



## Lex Mundi European Union: Accession States Tax Guide

### CYPRUS

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#### General Information

Cyprus gained independence in 1960, whereupon the underdeveloped, predominately agricultural economy of the early 1960s was rapidly transformed into a modern economy, offering dynamic services with advanced physical and social infrastructure. Today, the services sector is considered the backbone of the Cyprus economy, accounting for approximately 76.7% of the GDP in 2005, while tourism accounts for approximately 20% of GDP. The average annual rate of growth during the period 2001 to 2005 has been in the range of 3.2% and the rate of unemployment approximately 4.28%. In terms of per capita income, Cyprus is classified by the World Bank among the high income countries (£C9.834 USD 22.500 in 2005).

On 1<sup>st</sup> May 2004, Cyprus acceded to the European Union. Harmonization with the EU *acquis communautaire* was carefully planned and so far, Cyprus has successfully faced the challenge of integration without any insurmountable difficulties. According to a recent assessment by the U.K. based Centre for European Reform (Lisbon Score Card VI) Cyprus performance against the Lisbon Criteria in 2005 compared relatively well to other new member states (ranking third in a total of 10 states)."

In May 2005, the Cyprus pound, which is the legal tender in Cyprus, joined the European Exchange Rate Mechanism II (E.R.M. II), a prerequisite for joining the Euro zone which is planned for January 2008. Cyprus has already applied for membership and its economic performance will now be judged against the Maastricht criteria. As stated in a recent Report Published by Moody's Investors Services "*We are reasonably confident of Cyprus ability to meet the criteria, given its low inflation (average of 2% in 2005) stable exchange rate (which has remained within 2.25% of the central parity rate to the Euro since entering the EMRII) and its declining fiscal deficit and public debt burden.*" (Moody's Investors Service, "Cyprus", p.2, May 2006)

In its fiscal policy, Cyprus has complied with the recommendations of the EU Council of Ministers for Economic and Financial Affairs (ECOFIN) in eliminating excess deficit while at the same time working towards the mid-term budgetary objective of balanced public finance until the year 2009.

The table portrays the trend of the state's revenue from the taxes levied in aggregate as well as the proportion between direct and indirect taxes for the period 2001-2005 (in millions of Cyprus Pounds)

<b>Tax Revenue</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Direct Taxes</b>	550,31	540,01	531,80	619,94	776,86
<b>Indirect Taxes</b>	675,10	766,28	990,38	1126,04	1224,75
<b>Total Tax Revenue</b>	1225,41	1306,29	1522,18	1745,98	2001,61

The structural changes in the taxation system which were effected by the tax reforms introduced in 2003 have broadened the tax base while reducing, the marginal tax rates. As a result, the tax burden on individuals and legal persons has been considerably reduced, thus placing Cyprus among the lowest tax jurisdictions in Europe.

## **A. Corporate income taxation**

### **1. Taxable entities**

Companies that are resident in Cyprus are subject to corporate income tax. Under the Income Tax Law No.118(I) of 2002 ("the Income Tax Law") the term "*company*" means a company incorporated under the Cyprus Companies Law, Cap 113 (i.e. private, public or overseas company, either limited by shares or by guarantee) any body with or without legal personality, public corporate bodies, co-operative companies, fraternity or society of persons, with or without legal personality, as well as any comparable company incorporated or registered outside the Republic. A company is a resident of Cyprus when its management and control is exercised in the Republic.

The term "*company*" excludes *partnerships* which are treated as transparent, i.e. their partners are liable to tax. *Trusts* are taxable in a similar way, i.e. the beneficiaries are taxed through the trustees.

### **Income Tax Law**

Companies that are resident in Cyprus are taxed on their worldwide income while non-resident companies are taxed on their Cyprus source income, subject to certain exemptions.

Resident companies are exempt from tax in respect of business income deriving from a permanent establishment held abroad subject to "Controlled Foreign Corporation" (CFC.) rules. (See paragraph 8 below). Non-resident companies are taxed exclusively in respect of business income realized through a permanent establishment situated in Cyprus, subject to certain exemptions. The term "permanent establishment", as defined in Section 2 (1) (a) of the Income Tax Law, is identical to the definition given to this term in the O.E.C.D. Double Taxation Model Convention.

Non resident persons having a permanent establishment in the Republic may elect, if it is to their benefit, to be taxed in accordance with the rules applicable to resident persons for any fiscal year.

