

**DOUBLE TAXATION CONVENTION
BETWEEN CYPRUS AND SWEDEN
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Double Taxation Conventions

Article 1

Cyprus - Sweden (1988)

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CONVENTION BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF CYPRUS AND THE GOVERNMENT OF THE
KINGDOM OF SWEDEN FOR THE AVOIDANCE OF
DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME

The Government of the Republic of Cyprus and the Government of the Kingdom of Sweden desiring to conclude a Convention for the Avoidance of Double Taxation with respect to taxes on Income, have agreed as follows:

Article 1

PERSONAL SCOPE

This convention shall apply to persons who are residents of one or both of the Contracting States.

- (a) In Cyprus:
 - (i) the income tax
 - (ii) the capital gains tax; and
 - (iii) the special contribution
(hereinafter referred to as "Cyprus tax")

Article 2

TAXES COVERED

(1) This Convention shall apply to taxes on income imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

(2) There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property as well as taxes on capital appreciation.

(3) The existing taxes to which the Convention shall apply are:

- (b) In Sweden:
 - (i) the State income tax (den statlige ink mstshatten) including the sailors tax (sjomansskatten) and the coupon tax (kupon iskatten);
 - (ii) the tax on the undistributed profits of companies (ersatrinasskatten) and the tax on distribution in connection with reduction of share capital or the winding up of a company (utskiftningskatten);
 - (iii) the tax on public entertainers (bevillningsavgiften for vissa offentliga forestallningar);
 - (iv) the communal income tax

(den kommunala inkomstkatten); and

- (v) the profit sharing tax (vinst-delningskatten)
(hereinafter referred to as "Swedish tax")

(4) The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall each year notify each other of any significant changes which have been made in their respective taxation laws.

Article 3

GENERAL DEFINITIONS

(1) For the purposes of this Convention, unless the context otherwise requires:

- (a) the term "**Cyprus**" means the Republic of Cyprus and when used in a geographical sense, includes the national territory, the territorial sea of Cyprus as well as other maritime areas over which Cyprus in accordance with international law exercises sovereign rights or jurisdiction;
- (b) the term "**Sweden**" means the Kingdom of Sweden and, when used in a geographical sense, includes the national territory, the territorial sea of Sweden as well as other maritime areas over which Sweden in accordance with international law exercises sovereign rights or jurisdiction;
- (c) the terms "**a Contracting State**" and "**the other Contracting State**" mean the Republic of Cy-

prus or the Kingdom of Sweden, as the context requires;

- (d) the term "**person**" includes an individual, a company and any other body of persons;
- (e) the term "**company**" means any body corporate or any entity which is treated as a body corporate for tax purposes;
- (f) the terms "**enterprise of a Contracting State**" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
- (g) the term "**international traffic**" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other contracting State;
- (h) the term "**national**" means:
- (i) any individual possessing the citizenship of a Contracting State;
- (ii) any legal person, partnership and association deriving its status as such from the laws in force in a Contracting State;
- (i) the term "competent authority" means:
- (i) in Cyprus, the Minister of Finance or his authorized representative;
- (ii) in Sweden the Minister of Finance, his authorized representative or the authority which is designated as a competent authority for the purposes of this Convention.

Double Taxation Conventions

Article 3

Cyprus - Sweden (1988)

(2) As regards the application of the convention by a Contracting State any term not defined therein shall, unless the context otherwise requires have the meaning which it has under the law of that State concerning the taxes to which the Convention applies.

Article 4

RESIDENT

(1) For the purposes of this Convention, the term "resident of a Contracting State", means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. But this term does not include any person who is liable to tax in that State in respect only of income from sources in that State.

(2) Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting States then his status shall be determined as follows:

- (a) he shall be deemed to be a resident of the State in which he has a permanent home available to him. If he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
- (b) If the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;

(c) If he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is national.

(d) If he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

(3) Where by reason of the provisions of paragraph (1) a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of effective management is situated.

Article 5

PERMANENT ESTABLISHMENT

(1) For the purposes of this Convention the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

(2) The term "permanent establishment" includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop, and
- (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

(3) A building site or construction or installation project constitutes a permanent establishment only if it lasts more than six months.

