

Cyprus deposits MLI instrument of ratification

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Following the publication of the Instrument of Ratification and the Multinational Instrument (MLI) in the *Official Gazette* of the Republic on 22 January 2020, Cyprus deposited its instrument of approval with the Organisation for Economic Co-operation and Development (OECD) on 23 January 2020. Cyprus also submitted its MLI positions and a list of 59 tax treaties which Cyprus entered into with other jurisdictions that it wishes to designate as Covered Tax Agreements (CTAs).¹

Cyprus' final positions

Cyprus has adopted only the minimum standards of the MLI and has chosen to apply the following articles of the MLI:

- ▶ Article 6 which introduces language to the preamble of a CTA to express the common intention to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance, including through treaty shopping arrangements.
- ▶ Article 7 which articulates the Principal Purpose Test that denies treaty benefits when considering all relevant facts and circumstances, obtaining that benefit is one of the principal purposes for entering into a specific transaction or arrangement that resulted directly or indirectly in that benefit, unless if granting that benefit is not contrary to the object and purpose of the relevant provisions of the respective CTA.

- ▶ Article 16 of the MLI which requires countries to include in their tax treaties the provisions on the mutual agreement procedure as this is mostly set out in Article 25 paragraph 1 through paragraph 3 of the OECD Model Tax Convention.

Timing

The MLI will enter into force with respect to specific tax treaties after the respective treaty country (Contracting Jurisdiction) has deposited its instrument of ratification, acceptance or approval of the MLI and a specified time

has passed. In the case of Cyprus, the MLI will enter into force on 1 May 2020.² The specified time differs for different provisions. For provisions relating to withholding taxes, the earliest entry into effect date will be 1 January 2021, provided the other Contracting Jurisdiction has also submitted its instrument of ratification with the OECD prior to or during 2020. For provisions relating to other taxes, the earliest entry into effect date will be 1 November 2021, provided the other Contracting Jurisdiction has also submitted its instrument of ratification with the OECD prior to or during January 2020.

Endnotes

1. <http://www.oecd.org/tax/treaties/beps-mli-position-cyprus-instrument-deposit.pdf>.
2. In accordance with Article 34 of the Convention, the MLI enters into force on the first day of the month following the lapse of three months from the month the instrument of ratification is submitted with the OECD.

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