### **Entities taxed under special regimes**

#### *International Trusts*

The income of an international trust established under the 1992 International Trusts Law is exempt from tax both in the hands of the trustees as well as the beneficiaries.

#### *Insurance Companies*

Insurance Companies are also subject to the same corporate income tax rate but benefit from certain exemptions applicable in the life insurance business sector.

#### *Shipping*

The profits of or dividends from a company incorporated in Cyprus which owns ships registered under the Cyprus flag and are engaged in international traffic are exempt from taxation. The exemption extends to the emoluments of the crews of Cyprus flagged ships.

Ship management companies, have the option to be taxed either at 4,25% under section 19 of the Income Tax Law or pay tonnage tax at 25% of the rates used to calculate the tonnage tax imposed on ships under their management.

## **2. The tax base**

“Taxable income” is defined in s. 2 of the Income Tax Law, as “the aggregate remaining amount of income of any person from the sources specified in section 5, following deduction of such amounts as are permitted by or under this Law.”

In order to arrive at the taxable income, income from all sources is added up and all expenses and charges incurred wholly and exclusively for the generation of income, as well as wear and tear allowances, where applicable, are deducted.

### **Tax exempt income**

- (a) profits from the disposal of “securities” (such as shares, stocks, bonds, debentures, etc. of companies incorporated in Cyprus or abroad and options thereon).
- (b) dividends.
- (c) up to 50 per cent of the interest income of companies, with the exception of interest income generated from or closely connected to the ordinary activities of the taxable entity.

### **Tax deductible expenses**

All expenses and outgoings wholly and exclusively incurred for the generation of income are recognized as tax deductible, including:



- (a) Interest incurred for the acquisition of fixed assets used in the business.
- (b) Expenditure for repairs of premises, plant and machinery.
- (c) Bad debts, including provisions for bad debt provisions.
- (d) Expenditure on scientific research and/or patents and patent rights.
- (e) Donations to charitable institutions.

### **Valuation of inventories**

Inventory is generally valued at the lower of cost or net realizable value. Cost must be determined under the first-in first-out method (FIFO). The last-in first-out (LIFO) method is not acceptable.

### **Depreciation rules**

No investment allowances are granted. Instead, a reasonable amount is allowed as a deduction, for the exhaustion and wear and tear of fixed assets arising from their use in the business or employment. The total amount of such allowable deduction cannot exceed the capital expenditure incurred for the acquisition of the asset. The wear and tear allowances are calculated on the straight line, on the basis of the useful economic life of each asset.

### **3. Applicable income tax rates**

The taxable income of a company is taxed at the rate of 10%, while the taxable income of public utility corporate bodies is taxed at the rate of 25%.

### **4. Capital gains tax**

Companies (and individuals) are subject to capital gains tax under the Capital Gains Tax Law No. 52/80 (“the Capital Gains Tax Law”) at the rate of 20%, on gains arising solely from the disposal of:

- immovable property situated in Cyprus
- shares in a company which owns immovable property situated in Cyprus (excluding shares listed in any recognized stock exchange)

### **5. Treatment of losses**

Tax losses incurred in any one year which are off set against other income may be carried forward and set off against future profits for an indefinite period of time. This provision applies for all unutilized tax losses generated as from year 1997. There are no restrictions on the set off of losses generated from different activities.

Losses of an individual trader or a partnership business converted into a limited liability company may be set off against future profits of the company. Losses incurred abroad, whether from a permanent establishment or not, can be set off against the Cyprus profits of a business whether incorporated or unincorporated. However, future profits of the permanent establishment are liable to tax, to the extent of the losses allowed.

A loss generated by a company cannot be carried forward in the following cases:

- (a) if within any three year period there is a change in the ownership of the shares of a company and a substantial change in the nature of its business.
- (b) if at any time since the scale of the company's activities has diminished or has become negligible and before any substantial reactivation of the business there is a change in the ownership of the company's shares;
- (c) up to the amount of any donation or contribution or loss, if a company is engaged in ship management services.

