Philippos
Aristotelous

Revised double tax agreement between Cyprus and India signed

December 02 2016 | Contributed by Andreas Neocleous & Co LLC

Corporate Tax, Cyprus

The revised double tax agreement between Cyprus and India was signed on November 18 2016 in Nicosia (for further details please see "Further progress on ratification of new Cyprus-India double tax agreement").

As was widely expected following similar changes to India's double tax agreements with Mauritius and Singapore, the agreement provides for source-based taxation of gains from the alienation of shares. However, investments undertaken before April 1 2017 are grandfathered, with taxation rights over gains on the disposal of such shares at any future date remaining solely with the seller's state of residence.

The agreement will enter into force when both countries' legal ratification procedures have been completed and will take effect from the beginning of the following tax year (the calendar year in Cyprus and the year beginning April 1 in India). Therefore, if ratification is completed before the end of 2016, the agreement will apply in Cyprus to:

- taxes withheld at source on income derived on or after January 1 2017; and
- other taxes on income chargeable for a fiscal year beginning on or after that date.

The agreement will take effect in India three months later.

When the amended agreement enters into force, the Indian authorities will rescind Cyprus's classification as a notified jurisdictional area under Section 94A of the Indian Income Tax Act 1961, with retrospective effect from November 1 2013.

While the revised agreement no longer provides exemption from capital gains tax on investments made after April 1 2017, it places Cyprus at no less of an advantage than Mauritius or Singapore in this regard. Further, ending the notified jurisdictional area designation will eliminate the bureaucratic burdens that this measure imposed.

For further information on this topic please contact Philippos Aristotelous at Andreas Neocleous & Co LLC by telephone (+357 25 110 000) or email (aristotelous@neocleous.com). The Andreas Neocleous & Co LLC website can be accessed at www.neocleous.com.