
Cyprus – Ethiopia double tax treaty enters into force

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The first-time double tax treaty (DTT) between Cyprus and Ethiopia signed in December 2015 entered into force on 18 October 2017 as per recent update of the Cyprus Ministry of Finance. Based on the provisions of the DTT, in the case of Cyprus the DTT will take effect as from 1 January 2018 and in the case of Ethiopia as from 8 July 2018.

The DTT provides for a 5% withholding tax (WHT) rate on payments of dividends, interest and royalties. There is an exemption from this WHT in the case of interest that is beneficially owned by the Government, a political subdivision, local authority, or the National Bank of the recipient State.

Further, under the DTT, Cyprus retains the exclusive taxing rights on disposals by Cyprus tax residents of shares in Ethiopian companies, including Ethiopian companies holding Ethiopia located immovable property.

The Takeaway

Despite the above mentioned WHT rates, Cyprus does not impose WHT on payments of dividends and interest to non-residents of Cyprus at all times, and on payments of royalties to non-residents of Cyprus under conditions, in accordance with the Cyprus domestic tax legislation.

Let's talk

For a deeper discussion of how this development might affect you or your business, please contact:

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