STATUTORY INSTRUMENTS

1975 No. 425

INCOME TAX

The Double Taxation Relief (Taxes on Income) (Cyprus) Order 1975

Laid before the House of Commons in draft

Made - - - - 18*th March* 1975

At the Court at Buckingham Palace, the 18th day of March 1975

Present,

The Queen's Most Excellent Majesty in Council

Whereas a draft of this Order was laid before the Commons House of Parliament in accordance with the provisions of section 497(8) of the Income and Corporation Taxes Act 1970**(a)**, and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of this Order:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 497 of the said Income and Corporation Taxes Act 1970, as amended by section 98(2) of the Finance Act 1972**(b)** and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Taxes on Income) (Cyprus) Order 1975.

2. It is hereby declared—

(*a*) that the arrangements specified in the Convention set out in the Schedule to this Order have been made with the Government of the Republic of Cyprus with a view to affording relief from double taxation in relation to income tax or corporation tax and taxes of a similar character imposed by the laws of Cyprus; and

(*b*) that it is expedient that those arrangements should have effect.

N. E. Leigh.

(a) 1970 c. 10.

(b) 1972 c. 41.

SCHEDULE

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBLIC OF CYPRUS FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Cyprus;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income;

Have agreed as follows:

ARTICLE 1

Personal scope

This Convention shall apply to persons who are residents of one or both of the Contracting States.

ARTICLE 2

Taxes covered

(1) The taxes which are the subject of this Convention are:

(*a*) in the United Kingdom of Great Britain and Northern Ireland:

(i) the income tax; and

(ii) the corporation tax;

(*b*) in Cyprus:

the income tax.

(2) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify to each other any changes which are made in their respective taxation laws.

ARTICLE 3

General definitions

(1) In this Convention, unless the context otherwise requires:

(*a*) the term "Cyprus" means the Republic of Cyprus, and includes any area adjacent to the territorial waters of Cyprus which in accordance with international law has been or may hereafter be designated, under the laws of Cyprus concerning the Continental Shelf, as an area within which the rights of Cyprus with respect to the sea bed and sub-soil and their natural resources may be exercised;

(*b*) the term "United Kingdom" means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea bed and sub-soil and their natural resources may be exercised;

(*c*) the terms "one of the Contracting States" and "the other Contracting State" mean the United Kingdom or Cyprus, as the context requires;

(*d*) the term "United Kingdom tax" means tax imposed by the United Kingdom, being tax to which this Convention applies by virtue of the provisions of Article 2; the term "Cyprus tax" means tax imposed by Cyprus, being tax to which this Convention applies by virtue of the provisions of Article 2;

(*e*) the term "tax" means United Kingdom tax or Cyprus tax, as the context requires;

(*f*) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;

(*g*) the term "individual" means a natural person;

(*h*) the term "person" includes an individual, a company and a body of persons, but does not include a partnership;

(*i*) the terms "enterprise of one of the Contracting States" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of one of the Contracting States and an enterprise carried on by a resident of the other Contracting State;

(*j*) the term "national" means:

(i) in relation to Cyprus:

(*aa*) any individual possessing the citizenship of Cyprus;

(*bb*) any legal person, partnership, association or other entity deriving its status as such from the law in force in Cyprus;

(ii) in relation to the United Kingdom:

(*aa*) any citizen of the United Kingdom and Colonies who derives his status as such from his connection with the United Kingdom;

(*bb*) any legal person, partnership, association or other entity deriving its status as such from the law of the United Kingdom;

(*k*) the term "competent authority" means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative; and in the case of Cyprus, the Commissioner of Income Tax or his authorised representative.

(2) In the application of this Convention by one of the Contracting States, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

ARTICLE 4

Fiscal domicile

(1) For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

(2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status shall be determined in accordance with the following rules:

(*a*) He shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer.

(*b*) If the Contracting State with which his personal and economic relations are closer cannot be determined, or if he has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode.

(*c*) If he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national.

(*d*) If he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall determine the question by mutual agreement.

(3) Where by reason of the provisions of paragraph (1) of this Article a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

ARTICLE 5

Permanent establishment

(1) For the purposes of this Convention, the term "permanent establishment" means a fixed place of business in which the business of the enterprise is wholly or partly carried on.

