AGREEMENT OF 19TH MARCH, 1984

United States

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE REPUBLIC OF CYPRUS FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The Government of the United States or America and the Government of the Republic of Cyprus, desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, have agreed as follows:

Article 1
Taxes Covered

(1) The taxes which are the subject of this Convention are:

(a) In the case of the United States, the Federal income taxes imposed by the Internal Revenue Code and the excise taxes imposed on insurance premiums paid to foreign insurers and with respect to private foundations, but excluding the accumulated earnings tax, the personal holding company tax and the social security taxes (the United States tax). The excise tax imposed on insurance premiums paid to foreign insurers is covered, however, only to the extent that the foreign insurer does not reinsure such risks with a person not entitled to exemption from such tax under this or another convention.

(b) In the case of Cyprus, the Income Tax, the Capital Gains Tax and the Special Contribution (the Cypriot Tax).

(2) This Convention shall also apply to taxes substantially similar to those covered by paragraph (1) which are imposed in addition to, or in place of, existing taxes after the date of signature of this Convention.

(3) For the purpose of Article 7 (Non-Discrimination), this Convention shall also apply to taxes of every kind imposed at the national, state, or local level. For the purpose of Article 28 (Exchange of Information), this Convention shall also apply to taxes of every kind imposed at the national level.

Article 2
General Definitions

(1) In this Convention, unless the context otherwise requires:

(a) The term “United States” means the United States of America and when used in a geographical sense includes the states thereof and the District or Columbia, the territorial waters of the United States, and any area outside the states and the District or Columbia which in accordance with international law and the laws of the United States is an area within which the rights of the United States with respect to the natural resources or the seabed and subsoil may be exercised;

(b) The term “Cyprus” means the Republic of Cyprus and when used in a geographical sense includes the territorial waters of Cyprus and any area outside Cyprus which in accordance with international law and the laws of Cyprus is an area within which the rights of Cyprus with respect to the natural resources of the seabed and subsoil may be exercised;

(c) The term "Contracting State" means the United States or Cyprus, as the context requires;

(d) The term "person" includes an individual, a partnership, a corporation, an estate, a trust, or any other body of persons;

(e) **(i)** The term "United States corporation" or "corporation of the United States" means a corporation which is created or organized under the laws of the United States or any state thereof or of the District of Columbia, or any unincorporated entity treated as a United States corporation for United States tax purposes; and

(ii) The term "Cypriot corporation" or "corporation of Cyprus" means an entity (other than a United States corporation) treated as a body corporate for tax purposes under the laws of Cyprus, which is resident in Cyprus for the purposes of Cypriot tax;

(f) The term "competent authority" means:

(i) In the case of the United States, the Secretary of the Treasury or his delegate; and

(ii) In the case of Cyprus, the Minister of Finance or his authorized representative;

(g) The term "State" means any National State, whether or not a Contracting State;

(h) The term "international traffic" means any transport by ship or aircraft, except where such transport is solely between places in the other Contracting State;

(i) The reference to a rate of tax or tax burden which is "substantially less than" means less than 50 percent of.

(2) Any other term used in this Convention and not defined in this Convention shall, unless the context otherwise requires, have the meaning which it has under the laws of the Contracting State whose tax is being determined. Notwithstanding the preceding sentence, if the meaning of such a term under the laws of a Contracting State is different from the meaning of the term under the laws of the other Contracting State, or if the meaning of such a term is not readily determinable under the laws of a Contracting State, the competent authorities of the Contracting States may, in order to prevent double taxation or to further any other purpose of this Convention, establish a common meaning of the term for the purposes of this Convention.

Article 3
Fiscal Residence

(1) In this Convention:

(a) The term "resident of Cyprus" means:

(i) A Cypriot corporation; and

(ii) Any person (except a corporation)

resident in Cyprus for the purposes of its tax, but in the case of income derived or paid by a partnership, estate, or trust this term applies only to the extent that the income derived by such person is subject to Cypriot tax as the income of a resident either in its hands or in the hands of its partners or beneficiaries.

(b) The term "resident of the United States" means:

(i) A United States corporation; and

(ii) A United States citizen and any person (except a corporation) resident in the United States for the purposes of its tax, but in the case of income derived or paid by a partnership, estate, or trust this term applies only to the extent that the income derived by such person is subject to United States tax as the income of a resident either in its hands or in the hands of its partners or beneficiaries.

(2) Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting States:

(a) He shall be deemed to be a resident of that Contracting State in which he maintains his permanent home. If he has a permanent home in both Contracting States or in neither of the Contracting States, he shall be deemed to be a resident of that Contracting State with which his personal and economic relations are closer (center of vital interests):

(b) If his center of vital interests is in neither of the Contracting States or cannot be determined, he shall be deemed to be a resident of that Contracting State in which he has a habitual abode;

(c) If he has a habitual abode in both Contracting States on in neither of the Contracting States, he shall be deemed to be a resident of the Contracting State of which he is a citizen; and

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

(3) An individual who is deemed to be a resident of a Contracting State and not a resident of the other Contracting State by reason of the provisions of paragraph (2) shall be deemed to be a resident only of the first-mentioned Contracting State for all purposes of this Convention, including Article 4 (General Rules of Taxation).

(4) Where by reason of the provisions of paragraph (1) a person other than an individual or a corporation is a resident of both Contracting States, the competent authorities of the Contracting States shall by mutual agreement endeavour to settle the question and to determine the mode of application of the Convention to such person.

