

Corporate Tax - Cyprus

Amendments to Cyprus-India double tax agreement to be finalised shortly

Contributed by **Andreas Neocleous & Co LLC**

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Press reports indicate that Cyprus and India will finalise the amendments to their double tax avoidance agreement in the coming weeks. A team from the Indian Ministry of Finance is expected to visit Cyprus shortly to carry forward negotiations to finalise the revised agreement and the matter is being followed at the highest level in the Cyprus government.

The existing agreement between India and Cyprus was signed in 1994 and it is understood that the amendments will incorporate the provisions of Article 26 of the Organisation of Economic Cooperation and Development Model Tax Convention relating to the exchange of information (for further details please see "Recent developments in Cyprus-India double tax avoidance agreement").

The conclusion of the agreement will resolve the differences between the two countries' tax authorities that led to Cyprus being declared a notified jurisdiction under Section 94A of the Indian Income Tax Act 1961, making it more cumbersome for Indian taxpayers to claim deductions on transactions with entities based in Cyprus and increasing reporting requirements. Both Cyprus and India have agreed that the classification of Cyprus as a notified jurisdictional area will be rescinded with retrospective effect from November 1 2013, the date on which the notification was first issued. The rescission will remove bureaucratic obstacles and reduce compliance costs.

According to Indian government estimates, Cyprus is the seventh largest investor in India, with cumulative investments of \$7.2 billion between April 2000 and December 2013.

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