(4) Notwithstanding the preceding

provisions of this Article, the term "permanent establishment" shall be deemed not to include:

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

(5) Notwithstanding the provisions of paragraphs (1) and (2), where a person - other than an agent of an independent status to whom paragraph (6) applies - is acting on behalf of an enterprise and has, and habitually exercises in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a per-

manent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (4) which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

(6) An enterprise of a Contracting State shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

(7) The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Article 6

INCOME FROM IMMOVABLE PROPERTY

(1) Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

(2) The term "immovable property" shall have the meaning which is under the law of the Contracting State in which the property in question is situat-

ed. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, buildings, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

(4) The provisions of paragraph (1) and (3) shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

BUSINESS PROFITS

(1) The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

(2) Subject to the provisions of paragraph (3), where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed in that perma-

nent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

(3) In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

(4) Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph (2) shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary: the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this article.

(5) No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(6) For the purpose of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

(7) Where profits include items of income which are dealt with separately in other Articles of this Convention

then the provisions of these Articles shall not be affected by the provisions of this Article.

Article 8

SHIPPING AND AIR TRANSPORT

(1) Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

(2) The provisions of paragraph (1) shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

(3) Notwithstanding the foregoing provisions profits from the operation of ships in international traffic derived by a company or partnership which is a resident of Cyprus more than 25 per cent of the capital of which is owned, directly or indirectly, by persons who are not residents of Cyprus, may be taxed in Sweden if the company or partnership does not prove that the Cyprus tax appropriate to such income is equal to Cyprus tax which would have been appropriate to such income if the Cyprus tax were computed without regard to any provisions identical or similar to the provisions of the Merchant Shipping (Taxing Provisions) Law as in force at the signing of the Convention.

(4) With respect to profits derived by the air transport consortium Scandinavian Airlines System (SAS) the provisions of paragraph (1) shall apply only to such part of the profits as corresponds to the participation held in that consortium by AP Aero-transport (APA), the Swedish partner of Scandinavian Airlines System (SAS).

Article 9

ASSOCIATED ENTERPRISES

(1) Where

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State, and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

(2) Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the firstmentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the com-

petent authorities of the Contracting States shall if necessary consult each other.

Article 10

DIVIDENDS

(1) Dividends paid by a company which is a resident of a Contracting State to the resident of the other Contracting State may be taxed in that other State.

(2) However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;
- (b) 15 per cent of the gross amount of the dividends in all other cases.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of these limitations.

This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

(3) The term "**dividends**" as used in this Article means income from shares, mining shares, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as in-

come from shares by the laws of the State of which the company making the distribution is a resident.

(4) Notwithstanding the provisions of paragraph (2) - as long as Cyprus does not impose tax at source on dividends - dividends paid by a company which is a resident of Cyprus to a resident of Sweden shall not be subject to any tax imposed by Cyprus in excess of the tax imposed with respect to the profits or earnings out of which such dividends are paid. An individual resident of Sweden shall be entitled to a refund of any Cyprus tax imposed with respect to the profits or earnings out of which a dividend is paid, to the extent that said tax exceeds the individual's tax liability in Cyprus.

(5) Notwithstanding the provisions of paragraph (1), dividends paid by a company which is a resident of Cyprus to a company which is a resident of Sweden shall be exempt from Swedish tax to the extent that the dividends would have been exempt under Swedish law if both companies had been Swedish companies. This exemption shall not apply unless-

- (a) the profits out of which the dividends are paid have been subjected to the normal corporate tax in Cyprus or an income tax comparable thereto, or
- (b) the dividends paid by the company which is a resident of Cyprus consists wholly or almost wholly of dividends which that company has received, in the year or previous years, in respect of shares held by it in a company which is a resident of a third State and which would have been exempt from Swedish tax if the shares in respect of which they are paid had been held directly by the

company which is a resident of Sweden.

(6) The provisions of paragraphs (1) and (2) shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

(7) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11

INTEREST

(1) Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed

in that other State.

(2) However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

(3) Notwithstanding the provisions of paragraph (2) interest arising in a Contracting State and derived by the Government of the other Contracting State, including political subdivisions and local authorities thereof, the Central Bank of that other Contracting State or any governmental financial institution shall be exempt from tax in the first-mentioned Contracting State.

(4) For the purposes of paragraph (3) the terms "the Central Bank" and "governmental financial institution" mean:

- (a) In the case of Cyprus:
 - (i) the Central Bank of Cyprus, and
 - (ii) such other governmental financial institution as may be agreed upon from time to time between the competent authorities of the two Contracting States.
- (b) In the case of Sweden:
 - (i) the Central Bank of Sweden or the Swedish National Debt Office;
 - (ii) such other governmental financial institution as may be agreed upon from time to time between the competent

authorities of the two Contracting States.