(2) The term "permanent establishment" shall include especially:

(*a*) a place of management;

(*b*) a branch;

(*c*) an office;

(*d*) a factory;

(*e*) a workshop;

(*f*) a mine, oil well, quarry or other place of extraction of natural resources;

(*g*) a building site or construction, installation or assembly project which exists for more than six months;

(*h*) a farm or plantation;

(*i*) a place of extraction of timber or forest produce.

(3) The term "permanent establishment" shall not be deemed to include:

(*a*) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

(*b*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

(*c*) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(*d*) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or for collecting information, for the enterprise;

(*e*) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

(4) An enterprise of one of the Contracting States shall be deemed to have a permanent establishment in the other Contracting State if:

(*a*) it carries on supervisory activities in that other Contracting State for more than six months in connection with a construction, installation or assembly project which is being undertaken in that other Contracting State;

(*b*) it carries on a business which consists of providing the services of public entertainers of the kind referred to in Article 17 in that other Contracting State.

(5) Subject to the provisions of paragraph (6) of this Article, a person acting in one of the Contracting States on behalf of an enterprise of the other Contracting State shall be deemed to be a permanent establishment in the first-mentioned Contracting State if:

(*a*) he has, and habitually exercises in that first-mentioned Contracting State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise; or

(*b*) he maintains in the first-mentioned Contracting State a stock of goods or merchandise belonging to the enterprise from which he regularly fills orders on behalf of the enterprise.

(6) An enterprise of one of the Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other Contracting State through a broker, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.

(7) The fact that a company which is a resident of one of the Contracting States controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

ARTICLE 6

Limitation of relief

Where under any provision of this Convention income is relieved from tax in one of the Contracting States and, under the law in force in the other Contracting State, a person, in respect of the said income, is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the first-mentioned Contracting State shall apply only to so much of the income as is remitted to or received in the other Contracting State.

ARTICLE 7

Immovable property

(1) Income from immovable property may be taxed in the Contracting State in which such property is situated.

(2) (*a*) The term "immovable property" shall subject to the provisions of sub-paragraph (*b*) of this paragraph, be defined in accordance with the law of the Contracting State in which the property in question is situated.

(*b*) The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

(4) The provisions of paragraphs (1) and (3) of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of professional services.

ARTICLE 8

Business profits

(1) The profits of an enterprise of one of the Contracting States shall be taxable only in that Contracting State, unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, tax may be imposed in that other Contracting State on the profits of the enterprise but only on so much thereof as is attributable to that permanent establishment.

(2) Where an enterprise of one of the Contracting States carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment.

(3) In determining the profits of a permanent establishment, there shall be allowed as deductions all expenses, including executive and general administrative expenses, which would be deductible if the permanent establishment were an independent

enterprise, insofar as they are reasonably allocable to the permanent establishment, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph (2) of this Article shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles laid down in this Article.

(5) No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(6) Where profits include any item which is dealt with separately in another Article of this Convention, the provisions of that other Article shall not be affected by the provisions of this Article.

ARTICLE 9

Associated enterprises

Where:

(*a*) an enterprise of one of the Contracting States participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or

(*b*) the same persons participate directly or indirectly in the management, control or capital of an enterprise of one of the Contracting States and of an enterprise of the other Contracting State;

and in either case conditions are made or imposed between the two enterprises, in their commercial or financial relations, which differ from those which would be made between independent enterprises, then any profits which would but for those conditions have accrued to one of the enterprises, but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE 10

Shipping and air transport

(1) A resident of one of the Contracting States shall be exempt from tax in the other Contracting State on profits from the operation of ships or aircraft in international traffic.

(2) The provisions of paragraph (1) of this Article shall likewise apply in respect of participation in pools, in a joint business or in an international operations agency of any kind by enterprises engaged in the operation of ships or aircraft in international traffic.

ARTICLE 11

Dividends

(1) (*a*) Dividends derived from a company which is a resident of the United Kingdom by a resident of Cyprus may be taxed in Cyprus.

(*b*) Where a resident of Cyprus is entitled to a tax credit in respect of such a dividend under paragraph (2) of this Article tax may also be charged in the United Kingdom and according to the laws of the United Kingdom, on the aggregate of the amount or value of that dividend and the amount of that tax credit at a rate not exceeding 15 per cent.

