or installation project being eligible to constitute a P.E. only if it lasts for more than 6 months.

Entry into force:

The DTT will be enforceable when both countries exchange notifications confirming that their official ratification procedures have been concluded, and the treaty provisions will have effect: i) on or after the 1<sup>st</sup> of January following the date the treaty enters into force – for Cyprus, and ii) on or after the 8<sup>th</sup> of July following the date the treaty enters into force – for the Federal Democratic Republic of Ethiopia.

**Eurofast's take:**

Conclusively, as Under-Saharan countries are indeed a magnet for new investment, being developing economies of unexplored potential, here at Eurofast our expert financiers can readily guide and assist you in identifying and assessing such opportunities.

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