Article 4
General Rules Of Taxation

(1) A resident of a Contracting State may be taxed by the other Contracting State or any income from sources within that other Contracting State and only on such income, subject to any limitations set forth in this Convention. For this purpose, the rules set forth in Article 6 (Source of Income) shall be applied to determine the source of income.

(2) The provisions of this Convention shall not be construed to restrict in any manner any exclusion, exemption, deduction, credit, or other allowance now or hereafter accorded:

(a) By the laws of a Contracting State in the determination of the tax imposed by that Contracting State; or

(b) By any other agreement between the Contracting States.

(3) Notwithstanding any provisions of this Convention except paragraph (4) of this Article, a Contracting State may tax a citizen or resident of that Contracting State as if this Convention had not come into effect. For this

purpose the term "citizen" shall include a former citizen whose loss of citizenship had as one of its principal purposes the avoidance of tax, but only for a period of 10 years following such loss.

(4) The provisions of paragraph (3) shall not affect:

(a) The benefits conferred by a Contracting State under Articles 5 (Relief from Double Taxation), 7 (Non- Discrimination), 24 (Social Security Payments), and 27 (Mutual Agreement Procedure); and

(b) The benefits conferred by a Contracting State under Articles 21 (Students and Trainees) and 22 (Governmental Functions) upon individuals who are neither citizens of, nor have immigrant status in, that Contracting State.

(5) Where, pursuant to any provision of this Convention, a Contracting State reduces the rate of tax on, or exempts, income of a resident of the other Contracting State and under the law in force in that other Contracting State the resident is subject to tax by that other Contracting State only on that part of such income which is remitted to or received in that other Contracting State, then the reduction or exemption shall apply only to so much of such income as is remitted to or received in that other Contracting State during the calendar year such income is paid or the next succeeding calendar year.

(6) Where, pursuant to any provision of this Convention other than paragraph 1 of Article 23 (Private Pensions and Annuities), a Contracting State reduces the rate of tax on, or exempts, income of a person who is a resident of the other Contracting State and under the law in force in that other Contracting State such income is subject to a rate of tax or tax burden which is substantially less than the tax which generally would be imposed by that Contracting State on such income if derived from sources within that Contracting State, then the reduction or exemption to be allowed under this Convention in the first-mentioned Contracting State shall not apply.

Article 5
Relief From Double Taxation

Double taxation of income shall be avoided in the following manner:

(1) In accordance with the provisions and subject to the limitations of the law of the United States (as it may be amended from time to time without changing the principles hereof), the United States shall allow to a citizen or resident of the United States as a credit against the United States tax the appropriate amount of the Cypriot tax. However, no such credit shall be allowed with respect to dividends paid by a Cypriot corporation to a resident of the United States, other than a United States corporation owning at least 10 percent of the voting power of such Cypriot corporation. In the case of such a United States corporation, the United States shall allow as a credit against the United States tax on income the appropriate amount of the Cypriot tax paid by the Cypriot corporation with respect to the profits out of which the dividends are paid to the United States corporation. where a credit is allowed pursuant to this paragraph, such appropriate amount shall be based upon the amount of the Cypriot tax paid, but the credit shall not exceed the limitations provided by United States law for the taxable year. For the purpose of applying the United States credit in relation to taxes paid to Cyprus, the rules set forth in Article 6 (Source of Income) shall be applied to determine the source of income.

(2) In accordance with the provisions and subject to the limitations of the law of Cyprus (as it may be amended from time to time without changing the principles hereof), Cyprus shall allow to a citizen or resident of Cyprus as a credit against the Cypriot tax the appropriate amount of the United States tax and, in the case of a Cypriot corporation owning at least 10 percent of the voting power of a United States corporation from which it received dividends in any taxable year, shall allow credit for the appropriate amount of the United States tax paid by the United States corporation paying such dividends with respect to the profits out of which such dividends are paid. Such appropriate amount shall be based upon the amount of the United States tax paid

but shall not exceed that portion of the Cypriot tax, as computed before the credit is given, which is applicable to such items of income. For the purpose of applying the Cypriot credit in relation to taxes paid to the United States, the rules set forth in Article 6 (Source of Income) shall be applied to determine the source of income.

Article 6
Source Of Income

For purposes of this Convention:

(1) Dividends shall be treated as income from sources within a Contracting State only if paid by a corporation of that Contracting State. Notwithstanding the preceding sentence, if the dividends are described in paragraph 4(b) of Article 12 (Dividends), or are dividends paid by a corporation (other than a resident of a Contracting State) which derives 50 percent or more of its total gross income from one or more permanent establishments which such corporation has in the United States, they shall be deemed to be from sources within the United States.

(2) Interest shall be treated as income from sources within a Contracting State only if paid by such Contracting State, a political subdivision or a local authority thereof, or by a resident of that Contracting State. Notwithstanding the preceding sentence, and except for interest described in paragraph 7(c) of Article 13 (Interest) which shall be deemed to be from sources within the United States:

(a) If the person paying the interest (whether or not such person is a resident of a Contracting State) has a permanent establishment in a Contracting State in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment; or

(b) If the person paying the interest is a resident of a Contracting State and has a permanent establishment in a State (other than a Contracting State) in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment

such interest shall be deemed to be from sources within the State in which the permanent establishment is situated.