(*c*) Except as aforesaid dividends derived from a company which is a resident of the United Kingdom and which are beneficially owned by a resident of Cyprus shall be exempt from any tax in the United Kingdom which is chargeable on dividends.

(2) A resident of Cyprus who receives dividends from a company which is a resident of the United Kingdom shall, subject to the provisions of paragraph (3) of this Article and provided he is the beneficial owner of the dividends, be entitled to the tax credit in respect thereof to which an individual resident in the United Kingdom would have been entitled had he received those dividends, and to the payment of any excess of that tax credit over his liability to United Kingdom tax.

(3) Paragraph (2) of this Article shall not apply where the beneficial owner of the dividend is a company which either alone or together with one or more associated companies controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividend. For the purposes of this paragraph two companies shall be deemed to be associated if one is controlled directly or indirectly by the other, or both are controlled directly or indirectly by a third company.

(4) Dividends derived from a company which is a resident of Cyprus and which are beneficially owned by a resident of the United Kingdom shall be exempt from any tax in Cyprus which is chargeable on dividends in addition to the tax chargeable in respect of the profits or income of the company.

(5) The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation law of the Contracting State of which the company making the distribution is a resident and also includes any other item (other than interest relieved from tax under the provisions of Article 12 of this Convention) which under the law of the Contracting State of which the company paying the dividend is a resident, is treated as a dividend or distribution of a company.

(6) If the beneficial owner of the dividends, being a resident of one of the Contracting States, owns 10 per cent or more of the class of shares in respect of which the dividends are paid then paragraphs (1) and (2) or, as the case may be, paragraph (4) of this Article shall not apply to the dividends to the extent that they can have been paid only out of profits which the company paying the dividends earned or other income which is received in a period ending 12 months or more before the relevant date. For the purposes of this paragraph the term "relevant date" means the date on which the beneficial owner of the dividends became the owner of 10 per cent or more of the class of shares in question. Provided that this paragraph shall apply only if the shares were acquired primarily for the purpose of securing the benefit of this Article and not for bona fide commercial reasons.

(7) The provisions of paragraphs (1) and (2) or, as the case may be, paragraph (4) of this Article shall not apply where a resident of one of the Contracting States has in the other Contracting State a permanent establishment and the holding by virtue of which the dividends are paid is effectively connected with a business carried on through that permanent establishment.

(8) Where a company which is a resident of one of the Contracting States derives profits or income from the other Contracting State, that other Contracting State may not impose any tax on the dividends paid by the company to persons who are not residents of that other Contracting State, or subject the company's undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Contracting State.

(9) If the system of taxation applicable in either Contracting State to the profits or distributions of companies is altered the competent authorities of both Contracting States may consult each other in order to determine whether it is necessary for this reason to amend the provisions of this Article.

ARTICLE 12

Interest

(1) Interest derived from one of the Contracting States by a resident of the other Contracting State who is the beneficial owner thereof may be taxed in the first-mentioned Contracting State at a rate not exceeding 10 per cent of the gross amount thereof.

(2) The term "interest" as used in this Article means income from Government securities, bonds or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in profits, and other debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

(3) Interest shall be deemed to be derived from a Contracting State when the payer is that State itself, a political subdivision or a local authority thereof or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to be derived from the Contracting State in which the permanent establishment is situated.

(4) The provisions of paragraph (1) of this Article shall not apply if the beneficial owner of the interest, being a resident of one of the Contracting States, has in the other Contracting State from which the interest is derived a permanent establishment with which the indebtedness from which the interest arises is effectively connected. In such a case the provisions of Article 8 shall apply.

(5) Where owing to a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest paid, having regard to the indebtedness for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such a case, the excess part of the payment shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

(6) The provisions of this Article shall not apply if the loan or other indebtedness in respect of which the interest is paid was created or assigned mainly for the purpose of taking advantage of this Article and not for bona fide commercial reasons.

ARTICLE 13

Royalties

(1) Royalties derived from a Contracting State by a resident of the other Contracting State who is the beneficial owner thereof shall be taxable only in that other State.

(2) Notwithstanding the provisions of paragraph (1) of this Article royalties received as consideration for the use of, or the right to use, cinematograph films including films and video tapes for television may be taxed in, and according to the law of, the Contracting State from which they are derived, but the tax so charged shall not exceed 5 per cent of the gross amount of such royalties.