(5) The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payments shall not be regarded as interest for the purpose of this Article.

(6) The provisions of paragraphs (1) and (2) shall not apply if the beneficial owner of the interest, being a resident of a Contracting State carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

(7) Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State

in which the permanent establishment or fixed base is situated.

(8) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 12

ROYALTIES

(1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the royalties.

(2) The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

(3) The provisions of paragraph (1) shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business

in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

(4) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13

CAPITAL GAINS

(1) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State, or from the alienation of shares in a company the assets of which consist principally of such property, may be taxed in that other State.

(2) Gains from alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting

State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

(3) Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that State.

With respect to gains derived by the Swedish, Danish and Norwegian air transport consortium Scandinavian Airlines System (SAS), the provisions of this paragraph shall apply only to such portion of the gains as corresponds to the participation held in that consortium by AB Aerotransport (ABA), the Swedish partner of Scandinavian Airlines System (SAS).

(4) Gains from the alienation of any property other than that referred to in paragraph (1), (2) and (3) shall be taxable only in the Contracting State of which the alienator is a resident.

(5) In the case of an individual who has been a resident of a Contracting State and who has become a resident of the other Contracting State, the provisions of paragraph (4) shall not affect the right of the first-mentioned State to tax gains from the alienation of any property derived by such an individual at any time during the seven years next following the date on which individual has ceased to be a resident of the first-mentioned State.

Article 14

INDEPENDENT PERSONAL SERVICES

(1) Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

(2) The term "**professional services**" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15

DEPENDENT PERSONAL SERVICES

(1) Subject to the provisions of Articles 16, 18, 19 and 20, salaries, wages and other similar remuneration, other than a pension, derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned

State if:

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days within any period of 12 months, and
- (b) the remuneration is paid by, or on behalf of, an employer who is not resident of the other State, and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

(3) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State, may be taxed in that State. Where a resident of Sweden derives remuneration in respect of an employment exercised aboard an aircraft operated in international traffic by the air transport consortium Scandinavian Airlines System (SAS), such remuneration shall be taxable only in Sweden.

Article 16

DIRECTORS' FEES

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of Directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 17

ARTISTES AND ATHLETES

(1) Notwithstanding the provisions of Articles 14 and 15, income derived by

a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

(2) Where income in respect of personal activities exercised by an entertainer or an athlete in his capacity as such accrues not to the entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

Article 18

GOVERNMENT SERVICE

- (1) (a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
- (b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
- (i) is a national of that State; or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
- (2) (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services

rendered to that State or subdivision or authority shall be taxable only in that State.

(b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.

(3) The provisions of Articles 15, 16 and 20 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 19

STUDENTS

A student or business apprentice who is or was immediately before visiting a Contracting State, a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training shall be exempt from tax in that Contracting State with respect to:

- (a) payments received from sources outside that Contracting State for the purpose of his maintenance, education or training; and
- (b) income from personal services performed in that Contracting State provided that the income does not exceed 10,000 Swedish Kronor or its equivalent in Cyprus pounds for any taxable year.

The benefits provided under subparagraph (b) shall extend only for such period of time as is reasonably necessary to complete the education or training, but shall in no event ex-

ceed a period of seven consecutive years.

Article 20

OTHER INCOME

(1) Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that State.

(2) The provisions of paragraph (1) shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article 6 if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

(3) Notwithstanding the provisions of paragraphs (1) and (2), items or income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may be taxed in that other State.

(4) Items of income dealt with in this Article shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority, or a resident of that State or when the income is paid under the Social Security legislation of that State.

Article 21

ELIMINATION OF DOUBLE TAXATION

(1) In the case of Cyprus, double taxation shall be avoided as follows:

(a) Subject to the provisions of Cyprus tax Law regarding credit for foreign tax, there shall be allowed as a credit against Cyprus tax payable in respect of any item of income or chargeable gains derived from Sweden the Swedish tax paid under the laws of Sweden and in accordance with this Convention. The credit shall not however exceed that part of the Cyprus tax, as computed before the credit is given, which is appropriate to such items of income or chargeable gains.

(b) Where such income is a dividend paid by a company which is a resident of Sweden to a company which is a resident of Cyprus and which owns directly at least 25 per cent of the capital of the Swedish company, the credit shall take into account (in addition to any Swedish tax on dividends) the Swedish tax payable in respect of its profits by the company paying the dividends, and which is attributable to that capital.