(3) Royalties described in paragraph (2) of Article 14 (Royalties) for the use of, or the right to use property or rights described in such paragraph shall be treated as income from sources within a Contracting State only to the extent that such royalties are for the use of, or the right to use, such property or rights within that Contracting State.

(4) Income from real property (including royalties), described in Article 15 (Income from Real Property), shall be treated as income from sources within a Contracting State only if such property is situated in that Contracting State.

(5) Income from the rental of tangible personal (movable) property shall be treated as income from sources within a Contracting State only if such property is used in that Contracting State.

(6) Income received by an individual for his performance of labor or personal services, whether as an employee or in an independent capacity, shall be treated as income from sources within a Contracting State only to the extent that such services are performed in that Contracting State. Notwithstanding the preceding sentence, income from personal services performed aboard ships or aircraft operated by a resident of a Contracting State in international traffic shall be treated as income from sources only within that Contracting State if rendered by a member of the regular complement of the ship or aircraft. For the purposes of this paragraph, income from labor or personal

services includes pensions (as defined in paragraph (3) of Article 23 (Private Pensions and Annuities)) paid in respect of such services. Notwithstanding the preceding provisions of this paragraph:

(a) Remuneration described in Article 22 (Governmental functions) and payments described in Article 24 (Social Security Payments) shall be treated as income from sources within a Contracting State only if paid by or from the public funds of that Contracting State or a political subdivision or local authority thereof; and

(b) The portion of directors' fees taxable in a Contracting State under Article 20 (Directors' Fees) shall be treated as income from sources within such Contracting State.

(7) Income from the purchase and sale of intangible or tangible personal (including movable) property (other than gains defined as royalties by paragraph (2)(b) of Article 14 (Royalties)) shall be treated as income from sources within a Contracting State only if such property is either sold in that Contracting State or is property described in paragraph (1)(a) or (b) of Article 16 (Gains) and the real property is located or deemed to be located in that Contracting State.

(8) Notwithstanding paragraphs (1) through (7), industrial or commercial profits which are attributable to a permanent establishment which the recipient, a resident of a Contracting State, has in the other Contracting State, including income derived from real property and natural resources and dividends, interest, royalties (as defined in paragraph (2) of Article 14 (Royalties)), and gains, but only if the property or rights giving rise to such income, dividends, interest, royalties, or gains are effectively connected with such permanent establishment, shall be treated as income from sources within that other Contracting State.

(9) The source of any item of income to which paragraphs (1) through (8) are not applicable shall be determined by each of the Contracting States in accordance with its own law. Notwithstanding the preceding sentence, if the source of any item of income under the laws of one Contracting State is different from the source of such item of income under the laws of the other Contracting State or if the source of such income is not readily determinable under the laws of a Contracting State, the competent authorities of the Contracting States may, in order to prevent double taxation or further any other purpose of this Convention, establish a common source of the item of income for the purposes of this Convention.

Article 7
Non-discrimination

(1) A citizen of a Contracting State shall not be subjected in the other Contracting State to more burdensome taxes than a citizen of that other Contracting State who is in similar circumstances. For purposes of United States taxation, United States citizens who are not resident in the United States and Cypriot citizens who are not resident in the United States are not in similar circumstances.

(2) A permanent establishment which a resident of a Contracting State has in the other Contracting State shall not be subject in that other Contracting State to more burdensome taxes than a resident of that other Contracting State carrying on similar activities. This paragraph shall not be construed as obliging a Contracting State to grant to individual residents of the other Contracting State any personal allowances, reliefs, or deductions for taxation purposes on account of civil status or family responsibilities which it grants to its own individual residents.

(3) Except where the provisions of paragraph 1 of Article 11 (Related Persons), paragraph 5 of Article 13 (Interest), or paragraph 4 of Article 14 (Royalties) apply, interest, royalties and other disbursements paid by a resident of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the

taxable profits of the first-mentioned resident, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned Contracting State. For purposes of this paragraph, the term “other disbursements” shall include charges for amounts expended by a resident of a Contracting State for purposes of a resident of the other Contracting State, including a reasonable allocation of executive and general administrative expenses (except to the extent representing the expenses of a type of activity which is not for the benefit of the resident of the other Contracting State, but constitute “stewardship” or “over-seeing” functions undertaken for the first mentioned resident's own benefit as an investor), research and development, and other expenses incurred by such resident for the benefit of a group of related persons including such resident. Similarly, any debts of a resident of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such first-mentioned resident, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned Contracting State.

(4) A corporation 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 Contracting 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 corporations of the first-mentioned Contracting State are or may be subjected.

Article 8
Business Profits

(1) Industrial or commercial profits of a resident of a Contracting State shall be exempt from tax by the other Contracting State unless such resident is engaged in industrial or commercial activity in that other Contracting State through a permanent establishment situated therein. If such resident is so engaged, tax may be imposed by that other Contracting State on the industrial or commercial profits of such resident but only on so much of such profits as are attributable to the permanent establishment.

(2) Where a resident of a Contracting State is engaged in industrial or commercial activity in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to the permanent establishment the industrial or commercial profits which would be attributable to such permanent establishment if such permanent establishment were an independent entity engaged in the same or similar activities under the same or similar conditions.

(3) In the determination of the industrial or commercial profits of a permanent establishment, there shall be allowed as deductions expenses which are reasonably connected with such profits, including executive and general administrative expenses, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) No profits shall be attributed to a permanent establishment of a resident of a Contracting State in the other Contracting State merely by reason of the purchase of goods or merchandise by that permanent establishment, or by the resident of which it is a permanent establishment, for the account of that resident.