(3) The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films or tapes for television or broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the royalties, being a resident of one of the Contracting States, has in the other Contracting State from which the royalties are derived a permanent establish-

ment with which the right or property giving rise to the royalties is effectively connected. In such a case the provisions of Article 8 shall apply.

(5) Where owing to a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid, having regard to the use, right or information, for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such a case, the excess part of the payment shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

ARTICLE 14

Independent personal services

(1) Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

(2) The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

ARTICLE 15

Dependent personal services

(1) Subject to the provisions of Articles 16, 18, 19, 20 and 21, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1) of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if—

(*a*) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned, and

(*b*) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and

(*c*) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

(3) Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic, may be taxed in the Contracting State in which the enterprise is resident.

ARTICLE 16

Directors' fees

Directors' fees and similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

ARTICLE 17

Public entertainers and athletes

(1) Notwithstanding the provisions of Articles 14 and 15, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are exercised.

(2) Where the services mentioned in paragraph (1) of this Article are provided in one of the Contracting States by an enterprise of the other Contracting State, then the income derived from providing those services by such enterprise shall be exempt from tax in the first-mentioned Contracting State, if the enterprise is directly or indirectly supported, wholly or substantially, from the public funds of the Government of that other Contracting State in connection with the provision of such services.

ARTICLE 18

Governmental functions

(1) Remuneration (other than pensions) paid out of public funds of the United Kingdom or Northern Ireland or of the funds of any local authority in the United Kingdom to any individual in respect of services rendered to the Government of the United Kingdom or Northern Ireland or a local authority in the United Kingdom in the discharge of functions of a governmental nature, shall be taxable only in the United Kingdom unless the individual is a Cyprus national without also being a United Kingdom national.

(2) Remuneration (other than pensions) paid by, or out of funds created by, Cyprus or a local authority thereof to any individual in respect of services rendered to the Government of Cyprus or a local authority thereof, in the discharge of functions of a governmental nature, shall be taxable only in Cyprus unless the individual is a United Kingdom national without also being a Cyprus national.

(3) The provisions of paragraphs (1) and (2) of this Article shall not apply to remuneration in respect of services rendered in connection with any trade or business.

ARTICLE 19

Pensions

(1) Any pension and any annuity derived from sources within one of the Contracting States by an individual who is a resident of the other Contracting State and subject to tax in that other State in respect thereof shall be exempt from tax in the first-mentioned Contracting State.

(2) The term "annuity" means a stated sum payable periodically at stated times, during life or during a specified or ascertainable period of time, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

ARTICLE 20

Teachers

An individual who, at the invitation of a university, college, school or other similar recognised educational institution in one of the Contracting States, visits that Contracting State for a period not exceeding two years solely for the purpose of teaching at such educational institution and who is, or was immediately before that visit, a resident of the other Contracting State shall be exempt from tax in the first-mentioned Contracting State on any remuneration for such teaching in respect of which he is subject to tax in the other Contracting State.

ARTICLE 21

Students and trainees

(1) An individual who is or was a resident of one of the Contracting States immediately before making a visit to the other Contracting State and is temporarily present in that other Contracting State solely as a student at a university, college, school or other similar recognised educational institution in that other Contracting State or as a business or technical apprentice therein, shall be exempt from tax in that other Contracting State on:

(*a*) all remittances from the first-mentioned Contracting State for the purposes of his maintenance, education or training; and

(*b*) any income not exceeding the sum of £600 sterling in the case of the United Kingdom or the equivalent in Cyprus pounds in the case of Cyprus during any year of assessment, which is derived from the other Contracting State in respect of services rendered in that other Contracting State (other than any rendered by a business or technical apprentice to the person or partnership to whom he is apprenticed), with a view to supplementing the resources available to him for such purposes. Where the income exceeds that sum the excess shall be taxable in accordance with the law of that other State.

(2) An individual who is or was a resident of one of the Contracting States immediately before making a visit to the other Contracting State and is temporarily present in that other Contracting State for the purposes of study, research or training solely as a recipient of a grant, allowance or award from the Government of either of the Contracting States or from a scientific, educational, religious or charitable organisation or under a technical assistance programme entered into by the Government of either of the Contracting States shall, for a period not exceeding four years from the date of his first arrival in that other Contracting State in connection with that visit, be exempt from tax in that other Contracting State on:

(*a*) the amount of such grant, allowance or award; and

(*b*) any income derived from that other Contracting State in respect of services in that other Contracting State if the services are performed in connection with his study, research, training or are incidental thereto.

