

1973 No. 1325

## INCOME TAX

**The Double Taxation Relief (Taxes on Income) (Cyprus)  
Order 1973***Laid before the House of Commons in draft**Made - - - 27th July 1973*

At the Court at Buckingham Palace, the 27th day of July 1973

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 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 1973.

2. It is hereby declared—

(a) that the arrangements specified in the Supplementary Agreement 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 varying the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Cyprus) Order 1947(c), as amended by the arrangements set out in the Schedule to the Double Taxation Relief (Taxes on Income) (Cyprus) Order 1968(d); and

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

*W. G. Agnew.*

(a) 1970 c. 10.

(b) 1972 c. 41.

(c) S.R. & O. 1947/1774 (Rev. X, p. 377: 1947 I, p. 1090).

(d) S.I. 1968/1097 (1968 II, p. 3012).

## SCHEDULE

SUPPLEMENTARY AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBLIC OF CYPRUS AMENDING THE ARRANGEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM AND THE GOVERNMENT OF CYPRUS FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME, AS AMENDED BY THE AGREEMENT SIGNED AT NICOSIA ON 7 MARCH, 1968.

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

Desiring to amend 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, (hereinafter referred to as "the Arrangement");

Have agreed as follows:

## ARTICLE 1

Paragraph 6 of the Arrangement shall be deleted and replaced by the following:—

"6.—(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 sub-paragraph (2) of this paragraph 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 sub-paragraph (3) of this paragraph 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) Sub-paragraph (2) of this paragraph 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 sub-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 paragraph 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 territory of which the company making the distribution is a resident and also in-

cludes any other item (other than royalties relieved from tax under the provisions of paragraph (7) of this Arrangement) which under the law of the territory 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 territories owns 10 per cent or more of the class of shares in respect of which the dividends are paid then sub-paragraphs (1) and (2) or, as the case may be, sub-paragraph (4) of this paragraph 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 it received in a period ending 12 months or more before the relevant date. For the purposes of this sub-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 sub-paragraph shall apply only if the shares were acquired primarily for the purpose of securing the benefit of this paragraph and not for bona fide commercial reasons.

(7) The provisions of sub-paragraphs (1) and (2) or, as the case may be, sub-paragraph (4) of this paragraph shall not apply where a resident of one of the territories has in the other territory 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 territories derives profits or income from the other territory, that other territory may not impose any tax on the dividends paid by the company to persons who are not residents of that other territory, 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 territory."

#### ARTICLE 2

This Supplementary Agreement 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 Supplementary Agreement the force of law in the United Kingdom and Cyprus respectively, and shall thereupon have effect in relation to dividends paid on or after 6 April, 1973.

#### ARTICLE 3

This Supplementary Agreement shall remain in force as long as the Arrangement remains in force.

In witness whereof the undersigned duly authorised thereto have signed this Supplementary Agreement.

Done in duplicate at London this 18th day of May, 1973, in the English language.

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

ANTHONY ROYLE.

For the Government of the Re-  
public of Cyprus:

C. A. ASHIOTIS.

## EXPLANATORY NOTE

*(This Note is not part of the Order.)*

The Supplementary Agreement scheduled to this Order makes certain alterations to the Arrangement made in 1947 with Cyprus, as amended by the Agreement signed at Nicosia on 7th March 1968. These alterations follow from the introduction of the new United Kingdom corporation tax system which, so far as it relates to the tax treatment of dividends paid by a United Kingdom company to an overseas shareholder, came into operation on 6th April 1973. The Supplementary Agreement provides that where a United Kingdom company pays a dividend to a resident of Cyprus other than a company which controls 10 per cent or more of the voting power in the paying company, the recipient is, subject to certain conditions, to receive the tax credit to which an individual resident in the United Kingdom and in receipt of such a dividend would be entitled, less income tax at a rate not exceeding 15 per cent on the aggregate of the dividend and the tax credit. Dividends paid by a Cypriot company to a resident of the United Kingdom will continue to 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.

The Supplementary Agreement is expressed to take effect in relation to dividends paid on or after 6th April 1973.

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