(5) The term “industrial or commercial activity” includes the conduct of manufacturing, mercantile, banking, insurance, agricultural, fishing or mining activities, the operation of ships or aircraft, the furnishing of services and the rental of tangible personal property. Such term does not include the performance of personal services by an individual either as an employee or in an independent capacity.

(6) *(a)* The term “industrial or commercial profits” means income derived from industrial or commercial activity. The term also includes income derived from real property and natural resources and dividends, interest, royalties (as defined in paragraph (2) of Article 14 (Royalties)), and gains but only if the property or rights giving rise to such income, dividends, interest, royalties, or gains is effectively connected with a permanent establishment which the recipient, being a resident of a Contracting State, has in the other Contracting State, whether or not such income is derived from industrial or commercial activity.

(b) To determine whether property or rights are effectively connected with a permanent establishment, the factors taken into account shall include whether rights or property

are used in or held for use in carrying on industrial or commercial activity through such permanent establishment and whether the activities carried on through such permanent establishment were a material factor in the realization of the income derived from such property or rights. For this purpose, due regard shall be given to whether or not such property or rights or such income were accounted for through such permanent establishment.

(7) Where industrial or commercial profits include items of income which are dealt with separately in other Articles of this Convention, the provisions of those Articles shall, except as otherwise provided therein, supersede the provisions of this Article.

Article 9
Permanent Establishment

(1) For purposes of this Convention, the term "permanent establishment" means a fixed place of business through which a resident of a Contracting State engages in industrial or commercial activity.

(2) The term "fixed place of business" includes but is not limited to:

(a) A branch;

(b) An office;

(c) A factory;

(d) A workshop;

(e) A warehouse;

(f) A store or other sales outlet;

(g) A mine, quarry, or other place of extraction of natural resources; and

(h) A building site or construction or installation project or an installation or drilling rig or ship used for the exploration or exploitation of natural resources which lasts for more than six months.

(3) Notwithstanding paragraphs (1) and (2), a permanent establishment shall not include a fixed place of business used only for one or more of the following:

(a) The use of facilities for the purpose of storage, display, or delivery of goods or merchandise belonging to the resident;

(b) The maintenance of a stock of goods or merchandise belonging to the resident for the purpose of storage, display, or delivery;

(c) The maintenance of a stock of goods or merchandise belonging to the resident for the purpose of processing by another person;

(d) The maintenance of a fixed place of business for the purpose of purchasing goods or merchandise, or for collecting information, for the resident;

(e) The maintenance of a fixed place of business for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character, for the resident; or

(f) The maintenance of a building site or construction or installation Project or an installation or drilling rig or ship used for the exploration or exploitation of natural resources which does not last for more than six months.

(4) A person acting in a Contracting State on behalf of a resident of the other Contracting State, other than an agent of an independent status to whom paragraph (5) applies, shall be deemed to be a permanent establishment in the first-mentioned Contracting State if such person has, and habitually exercises in the first-mentioned Contracting State, an authority to conclude contracts in the name of that resident, unless the activities of such person are limited to those mentioned in paragraph (3) which, if exercised through a fixed place of business, would not make the fixed place of business a permanent establishment under the provisions of that paragraph.

(5) A resident of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because such resident engages in industrial or commercial activity in that other Contracting State through a broker, general commission agent, or any other agent of an independent status, where such broker or agent is acting in the ordinary course of his business.

(6) The fact that a resident of a Contracting State is a related person (within the meaning of Article 11 (Related Persons)) with respect to a resident of the other Contracting State or with respect to a person who engages in industrial or commercial activity in that other Contracting State (whether through a permanent establishment or otherwise) shall not be taken into account in determining whether that resident of the first-mentioned Contracting State has a permanent establishment in that other Contracting State.

(7) The principles set forth in paragraphs (1) through (6) shall be applied in determining for the purposes of this Convention whether there is a permanent establishment in a State other than a Contracting State or whether a person other than a resident of a Contracting State has a permanent establishment in a Contracting State.

Article 10
Shipping And Air Transport

(1) Notwithstanding Articles 8 (Business Profits) and 16 (Gains), income which a resident of a Contracting State derives from the operation in international traffic of ships or aircraft, including gains derived from the sale, exchange, or other disposition of such ships or aircraft, shall be exempt from tax by the other Contracting State.

(2) For purposes of this Article, profits from the operation in international traffic of ships or aircraft include profits derived from the rental on a full or bare-boat basis of ships or aircraft if operated in international traffic by the lessee or if such rental profits are incidental to other profits described in paragraph (1).

(3) Profits of a resident of a Contracting State from the use, maintenance or rental of containers (including trailers, barges, and related equipment for the transport of containers) used for the transport in international traffic of goods or merchandise shall be taxable only in that Contracting State.

Article 11
Related Persons

(1) Where a person subject to the taxing jurisdiction of a Contracting State and any other person are related and where such related persons make arrangements or impose conditions between themselves which are different from those which would be made between independent persons, any income, deductions, credits, or allowances which would, but for those arrangements or conditions, have been taken into account in computing the income (or loss) of, or the tax payable by, one of such persons, may be taken into account in computing the amount of the income subject to tax and the taxes payable by such person.