(3) An individual who is or was a resident of one of the Contracting States immediately before making a visit to the other Contracting State and is temporarily present in that other Contracting State solely as an employee of, or under contract with, the Government or an enterprise of the first-mentioned Contracting State for the purpose of acquiring technical, professional or business experience for a period not exceeding two years from the date of his first arrival in that other Contracting State in connection with that visit shall be exempt in that other Contracting State on:

(*a*) all remittances from the first-mentioned Contracting State for the purposes of his maintenance, education or training; and

(*b*) any remuneration, not exceeding £1,200 sterling or the equivalent in Cyprus pounds, as the case may be, for personal services rendered in that other Contracting State, provided such services are in connection with his studies or training or are incidental thereto. Where the remuneration exceeds that sum the excess shall be taxable in accordance with the law of that other State.

(4) In this Article, references to a Government shall include references to a statutory body established in a Contracting State in order to carry on a public utility undertaking under national control.

ARTICLE 22

Government income

(1) The Government of one of the Contracting States shall be exempt from tax in the other Contracting State in respect of any income derived by such Government from that other Contracting State.

(2) For the purposes of paragraph (1) of this Article, the term "Government":

(*a*) in the case of Cyprus means the Government of Cyprus and shall include:

(i) the local authorities;

(ii) the Central Bank of Cyprus;

(iii) such institutions, the capital of which is wholly owned by the Government of Cyprus or the local authorities, as may be agreed from time to time between the Governments of the two Contracting States;

(*b*) in the case of the United Kingdom means the Government of the United Kingdom of Great Britain and Northern Ireland and shall include:

(i) the local authorities;

(ii) the Bank of England;

(iii) such institutions, the capital of which is wholly owned by the Government of the United Kingdom of Great Britain and Northern Ireland or the local authorities, as may be agreed from time to time between the Governments of the two Contracting States.

ARTICLE 23

Income not expressly mentioned

Items of income of a resident of a Contracting State which are not expressly mentioned in the foregoing Articles of this Convention shall be taxable only in that State.

ARTICLE 24

Elimination of double taxation

(1) The laws of each of the Contracting States shall continue to govern the taxation of income whether derived from the Contracting State or elsewhere except where express provisions to the contrary are made in this Convention. Where income derived from one of the Contracting States is subject to tax in both Contracting States, relief from tax chargeable on such income shall be given in accordance with the provisions of paragraphs (2) and (3) of this Article.

(2) Subject to the provisions of the law of Cyprus regarding the allowance as a credit against Cyprus tax of tax payable in a territory outside Cyprus (which shall not affect the general principle hereof)—

(*a*) United Kingdom tax payable under the laws of the United Kingdom and in accordance with this Convention, whether directly or by deduction, on profits or income from sources within the United Kingdom shall be allowed as a credit against any Cyprus tax computed by reference to the same profits or income by reference to which the United Kingdom tax is computed. Provided that in the case of a dividend the credit shall only take into account such tax in respect thereof as is additional to any tax payable by the company on the profits out of which the dividend is paid and is ultimately borne by the recipient without reference to any tax so payable.

(*b*) Where a company which is a resident of the United Kingdom pays a dividend to a company resident in Cyprus which controls directly or indirectly at least 10 per cent of the voting power of the first-mentioned company, the credit shall take into account (in addition to any United Kingdom tax for which credit may be allowed under the provisions of sub-paragraph (*a*) of this paragraph) the United Kingdom tax payable by that first-mentioned company in respect of the profits out of which such dividend is paid.

(3) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof)—

(*a*) Cyprus tax payable under the laws of Cyprus and in accordance with this Convention, whether directly or by deduction, on profits or income from sources

within Cyprus shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits or income by reference to which the Cyprus tax is computed. Provided that in the case of a dividend the credit shall only take into account such tax in respect thereof as is additional to any tax payable by the company on the profits out of which the dividend is paid and is ultimately borne by the recipient without reference to any tax so payable.

