



## TAX TREATY SIGNED WITH JORDAN

On **17<sup>th</sup> December 2021**, Cyprus signed a tax treaty for the avoidance of double taxation (the "treaty") with Jordan, which was published in the Official Gazette on **31<sup>st</sup> December 2021**.

The treaty will enter into force after the necessary legal procedures are completed. Once it enters into force, the treaty will have effect in both contracting states on or after 1<sup>st</sup> January following the date the treaty enters into force.

The treaty is based on the OECD Model Tax Convention and incorporates all the minimum standards of the Base Erosion Profit Shifting (BEPS) project, as issued by the OECD/G20.

Its main provisions are briefly outlined below:

**Dividends:** 5% withholding tax if the beneficial owner is a company (other than a partnership) which holds directly at least 10% of the capital of the company paying the dividends.

For all other cases, the treaty provides for a maximum 10% withholding tax.

**Interest:** 5% withholding tax on interest payments, provided that the recipient is the beneficial owner of such interest.

NIL withholding tax for interest payments where the beneficial owner of the interest is the Government, a political subdivision, a local authority or the National Bank of the other Contracting State.

**Royalties and fees for technical services:** 7% withholding tax on royalties and fee payments for technical services, provided that the recipient is the beneficial owner of such royalties/fees.

In addition, the treaty includes a specific article (Article 29) **limiting the entitlement to benefits** under the treaty. Specifically, the Tax Authorities are entitled to deny the application of treaty benefits if the obtainment of such benefit was one of the principal purposes of the relevant arrangement/transaction, unless the granting of such benefit would be in accordance with the object and purpose of the treaty.