(2) For purposes of this Convention, a person is related to another person if either person owns or controls directly or indirectly the other, or if any third person or persons own or control directly or indirectly both. For this purpose, the term “control” includes any kind of control, whether or not legally enforceable, and however exercised or exercisable.

(3) Where an adjustment has been made by a Contracting State in accordance with paragraph (1), the other Contracting state shall, if it agrees that the adjustment by the first-mentioned Contracting State was in accordance with paragraph (1), make a corresponding adjustment to the income, loss or tax of the related person in that other Contracting State.

Article 12
Dividends

(1) Dividends derived from sources within Cyprus by a resident of the United States 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 the United States shall be entitled to a refund of any Cypriot 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.

(2) The rate of tax imposed by the United States on dividends, other than dividends of the type described in paragraph 4 (b), derived from sources within the United States by a resident of Cyprus shall not exceed:

(a) 15 percent of the gross amount of the dividend; or

(b) When the recipient is a corporation, 5 percent of the gross amount of the dividend if:

(i) During the part of the paying corporation's taxable year which precedes the date of payment of the dividend and during the whole of its prior taxable year (if any), at least 10 percent of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation; and

(ii) Not more than 25 percent of the gross income of the paying corporation for such prior taxable year (if any) consists of interest or dividends (other than interest derived from the conduct of a banking, insurance, or financing business and dividends or interest received from subsidiary corporations, 50 percent or more of the outstanding shares of the voting stock of which is owned by the paying corporation at the time such dividends or interest is received).

(3) Paragraphs (1) and (2) shall not apply if the recipient of the dividends, being a resident of a Contracting State, has in the other Contracting State a permanent establishment and the shares with respect to which the dividends are paid are effectively connected with such permanent establishment. In such a case, the provisions of Article 8 (Business Profits) shall apply.

(4) Dividends paid by a corporation of a Contracting State to a person other than a resident of the other Contracting State shall be exempt from tax by the other Contracting State, unless

(a) The recipient of the dividends has a permanent establishment in the other Contracting State and the shares with respect to which the dividends are paid are effectively connected with such permanent establishment; or

(b) The corporation paying the dividends is a Cypriot corporation which derives 50 percent or more of its total gross income from one or more permanent establishments which such corporation has in the United States.

Article 13
Interest

(1) Interest derived from sources within a Contracting State by a resident of the other Contracting State may be taxed by both Contracting States.

(2) The rate of tax imposed by a Contracting State on interest, other than interest described in paragraph 7(c) of this Article, derived from sources within that Contracting State by a resident of the other Contracting State shall not exceed 10 percent of the gross amount of such interest.

(3) Notwithstanding paragraphs (1) and (2), interest beneficially derived by:

(a) A Contracting State, or an instrumentality of that Contracting State not subject to tax by that Contracting State on its income;

(b) A resident of a Contracting State with respect to debt obligations (including any related debt obligations) guaranteed or insured by that Contracting State or an instrumentality thereof;

(c) A bank or other financial institution; or

(d) A resident of a Contracting State with respect to debt obligations arising in connection with the sale of property or the performance of services;

shall be exempt from tax by the other Contracting State.

(4) Paragraphs (2) and (3) shall not apply if the recipient of the interest, being a resident of a Contracting State, has a permanent establishment in the other Contracting State and the indebtedness giving rise to the interest is effectively connected with such permanent establishment. In such a case, the provisions of Article 8 (Business Profits) shall apply.

(5) Where any interest paid by a person to any related person (within the meaning of Article 11 (Related Persons)) exceeds an amount which would have been paid to an unrelated person, the provisions of this Article shall apply only to so much of the interest as would have been paid to an unrelated person. In such a case the excess payment may be taxed by each Contracting State according to its own law, including the provisions of this Convention where applicable.

(6) The term "interest" as used in this Convention means income from bonds, debentures, government securities, notes, or other evidences of indebtedness, whether or not secured and whether or not carrying a right to participate in profits, and debt-claims of every kind, as well as all other income which, under the taxation law of the Contracting State in which the income has its source, is assimilated to income from money lent.

(7) Interest paid by a resident of a Contracting State to a person other than a resident of the other Contracting State shall be exempt from tax by the other Contracting State, unless:

(a) Such interest is treated as income from sources within the other Contracting State under paragraph (2) of Article 6 (Source of Income);

(b) The recipient of the interest has a permanent establishment in the other Contracting State and the indebtedness giving rise to the interest is effectively connected with such permanent establishment; or

(c) The resident paying the interest is a Cypriot corporation which derives 50 percent on more of its total gross income from one or more permanent establishments which such corporation has in the United States.

Article 14
Royalties

(1) Royalties derived from sources within a Contracting State by a resident of the other Contracting State shall be exempt from tax by the first-mentioned Contracting State.

(2) The term "royalties" as used in this Article means:

(a) Payment of any kind made as consideration for the use of, or the right to use, copyrights of literary, artistic, or scientific works, motion pictures and works on film, videotape or other means of reproduction used for radio or television broadcasting, patents, designs, models, plans, secret processes or formulae, trademarks, or other like property or rights, or knowledge, experience, or skill (know-how); and

(b) Gains derived from the sale, exchange, or other disposition of any such property or rights to the extent that the amounts realized on such sale, exchange, or other disposition, for consideration are contingent on the productivity, use, or disposition of such property or right.