(*b*) Where a company which is a resident of Cyprus pays a dividend to a company resident in the United Kingdom which controls directly or indirectly at least 10 per cent of the voting power in the first-mentioned company, the credit shall take into account (in addition to any Cyprus tax for which credit may be allowed under the provisions of sub-paragraph (*a*) of this paragraph) the Cyprus tax payable by the first-mentioned company in respect of the profits out of which such dividend is paid.

(4) For the purpose of paragraphs (2) and (3) of this Article profits and income derived by a resident of one of the Contracting States which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to be derived from the other Contracting State.

(5) For the purposes of paragraph (3) of this Article, the term "Cyprus tax payable" shall be deemed to include—

(*a*) any amount which would have been payable as Cyprus tax for any year but for an exemption or reduction of tax granted for that year or any part thereof under Section 10 of the Income Tax Laws 1961 to 1969 of Cyprus (so far as it was in force on, and has not been modified since, the date of signature of this Convention, or has been modified only in minor respects so as not to affect its general character), in any case where the interest in question is certified by the competent authority of Cyprus as being payable in respect of a loan made for the purposes of promoting development in Cyprus; or

(*b*) in the case of any approved capital expenditure, any amount which would have been payable as Cyprus tax but for an investment deduction allowed under Section 12(2)(*b*) or (*c*) of the Cyprus Income Tax Laws 1961 to 1969 (so far as they were in force on, and have not been modified since, the date of signature of this Convention or have been modified only in minor respects so as not to affect their general character). For the purposes of this sub-paragraph the term "approved capital expenditure" means capital expenditure which is incurred, on or after the date of signature of this Convention and not later than 5 years after the commencement of the trade or business in question, by an enterprise wholly or mainly engaged in the hotel business or in activities falling within one of the following classes:

(i) manufacturing, assembling or processing;

(ii) construction, civil engineering or shipbuilding; or

(iii) electricity, hydraulic power, gas or water supply;

and which is certified by the competent authority of Cyprus as incurred for the purposes of promoting development in Cyprus; or

(*c*) any amount which would have been payable as Cyprus tax for any year but for an exemption or reduction of tax granted for that year or any part thereof under any other provision which may be made after the date of signature of this Convention granting an exemption or reduction of tax which is agreed by the competent authorities of the Contracting States to be of a substantially similar character, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character.

ARTICLE 25

Non-discrimination

(1) The nationals of one of the Contracting States shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which

nationals of that other Contracting State in the same circumstances are or may be subjected.

(2) The taxation on a permanent establishment which an enterprise of one of the Contracting States has in the other Contracting State shall not be less favourably levied in that other Contracting State than the taxation levied on an enterprise of that other Contracting State carrying on the same activities.

(3) Enterprises of one of the Contracting States, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of that first-mentioned Contracting State are or may be subjected.

(4) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that Contracting State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

(5) In this Article the term "taxation" means taxes which are the subject of this Convention.

ARTICLE 26

Exchange of information

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or for the prevention of fiscal evasion or for the administration of statutory provisions against tax avoidance in relation to the taxes which are the subject of this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those, including a court or administrative body, concerned with assessment, collection, enforcement or prosecution in respect of those taxes or the determination of appeals in relation thereto.

(2) In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on one of the Contracting States the obligation:

(*a*) to carry out administrative measures at variance with the laws or the administrative practice of that or of the other Contracting State;

(*b*) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;

(*c*) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy.

ARTICLE 27

Mutual agreement procedure

(1) Where a resident of one of the Contracting States considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the taxation laws in force in the Contracting States, present his case to the competent authority of the Contracting State of which he is a resident.

(2) The competent authority of the first-mentioned Contracting State shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at an appropriate solution, to resolve that case by mutual agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation which is not in accordance with this Convention.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Convention.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purposes of giving effect to the provisions of this Convention.

ARTICLE 28

Territorial extension

(1) This Convention may be extended, either in its entirety or with modifications, to any territory for whose international relations the United Kingdom is responsible and which imposes taxes substantially similar in character to those which are the subject of this Convention, and any such extension shall take effect from such date and subject to such modifications and conditions (including conditions as to termination) as may be specified and agreed between the Governments of the Contracting States in Notes to be exchanged for this purpose.

(2) The termination in respect of the United Kingdom or Cyprus of this Convention under Article 30 shall, unless otherwise expressly agreed by the Governments of both Contracting States, terminate the application of this Convention to any territory to which this Convention has been extended under this Article.