## **6. Withholding taxes**

### **Under the Income Tax Law**

Subject to specific provisions in the relevant tax treaties between Cyprus and the country of residence of the person concerned, the resident who makes a payment to a non tax resident is obliged to withhold and pay over to the revenue authorities tax in the following cases:

- (a) Although Cyprus does not impose any withholding tax on royalty payments made to non-Cypriot resident recipients, nonetheless, the exemption applies only for royalties paid as consideration for the use of a right/asset outside Cyprus. When the royalties concern rights/assets within Cyprus and unless the recipient is an associated company in another EU Member State, a 10% withholding tax is applied.
- (b) There is a 5 per cent withholding tax on film rentals, 10 per cent withholding tax on professional income and 10 per cent withholding tax on remuneration of entertainers and sportsmen.

### **Under Special Defense Contribution**

Under the Special Defense Contribution Law No.117(I) of 2002, ("SDC") the following apply:

#### *Dividend income*

The dividend income of a resident company is exempt from SDC where such income is received from a non-resident company. The exemption is subject to the following conditions:

- (a) The Cypriot Company's holding in the paying company is at least 1% of the share capital, irrespective of the holding period in the foreign subsidiary.
- (b) Controlled Foreign Corporation (CFC.) rules are complied with (see the response under paragraph 8 below).

#### *Interest income*

Cypriot holding companies are liable to a 10% per cent SDC on interest income deriving from any source, whether in Cyprus or abroad. However, SDC does not apply to interest earned by a company in the ordinary course of its business or to interest closely related to the ordinary carrying on of the business, both of which are subject to income tax. The 50% tax exemption on interest is not applicable in this case (see the response under paragraph 2 above).

*Rentals*

The gross income from rental income reduced by 25% is subject to SDC at the rate of 3%. This contribution is not a deductible expense for income tax purposes.

**7. Taxation of Groups***Group Relief*

Trading losses generated in the course of a year may be surrendered by a group company to another company which is member of the same group, provided both companies are resident in the Republic. Trading losses of the surrendering company may be set off against the total income of the claimant company. For the purpose of group relief, two companies are deemed to be members of the same group, if one is the subsidiary of the other (by at least 75%) or if they are both subsidiaries of a third company (by at least 75%).

*Company reorganizations:*

For the purposes of the Income Tax Law, the Capital Gains Tax Law and the Stamp (Amendment) Law, No.121(I) of 2002 “reorganization” means either a merger, division, transfer of assets or exchange of shares.

The E.U. Merger Directive 90/434/E.E.C. has been transposed in Cyprus tax legislation so that any profits or gains made by reason of mergers, divisions, transfer and exchange of shares concerning companies resident in different EU member states or third countries or of non resident companies or companies established in other EU member states or third countries, are exempt from tax. Assets taken over are depreciated as if no change in ownership has taken place. Losses are also transferred to the new company. The exchange of shares as well as the transfer of the registered office of a European Company will not give rise to any taxation.

**8. Anti-avoidance rules**

The general principle governing transfer pricing rules in Cyprus is the arm’s length principle. The Convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (90/436/EEC) has been transposed into the Income Tax Law. The relevant provisions stipulate that the arm’s length principles should apply in certain transactions, including transactions between associated enterprises.

Cyprus has no controlled foreign corporation legislation of the type introduced in some other countries. As a result, the undistributed profits of foreign subsidiaries are not assessed at the parent company level. The general principle behind the Cypriot CFC rules is that anti-avoidance measures should be used only to maintain the equity and neutrality of national tax laws in the international environment. Therefore, the Cypriot CFC rules only concern income that is genuinely passive and do not extend to active income. Their aim is to prevent non-resident companies over which domestic tax payers have a controlling or substantial influence, from converting tainted income into exempt dividend income receivable by a Cypriot-resident company. Thus CFC provisions will only be triggered if more than 50 per cent of the non-resident company’s activities result directly or indirectly in investment income and the foreign tax burden on the income of the non-resident company paying the dividend is substantially lower than the tax

burden on the company which is tax-resident in Cyprus (substantially lower means lower than 5 per cent). If one of the conditions is not met, the dividend remains tax exempt. Investment income is defined in section 2 of the Income Tax law as being income not deriving from business, employment or pension.

Cypriot tax legislation does not provide for thin capitalization rules i.e minimum debt/equity ratio requirement.

## **9. Administrative requirements of local tax authority**

The Cyprus system is a combination of the revenue-assessed and self-assessment systems. Companies fall entirely under the self-assessment system. Self-employed individuals fall under the self-assessment system only as far as provisional tax is concerned and for employees a P.A.Y.E system is in operation. Ultimately, self-employed individuals and employees are revenue assessed.