(2) In the case of Sweden, double taxation shall be avoided as follows:

(a) Subject to the provisions of (b) below, where a resident of Sweden derives income which under the laws of Cyprus and in accordance with the provisions of this Convention may be taxed in Cyprus, Sweden shall allow - subject to the provisions of the law of Sweden concerning credit for for-

eign tax (as it may be amended from time to time without changing the general principle hereof) - as a deduction from the tax on such income, an amount equal to the Cyprus tax paid in respect of such income.

- (b) Where a resident of Sweden derives income which, in accordance with the provisions of Article 7 or Article 14, may be taxed in Cyprus, Sweden shall exempt such income from tax provided that the principal part of the income of the permanent establishment or fixed base arises from business activities, other than the management of securities and other similar property, and such activities are carried on within Cyprus through the permanent establishment or the fixed base.
- (c) Where a resident of Sweden derives income which shall be taxable only in Cyprus in accordance with the provisions of this Convention or shall be exempt from Swedish tax in accordance with sub-paragraph (b) of this paragraph, Sweden may, when determining the graduated rate of Swedish tax, take into account the income which shall be taxable only in Cyprus or shall be exempt from Swedish tax, respectively.
- (d) For purposes of deduction from the tax referred to in sub-paragraph (a)
 - (i) where dividends are exempt from any tax in Cyprus in addition to the tax chargeable on the profits or income of the company, or are taxed in Cyprus at a rate lower than 20 per cent of the gross

amount of such dividends, the amount of Cyprus tax shall be deemed to be 20 per cent of the gross amount of such dividends;

- (ii) where the rate of Cyprus tax on interest, to which paragraph (2) of Article 11 applies is reduced below 15 per cent of the gross amount of such interest, the amount of Cyprus tax shall be deemed to be 15 per cent of the gross amount of such interest.

The provisions of this sub-paragraph shall apply for the first seven years for which this Convention is effective. The competent authorities shall consult each other in order to determine whether such period shall be extended.

(3) Where under any provision of this Convention income or chargeable gains are relieved from tax in one of the Contracting States and, under the law in force in the other Contracting State, a person, in respect of the said income or gains are subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the first-mentioned Contracting State shall apply only to so much of the income or gains as are remitted to or received in the other Contracting State.

(4) For the purposes of this Article, income of a resident of a Contracting State which is taxed in the other Contracting State in accordance with this Convention shall be deemed to be derived from that other State.

Article 22

NON-DISCRIMINATION

(1) Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the other State in the same circumstances are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not resident of one or both of the Contracting States.

(2) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

This provision shall not be construed as obliging a Contracting State to grant to residents of the other contracting State any personal allowances, reliefs and reduction for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

(3) Except where the provisions of paragraph (1) of Article 9, paragraph (8) of Article 11, or paragraph (4) of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting

State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned State.

(4) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

(5) The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 23

**MUTUAL AGREEMENT
PROCEDURE**

(1) Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph (1) of Article 22, to that of the Contracting States of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in ac-

cordance with the provisions of the Convention.

(2) The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 24

EXCHANGE OF INFORMATION

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treat-

ed as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings in judicial decisions.

(2) In no case shall the provisions of paragraph (1) be construed so as to impose on a Contracting State the obligation:

- (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
- (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, information, the disclosure of which would be contrary to public policy (ordre public).

Article 25

DIPLOMATIC AGENTS AND CONSULAR OFFICERS

Nothing in this Convention shall affect the fiscal privileges of diplomatic agents or consular officers under the general rules of international law or

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under the provisions of special agreements.

Article 26

ENTRY INTO FORCE

(1) This Convention shall be ratified and the instruments of ratification shall be exchanged in London as soon as possible.

(2) The Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect on income derived on or after the first day of January 1988.

In witness whereof the undersigned being duly authorised thereto have signed the present Convention and have affixed thereto their seals.

Done in London, this 25th day of October 1988, in duplicate in the English language.

For the Government of
the Republic of Cyprus

For the Government of
the Kingdom of Sweden

Article 27

TERMINATION

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention at any time after 5 years from the date on which the Convention enters into force, provided that at least 6 months prior notice has been given through diplomatic channels. In such case, the Convention shall cease to have effect on income derived on or after the first day of January of the year next following that in which the notice of termination is given.