ARTICLE 29

Entry into force

(1) This Convention shall enter into force when the last of all such things shall have been done in the United Kingdom and Cyprus as are necessary to give the Convention the force of law in the United Kingdom and Cyprus respectively, and shall thereupon have effect:

(*a*) in the United Kingdom:

(i) as respects income tax, for any year of assessment beginning on or after 6 April, 1973; and

(ii) as respects corporation tax, for any financial year beginning on or after 1 April, 1973;

(*b*) in Cyprus:
as respects Cyprus tax for any year of assessment beginning on or after 1 January, 1973.

(2) Subject to the provisions of paragraph (3) of this Article the existing Arrangement shall cease to have effect as respects taxes to which this Convention in accordance with the provisions of paragraph (1) of this Article applies.

(3) Where any provision of the existing Arrangement would have afforded any greater relief from tax, any such provision as aforesaid shall continue to have effect for any year of assessment or financial year beginning before the entry into force of this Convention.

(4) The existing Arrangement between the United Kingdom of Great Britain and Northern Ireland and Cyprus shall terminate on the last date on which it has effect in accordance with the foregoing provisions of this Article.

(5) In this Article the term "the existing Arrangement" means the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which was in force between Her Majesty's Government and the Government of Cyprus immediately before 16 August, 1960, when the independent sovereign Republic of Cyprus was established, and which has continued in force since that date between the Government of the United Kingdom and the Government of the Republic of Cyprus, as amended by the Agreement signed at Nicosia on 7 March, 1968 and by the Supplementary Agreement signed at London on 18 May, 1973.

ARTICLE 30

Termination

This Convention shall remain in force indefinitely but the Government of either Contracting State may, on or before the thirtieth day of June in any calendar year give notice of termination to the Government of the other Contracting State and, in such event, the Convention shall cease to be effective:

(*a*) in Cyprus:

as respects Cyprus tax for the year of assessment next following that in which such notice is given and subsequent years of assessment;

(*b*) in the United Kingdom:

(i) as respects income tax for any year of assessment beginning on or after 6 April in the calendar year next following that in which such notice is given;

(ii) as respects corporation tax, for any financial year beginning on or after 1 April in the calendar year next following that in which such notice is given.

In witness whereof the undersigned, duly authorised thereto by their respective Governments, have signed this Convention.

Done in duplicate at Nicosia this 20th day of June, 1974 in the English language.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

S. J. L. OLVER

For the Government of the Republic of Cyprus:

C. H. R. VENIAMIN

EXPLANATORY NOTE

(This Note is not part of the Order.)

The Convention with Cyprus scheduled to this Order replaces the Arrangement made in 1947 as amended by the Agreement signed at Nicosia on 7th March 1968 and the Supplementary Agreement signed at London on 18th May 1973.

The Convention contains a number of provisions similar to those in the earlier Arrangement, as amended by the 1968 Agreement and the 1973 Supplementary Agreement. The most important are those relating to the taxation of shipping and air transport profits, business profits, dividends, earnings from employment, royalties (other than film royalties) and pensions (other than Government pensions). Where income continues to be taxable in both countries credit will, as under the earlier Arrangement, be given by the country of the taxpayer's residence for the tax payable in the country of origin of the income. Under the new Convention the credit to be given in the United Kingdom for tax payable in Cyprus is to include credit for tax spared under certain provisions of the Cypriot law.

The most significant changes are in the treatment provided for interest, film royalties and Government pensions.

The rate of tax in the source country on interest and film royalties flowing from one country to the other is, in general, not to exceed 10 per cent and 5 per cent respectively. Income received by a Government, or certain Government institutions is, however, to be exempt from tax in the country of source. Government pensions are (subject to certain conditions) to be taxable only in the country of the taxpayer's residence.

Other changes include alterations in the rules for taxing professional earnings and more detailed provisions about visiting students.

Government remuneration (other than pensions) is normally to be taxed by the paying Government only and the remuneration of visiting teachers continues (subject to certain conditions) to be exempt in the country visited.

There are also provisions safeguarding nationals and enterprises of one country against discriminatory tax in the other country and for consultation between the taxation authorities of the two countries.

The Convention is to take effect in the United Kingdom as respects income tax for the tax year 1973/74 and subsequent years and as respects corporation tax for the financial year commencing on 1st April 1973 and subsequent years.

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