It is the duty of each individual / legal entity to deliver to the Director of Inland Revenue a return of income, following deduction of tax exempt, tax deductible expenses and credits granted under the taxation laws in force.

Tax returns should be filed, not later than the 30<sup>th</sup> of April of the year following the year of assessment in the case of individuals. Companies and self-employed persons pay temporary tax on estimated incomes during the year in three equal installments by submitting a temporary tax return with the first payment due on August 1<sup>st</sup> in the case of persons (self-employed and companies) submitting accounts with the return not later than the 31<sup>st</sup> December of the year following the year of assessment.

## **10. Double Taxation Treaties**

Currently, 33 treaties are in force, covering 42 states including most European countries, the USA, Canada, China, India, South Africa, Singapore and four Arab countries (Egypt, Syria, Kuwait, Lebanon).

## **11. Special Incentives**

There are no incentive laws providing preferential tax treatment of any type of business activities. The government has, however, taken several measures with a view to enhancing the island's competitiveness and introduced a framework of certain incentives which aim, inter alia, to the attraction of capital intensive foreign investment and the development of new high-tech industries.

## **B. Individuals**

### **1. Taxable persons**

Under the Income Tax Law, individuals who are residents in Cyprus are subject to tax on their worldwide income whether remitted to Cyprus or not. Individuals who are non-Cyprus tax residents are subject to tax only on their Cyprus-sourced income.

An individual is a tax resident of Cyprus if in the year of assessment (calendar year), stays in the Republic of Cyprus for a period or periods exceeding in aggregate 183 days.

## 2. Taxable Income

As regards the definition of “taxable income” please refer to our comments in paragraph 2 in Section B above. In addition to the allowances and tax exemptions granted to companies (in so far as they apply to individuals) the most important exemptions and allowances applicable to individuals are the following:

### *Tax Exemptions*

- (a) certain pensions,
- (b) investment income, such as interest and dividends,
- (c) income of charities, cooperatives as regards transactions with members, approved provident and other funds, etc.

### *Allowances*

- (a) contributions to the social insurance fund,
- (b) contributions to any provident or pension fund,
- (c) life insurance premiums subject to certain restrictions.

### **Dividend income**

The dividend income of resident individuals is subject to SDC at the rate of 15%, which is withheld at source. Dividends paid to non-resident persons will be fully tax exempted.

### **Interest income**

Interest income earned by resident persons is subject to SDC at the rate of 10%, which is withheld at source. Interest income earned by non-resident persons is fully tax exempted.

## 3. Applicable tax rates

The Income tax rates for 2005 and 2006 are:

Taxable Income in Cy£	%Rate	Tax in Cy£	Cumulative taxable income in Cy£	Cumulative tax inCy£
10.000	-	-	10.000	-
5.000	20	1.000	15.000	1.000
5.000	25	1.250	20.000	2.250
Over 20.000	30		Over 20.000	

## 4. Capital gains tax

Individuals are subject to capital gains tax under the Capital Gains Tax Law No. 52/80 (“the Capital Gains Tax Law”) at the rate of 20%, on gains arising solely from the disposal of:

- immovable property situated in Cyprus

- shares in a company which owns immovable property situated in Cyprus (excluding shares listed in any recognized stock exchange)

## 5. Treatment of losses

Losses that cannot be wholly set off against an individual's taxable income in the year of tax assessment, are set off against taxable profits arising from other sources during the same year. Furthermore, any remaining amount may be carried forward and be set off against such person's taxable income of future years.

## C. Capital

### Immovable property Tax

Immovable property is subject to tax on the market value of the property as at 1<sup>st</sup> January 1980. It is an annual tax calculated at the following rates:

Value of Property C£	Rate %
Up to 100,000	NIL
100,000-250,000	0.25
250,000-500,000	0.35
Over 500,000	0.4

No inheritance tax, lottery taxation or gift (inter vivos) tax is due in Cyprus.

## D. Indirect taxes

### 1. Stamp duty

Stamp duty is payable on certain transactions, including any documents which relate to property situated in Cyprus or any action to be performed or realized in Cyprus, irrespective of the place of execution. The rates are:

- 0.15% for contracts of a consideration of up to CYP100,000 (about US\$222,568).
- 0.2% for any amount over CYP100,000.