(3) Paragraph (1) shall not apply if the recipient of the royalties, being a resident of a Contracting State, has a permanent establishment in the other Contracting State and the property or rights giving rise to the royalties are effectively connected with such permanent establishment. In such a case, the provision of Article 8 (Business Profits) shall apply.

(4) Where any royalty paid by a person to any related person (within the meaning of Article 11 (Related Persons)) exceeds an amount which would have been paid to an unrelated person, the provisions of this Article shall apply only to so much of the royalty as would have been paid to an unrelated person. In such a case the excess payment may be taxed by each Contracting State to its own law, including the provisions of this Convention where applicable.

Article 15
Income From Real Property

(1) Income from real property, including royalties and other payments in respect of the exploitation of natural resources and gains derived from the sale, exchange, or other disposition of such property or of the right giving rise to such royalties or other payments, may be taxed by the Contracting State in which such real property or natural resources are situated. For purposes of this Convention, interest on indebtedness secured by real property or secured by a right giving rise to royalties or other payments in respect of the exploitation of natural resources shall not be regarded as income from real property.

(2) Paragraph (1) shall apply to income derived from the usufruct, direct use, letting, or use in any other form of real property.

(3) A resident of a Contracting State who is subject to tax in the other Contracting State on income from real property, including royalties and other payments in respect of the exploitation of natural resources and gains derived from the sale, exchange or other disposition of such property or of the right giving rise to such royalties, may elect for any taxable year to compute that tax on such income on a net basis as if such resident were engaged in trade or business in the other Contracting State. Any such election shall be binding for the taxable year of the election and all subsequent taxable years unless the competent authorities of the two Contracting States, pursuant to a request by the taxpayer made to the competent authority of the Contracting State in which the taxpayer is a resident, agree to terminate the election.

Article 16
Gains

(1) A resident of a Contracting State shall be exempt from tax by the other Contracting State on gains from the sale, exchange or other disposition of assets unless the gain is derived from the sale, exchange or other disposition:

(a) where the United States is the other State, real property referred to in Article 15 (Income from Real Property) which is situated in the United States and a United States real property interest; and

(b) where Cyprus is the other State, real property referred to in Article 15 (Income from Real Property) which is situated in Cyprus and an interest in real property situated in Cyprus.

(c) property (other than property described in subparagraphs (a) and (b)) forming part of the business property of a permanent establishment which a resident of a Contracting State has in the other Contracting State or 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.

(2) In the case of gains described in paragraph 1(a) and (b), the provisions of Article 15 (Income from Real Property) shall apply. In the case of gains described in paragraph 1(c) the provisions of Article 8 (Business Profits), Article 15 (Income from Real Property) or Article 17 (Independent Personal Services) shall apply, as the case may be.

(3) For purposes of this Convention, a United States real property interest shall be considered to be situated in the United States, and an interest in real property situated in Cyprus shall be considered to be situated in Cyprus.

Article 17
Independent Personal Services

(1) Income derived by an individual who is a resident of a Contracting State from the performance of personal services in an independent capacity may be taxed by that Contracting State. Except as provided in paragraph (2) such income shall be exempt from tax by the other Contracting State.

(2) Income derived by an individual who is a resident of a Contracting State from the performance of personal services in an independent capacity in the other Contracting State may be taxed by that other Contracting State, if:

(a) The individual is present in that other Contracting State for a period or periods aggregating 183 days or more in the taxable year; or

(b) The individual has a fixed base regularly available to him in that other Contracting State for the purpose of performing his services, but only so much of the income as is attributable to such fixed base.

Article 18
Dependent Personal Services

(1) Wages, salaries, and similar remuneration derived by an individual who is a resident of a Contracting State from labor or personal services performed as an employee, including income from services performed by an officer of a corporation, may be taxed by that Contracting State. Except as provided by paragraph (2) such remuneration derived from sources within the other Contracting State may also be taxed by that other Contracting State.

(2) Remuneration described in paragraph (1) derived by an individual who is a resident of a Contracting State shall be exempt from tax by the other Contracting State if:

(a) He is present in that other Contracting State for a period or periods aggregating less than 183 days in the taxable year;

(b) The remuneration is paid by, or on behalf of, an employer who is not a resident of that other Contracting State; and

(c) The remuneration is not borne as such by a permanent establishment, a fixed base or a trade or business which the employer has in that other Contracting State.

(3) Notwithstanding paragraph (2), remuneration derived by an individual from the performance of labor or personal services as an employee aboard ships or aircraft operated by a resident of a Contracting State in international traffic shall be exempt from tax by the other Contracting State if such individual is a member of the regular complement of the ship or aircraft.

Article 19
Artistes And Athletes

(1) Notwithstanding the provisions of Articles 17 (Independent Personal Services) and 18 (Dependent Personal Services), 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 Contracting State, except where the amount of the gross receipts derived by such entertainer or athlete, not including expenses reimbursed to him or borne on his behalf, from such activities does not exceed five hundred United States dollars or its equivalent in Cypriot pounds per day, or five thousand United States dollars or its equivalent in Cypriot pounds for the taxable year concerned.

(2) To the extent that income in respect of activities exercised by an entertainer or an athlete in his capacity as such accrues not to that entertainer or athlete but to another person, that income may, notwithstanding the provisions of Articles 8 (Business Profits), 17 (Independent Personal Services), and 18 (Dependent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised. For purposes of the preceding sentence, income of an entertainer or athlete shall be deemed not to accrue to another person if it is established that neither the entertainer or athlete, nor persons related thereto, participate directly or indirectly in the profits of such other person in any manner, including the receipt of deferred remuneration, bonuses, fees, dividends, partnership distributions or other distributions.