### 2. Value added tax (VAT)

VAT is charged on the supply of goods or the provision of services in Cyprus at the following rates:

- Low rate: 5% (e.g. applicable in the case of supply of food in the course of catering;
- Standard rate: 15%
- Zero rate: (e.g. applicable in the case of supply of food other than in the course of catering)

Some supplies are exempt from tax, (e.g. insurance and financial services).

### **3. Customs & Excise**

Goods imported into Cyprus from overseas are subject to customs duty in accordance with the Common Customs Tariff (CCT). Excise taxes are imposed on a limited number of categories of goods, mainly cigarettes, petrol and motor vehicle, alcohol etc.

### **4. Transfer fees for immovable property**

These are paid on transfers of immovable property and are calculated on the market value of the property as estimated by the Land Registry department. They range from 3% to 8% depending on the value of the property.

### **5. Capital duty**

Capital contribution is subject to registration fees calculated on the basis of the authorized share capital (nominal only) and any further increases at the rate of C£ 60 (payable once upon incorporation) plus 0.6% on the authorized share capital.

There are not any fees payable on share premium.

## **E. Other duties**

### **1. Professional tax**

Companies operating from premises within municipal boundaries are subject to an annual professional tax, ranging from Cy£450 (about US\$1,002) to Cy£3,000 (about US\$6,677), depending on various factors such as their turnover, share capital, number of employees.

### **2. Stock exchange transaction fees**

A special fee is imposed in relation to transactions that take place in the Cyprus Stock Exchange or are announced to the Cyprus Stock Exchange, at the rate of 0.15% for both individuals and entities. The fee is suffered by the seller or the person who announces the transaction. Some transactions are exempt from these fees, for example share issue and share redemption by the issuer, transactions in non-convertible corporate bonds.

## **F. Enforcement-Litigation procedure**

Non compliance with the deadlines for the payment of tax results in penalties and interest depending on the deadline not complied with.

It is an offence under the law to make an inaccurate statement or return in respect of income, and furnish invalid information. Such offence is punishable on conviction of the offender by a fine not exceeding Cy£10,000 or by both a fine and imprisonment. It is also an offence under the law to fail or neglect to give any notice or to file any returns. Such offence is punishable on conviction of the offender by a fine not exceeding Cy£10,00 for each day of refusal, failure or neglect or by imprisonment not exceeding twelve months.

A person who is proved to have fraudulently omitted or delayed to pay the tax under the Assessment and Collection of Taxes Law becomes liable on conviction, in the case of a company, to a monetary fine not exceeding Cy£1,000. In the case of an individual, conviction may be for a monetary fine not exceeding Cy£500 or to imprisonment not exceeding six months or to both a monetary fine and imprisonment.

Taxpayers who disagree with an assessment, have the right to file an objection in writing, setting out the reasons of disagreement, while paying at the same time any amount of tax not in dispute (tax according to the tax return).

On receiving the final determination, a person may either file an hierarchical recourse to the Tax Tribunal within 45 days, or apply to the Supreme Court for a revision of the decision of the director within 75 days. The burden of proof that the assessment is excessive falls on the tax payer.

### **Tax Tribunal**

This is an independent body, which examines and decides on issues and disputes between taxpayers and the Department of Inland Revenue with regard to income tax, SDC, immovable property tax and capital gains tax. The Tax Tribunal must take a decision on a case under examination within one year at the latest from the date that the hierarchical recourse was filed.

### **Supreme Court**

The Supreme Court examines applications (otherwise known as recourses) by taxpayers on decisions taken by an administrative organ, such as the Commissioner of Income Tax or the Director of Inland Revenue or the Tax Tribunal. Appeals on the first instance judgments may be made to the Supreme Court within 42 days, either from the date of notification of the decision of the Commissioner of Income Tax or from the date of notification of the decision of the Tax Tribunal.