Article 20
Directors' Fees

Fees derived by a resident of a Contracting State in his capacity as a member of the board of directors of a corporation of the other Contracting State (but not including fixed or contingent payments derived in his capacity as an officer or employee) may, to the extent such fees are in excess of a reasonable fixed amount for each day of attendance payable to all directors of the corporation for attendance at the directors' meeting in such other Contracting State, be taxable in such other Contracting State.

Article 21
Students And Trainees

(1) *(a)* An individual who is a resident of a Contracting State at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State for the primary purpose of:

(i) Studying at a university or other recognized educational institution in that other Contracting State; or

(ii) Securing training required to qualify him to practice a profession or professional speciality; or

(iii) Studying or doing research as a recipient of a grant, allowance, or award from a governmental, religious, charitable, scientific, literary, or educational organization;

shall be exempt from tax by that other Contracting State for a period not exceeding five taxable years from the date of his arrival in that other Contracting State, and for such additional period of time as is necessary to complete, as a full-time student, educational requirements as a candidate for a postgraduate or professional degree from a recognized educational institution, with respect to amounts described in subparagraph (b).

(b) The amounts referred to in subparagraph (a) are:

(i) Gifts from abroad for the purpose of his maintenance, education or training;

(ii) The grant, allowance or award; and

(iii) Income from personal services performed in that other Contracting State in an amount not in excess of 2,000 United States dollars or its equivalent in Cypriot pounds for any taxable year.

(2) An individual who is a resident of a Contracting State at the time he becomes temporarily present in the other Contracting State and who is temporarily present in that other Contracting State as an employee of, or under contract with, a resident of the first- mentioned Contracting State, for the primary purpose of:

(a) Acquiring technical, professional, or business experience from a person other than a resident of the first- mentioned Contracting State or other than a person related to such resident; or

(b) Studying at a university or other recognized educational institution in that other Contracting State;

shall be exempt from tax by that other Contracting State for a period not exceeding one year with respect to his income from personal services in an aggregate amount not in excess of seven thousand five hundred United States dollars or its equivalent in Cypriot pounds.

(3) An individual who is a resident of a Contracting State at the time he becomes temporarily present in the other Contracting State and who is temporarily present in the other Contracting State for a period not exceeding one year, as a participant in a program sponsored by the Government of that other Contracting State, for the primary purpose of training, research, or study, shall be exempt from tax by that other Contracting State with respect to his income from personal services in respect of such training, research, or study performed in that other Contracting State in an aggregate amount not in excess of ten thousand United States dollars or its equivalent in Cypriot pounds.

Article 22
Governmental Functions

Wages, salaries, and similar remuneration, including pensions, annuities, or similar benefits, paid from public funds of a Contracting State to a citizen of that Contracting State for labor or personal services performed as an employee of that contracting State in the discharge of governmental functions shall be exempt from tax by the other Contracting State.

Article 23
Private Pensions And Annuities

(1) Except as provided in Article 22 (Governmental Functions) pensions and other similar remuneration paid to an individual who is a resident of a Contracting State in consideration of past employment shall be taxable only that Contracting State.

(2) Alimony and annuities paid to an individual who is a resident of a Contracting State shall be taxable only in that Contracting State.

(3) The term "pensions and other similar remuneration" as used in this Article, means periodic payments made:

(a) By reason of retirement or death in consideration for services rendered; or

(b) By way of compensation for injuries received in connection with past employment.

(4) The term "annuities", as used in this Article, means a stated sum paid periodically at stated times during life, or during a specified number of years, under an obligation to make the payments in return for adequate and full consideration (other than services rendered).

(5) The term "alimony", as used in this Article, means periodic payments made pursuant to a decree of divorce, separate maintenance agreement, or support or separation agreement which is taxable to the recipient under the internal laws of the Contracting State of which he is a resident.

Article 24
Social Security Payments

Social security payments and other public pensions paid by a Contracting State to an individual who is a resident of the other Contracting State or a citizen of the United States shall be taxable only in the first-mentioned Contracting State. This Article shall not apply to payments described in Article 22 (Governmental Functions).

Article 25
Diplomatic And Consular Officers

Nothing in this Convention shall affect the fiscal privileges of diplomatic and consular officials under the general rules of international law or under the provisions of special agreements.

Article 26
Limitation On Benefits

(1) A person (other than an individual) which is a resident of a Contracting State shall not be entitled under this Convention to relief from taxation in the other Contracting State unless

(a) more than 75 percent of the beneficial interest in such person (or in the case of a corporation, more than 75 percent of the number of shares of each class of the corporation's shares) is owned, directly or indirectly, by one or more individual residents of the first-mentioned Contracting State; and

(b) the gross income of such person is not used in substantial part, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons who are residents of a State other than a Contracting State and who are not citizens of the United States.

For the purposes of subparagraph a), a corporation that has substantial trading in its stock on a recognized exchange in a Contracting State is presumed to be owned by individual residents of that Contracting State. A stock exchange shall be treated as a "recognized exchange" by agreement of the competent authorities of the Contracting States.

(2) Paragraph 1 shall not apply if it is determined that the establishment, acquisition and maintenance of such person and the conduct of its operations did not have as a principal purpose obtaining benefits under the Convention.