**INCOME TAX RATES FOR 2005 & 2006 FOR INDIVIDUALS**

<b>Taxable Income C£</b>	<b>Rate %</b>	<b>Tax C£</b>	<b>Cumulative Taxable Income C£</b>	<b>Cumulative Tax C£</b>
10.000	-	-	10.000	-
5.000	20	1.000	15.000	1.000
5.000	25	1.250	20.000	2.250
20.000	30	-	Over 20.000	-

**INCOME TAX RATES FOR 2005 & 2006 FOR CORPORATIONS**

Companies	Public corporate bodies
10%	25%

Country	Dividends		Royalties		Interest	
	Rev'd. in Cyprus	Paid from Cyprus	Rev'd. in Cyprus	Paid from Cyprus	Rev'd. in Cyprus	Paid from Cyprus
Austria	10	10	nil	nil	nil	nil
Belgium	10	10	10	10	nil	nil
Bulgaria	nil	nil	nil	nil	nil	nil
Canada	15	15	10	10 <sup>8</sup>	15	15 <sup>11</sup>
China	10	10	10	10	10	10
CIS	nil	nil	nil	nil	nil	nil
Czech Rep.	10	10	5	5 <sup>9</sup>	10	10 <sup>12</sup>
Denmark	10	10 <sup>1</sup>	nil	nil	10	10 <sup>13</sup>
Egypt	15	15	10	10	15	15
France	10	10 <sup>2</sup>	nil	nil <sup>10</sup>	10	10 <sup>13</sup>
Germany	15	15 <sup>3</sup>	nil	nil <sup>10</sup>	10	10 <sup>12</sup>
Greece	25	25	nil	nil	10	10
Hungary	5 <sup>1</sup>	nil	nil	nil	10	10 <sup>12</sup>
India	15	15 <sup>2</sup>	15	15	10	10 <sup>12</sup>
Ireland	nil	nil	nil	nil <sup>10</sup>	nil	nil
Italy	15	nil	nil	nil	10	10
Kuwait	10	10	5	5 <sup>9</sup>	10	10 <sup>12</sup>
Malta	<sup>4</sup>	15	10	10	10	10
Mauritius	nil	nil	nil	nil	nil	nil
Norway	nil	nil <sup>5</sup>	nil	nil	nil	nil
Poland	10	10	5	5	10	10
Romania	10	10	5	5 <sup>9</sup>	10	10 <sup>12</sup>
Russia	5/10	5/10	nil	nil	nil	nil
Slovakia	10	10	5	5 <sup>9</sup>	10	10 <sup>12</sup>
Sweden	15	10 <sup>1</sup>	nil	nil	10	10 <sup>12</sup>
Syria	nil	nil <sup>1</sup>	15	15 <sup>16</sup>	10	10
Thailand	10	10	10	10	5/10/15	5/10/15
UK	15	nil <sup>6</sup>	nil	nil <sup>10</sup>	10	10
USA	5	nil <sup>7</sup>	nil	nil	10	10 <sup>14</sup>
Yugoslavia	10	10	10	10	10	10

<sup>1</sup> 15% if received by a company holding directly less than 25% of the capital

<sup>2</sup> 15% if received by a company holding directly less than 10% of the capital

<sup>3</sup> 10% if received by a company holding at least 25% of the capital of the paying company. However, if German corporation tax on distributed profits is lower than that on undistributed profits and the difference between the two rates is 15% or more, the withholding tax is increased from 10% to 27%. In all other cases it is 15%.

<sup>4</sup> Withholding tax shall not exceed the tax chargeable on the profits out of which the dividends are paid.

<sup>5</sup> 5% if received by a company controlling less than 50% of the voting rights.

<sup>6</sup> If received by a company controlling less than 10% of the voting rights, thus entitled to refund of excess ACT deducted in the UK (if it controls more than 10% of the voting rights, it is not entitled to the refund).

<sup>7</sup> 15% if received by a company controlling less than 10% of the voting rights.

<sup>8</sup> Nil on literary, dramatic, musical or artistic work.

<sup>9</sup> Nil for literary, artistic or scientific work, film, and TV royalties.

<sup>10</sup> 5% on film and TV royalties.

<sup>11</sup> Nil if paid to a Government or for export guarantee.

<sup>12</sup> Nil if paid to the Government of the other state.

<sup>13</sup> Nil if paid to the Government of the other state, in respect of bank loans, in connection with the sale on credit of any industrial, commercial or scientific equipment or any merchandise.

<sup>14</sup> Nil if paid to a Government, banks or financial institutions.

<sup>15</sup> Nil if royalties are on literary, artistic or scientific work including films, TV films and radio broadcasting.

<sup>16</sup> 10% on copyright of literary, artistic or scientific work including cinematography films and films or tapes for TV or radio broadcasting.



THE WORLD'S LEADING ASSOCIATION OF INDEPENDENT LAW FIRMS