(3) Where:

(a) income derived by a trustee is to be treated for the purposes of this Convention as income of a resident of one of the Contracting States; and

(b) the trustee derived the income in connection with a scheme a principal purpose of which was to obtain a benefit under this Convention,

then, notwithstanding any other provision of this Convention, the Convention does not apply in relation to that income.

Article 27
Mutual Agreement Procedure

(1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention, he may, notwithstanding the remedies provided by the national laws of the Contracting States, present his case to the competent authority of the Contracting State of which he is a resident. Should the resident's claim be considered to have merit by the competent authority of the Contracting State to which the claim is made, it shall endeavor to come to an agreement with the competent authority of the other Contracting State with a view to the avoidance of taxation contrary to the provisions of this Convention.

(2) The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the application of this Convention. In particular, the competent authorities of the Contracting States may agree:

(a) To the same attribution of income, deductions, credits or allowances of a resident of a contracting State to its permanent establishment situated in the other Contracting State;

(b) To the same allocation of income, deductions, credits, or allowances between persons, including a uniform position on the application of the requirements of paragraph (2) of Article 7 (Non-Discrimination);

(c) To the same determination of the source of particular items of income;

(d) To a uniform accounting for income and deductions;

(e) To the same characterization of particular items of income; and

(f) To a common meaning of a term.

The competent authorities may also consult together for the elimination of double taxation in cases not provided for in the Convention.

(3) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of this Article. When it seems advisable for the purpose of reaching agreement, the competent authorities may meet together for an oral exchange of opinions.

(4) In the event that the competent authorities of the Contracting States reach such an agreement, taxes shall be imposed and refund or credit of taxes shall be allowed by the Contracting States in accordance with such agreement. Such a refund or credit of tax shall be allowed notwithstanding any time limits in the domestic law of the Contracting States.

(5) In cases where this Convention specifies a dollar amount, the competent authorities may agree to a higher dollar amount.

(6) The competent authorities of the Contracting States may prescribe such rules and procedures as are necessary to carry out the purposes of this Convention.

Article 28
Exchange Of Information

(1) The competent authorities of the Contracting States shall exchange such information as is pertinent to carrying out the provisions of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention.

(a) The competent authority of each Contracting State shall be empowered by this Convention to secure within that State such information as is necessary to comply with this provision.

(b) Any information so exchanged shall be treated as secret and shall not be disclosed to any persons other than those (including a court or administrative body) concerned with assessment, collection, enforcement, or prosecution in respect of or administration of the taxes which are the subject of this Convention.

(2) If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall obtain the information to which the request relates in the same manner as if the tax of the first-mentioned Contracting State were the tax of that other Contracting State and were being imposed by that other Contracting State. If specifically requested by the competent authority of a Contracting State, the competent authority of the other Contracting State shall provide information under this Article in the form of depositions of witnesses and authenticated copies of unedited original documents (including books, papers, statements, records, accounts, or writings), to the same extent such depositions and documents can be obtained under the laws and administrative practices of such other Contracting State with respect to its own taxes.

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

(a) To carry out administrative measures at variance with the laws or the administrative practice of that Contracting State or the other Contracting State;

(b) To supply particulars which are not obtainable under the laws, or in the normal course of the administration, of that Contracting State or of the other Contracting State; or

(c) To supply information which would disclose any trade, business, industrial, commercial, or professional secret or trade process, or information, the disclosure of which would be contrary to public policy.

However, each Contracting State may, at its discretion, provide assistance which, under subparagraphs (a), (b) and (c), it is not obligated to provide.

(4) The exchange of information shall be either on a routine basis or on request with reference to particular cases. The competent authorities of the Contracting States may agree on the information which shall be furnished on a routine basis.

(5) The competent authorities of the Contracting States shall notify each other of any amendments of the tax laws referred to in paragraph (1) of Article 1 (Taxes Covered) and of the adoption of any taxes referred to in paragraph (2) of Article 1 (Taxes Covered) by transmitting the texts of any amendments or new statutes.

(6) The competent authorities of the Contracting States shall notify each other of the publication by their respective Contracting States of any material concerning the application of this Convention, whether in the form of regulations, rulings, or judicial decisions, by transmitting the texts of any such materials.

Article 29
Assistance In Collection

(1) Each of the Contracting States shall endeavor to collect on behalf of the other Contracting State such taxes imposed by that other Contracting State as will ensure that any exemption or reduced rate of tax granted under this Convention by that other Contracting State shall not be enjoyed by persons not entitled to such benefits.

(2) In no case shall this Article be construed so as to impose upon a Contracting State the obligation to carry out measures at variance with the laws, administrative practices, or public policy of either Contracting State with respect to the collection of its own taxes.

Article 30
Entry Into Force

This Convention shall be ratified and instruments of ratification shall be exchanged at Washington as soon as possible. It shall enter into force upon the exchange of the instruments of ratification. /1/ The provisions shall for the first time have effect with respect to income of calendar years or taxable years beginning (or in the case of taxes payable at the source, payments made) on or after the first day of January of the year next following the year in which this Convention enters into force.

Article 31
Termination

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention at any time after five years from the date on which this Convention enters into force provided that at least six months' prior notice of termination has been given through diplomatic channels. In such event, the Convention shall cease to have force and effect as respects income of calendar years or taxable years beginning (or, in the case of taxes payable at the source, payments made) on or after the first day of January next following the expiration of the six- month period.