

Act (1989:686) on the double taxation treaty between Sweden and Cyprus

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1 § The agreements to avoid double taxation with respect to income Sweden and Cyprus signed October 25, 1988 shall be valid for Sweden. Content of the agreement set out in Annex to this Act.

2 § Agreement taxation rules apply only to the extent that these entail reduction of the charge in Sweden that would otherwise exist.

§ 3 If a person believes that it taken any measure for his result or will result in taxation contrary to the provisions of the contract, he may apply for redress under Article 23 paragraph 1 of the Agreement.

4 § Repealed by *Act (2011:1335)* .

Annex

Agreement between the Government of Sweden and the Government of Cyprus to avoid double taxation regarding income

Government of Sweden and the Government of Cyprus, desiring to conclude an agreement to avoid double taxation regarding income, have agreed as follows:

Article 1 Persons to whom the Convention applies

This Agreement shall apply to persons who are residents of a Contracting State or of both Contracting States.

Article 2 Taxes covered by the Agreement

1. This Agreement 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.

2nd With 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.

third The existing taxes to which the Convention applies is

a) in Cyprus:

- 1) income tax;
 - 2) the capital gains tax, and
 - 3) the special charge
- (Hereinafter called "Cyprus tax").

b) in Sweden:

- 1) the state income tax, the sailors' tax and coupon tax included;
 - 2) compensation tax and the distribution tax,
 - 3) the tax on public performances,
 - 4) the tax, and
 - 5) profit sharing tax
- (Hereinafter referred to as "Swedish tax").

4th The Agreement shall also apply to any identical or substantially similar taxes 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 important changes which have been in the tax laws of the respective States.

Article 3 General Definitions

1. Unless the context otherwise requires, the purposes of this Agreement, the following terms as defined below:

- a) "Cyprus" means the Republic of Cyprus and, when used in a geographical sense, means the territory of Cyprus, Cyprus's territorial waters and other maritime areas over which Cyprus, in accordance with international law, exercises sovereign rights or jurisdiction,
- b) "Sweden" means the Kingdom of Sweden and, when used in a geographical sense, means the territory of Sweden, the Swedish territorial and 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 Cyprus and the Kingdom of Sweden as the context requires,
- d) "person" includes an individual, a company and any other body,
- e) "company" means any body corporate or any entity which is treated as a legal person,
- 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) "national" means

1) natural persons who are nationals of a Contracting State and

2) any legal person, partnership or association formed under the laws in force in a Contracting State, in) "competent authority" means

1) in Cyprus, the Minister of Finance or his authorized representative;

2) in Sweden, the Minister of Finance, his authorized representative or the authority which is designated as a competent authority for the purposes of the agreement.

2nd Where a Contracting State applies the Agreement shall, unless the context otherwise requires, any term not defined therein shall 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 law of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other similar circumstance. The term does not include any person who is liable to tax in that State in respect only of income from sources in that State.

2nd Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting States, then his status 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 in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (center of vital interests).

b) If it can not be determined State in which he has his center of vital interests or if he is not in either State has a permanent home available to him, he is deemed to be a resident of the State where he usually resides.

c) if he has an habitual abode in both States or if he does not reside permanently in any of them, he shall be deemed to be a resident of the state where he is a national.

d) if he is a national of both States or if he is not a citizen of any of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

third 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.

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.

2nd term "permanent establishment" includes especially

a) a place of management;

b) branch,

c) an office;

- d) a factory;
- e) a workshop;
- f) a mine, an oil or gas well, a quarry or any other place of

extraction of natural resources.

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

4th Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall not include

- a) the use of facilities solely for the storage, display or delivery of goods or merchandise belonging,
- b) the maintenance of a company belonging inventories purpose of storage, display or delivery,
- c) the maintenance of one belonging to the enterprise solely for the inventory of processing by another enterprise ,
- d) the maintenance of a fixed place of business solely for the purchase of merchandise or of collecting information, for the enterprise,
- e) the maintenance of a fixed place of business solely 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 subparagraphs a) - e), provided that all the activities of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5th If the person who is not an independent status to whom paragraph 6 applies is acting for a company and of a Contracting State has, and habitually exercises an authority to conclude contracts in the name, this is regarded companies -

Notwithstanding the provisions of paragraphs 1 and 2 - have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise. This does not apply, 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 said point.

6. Companies are considered 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 independent status, provided that such persons are acting in the ordinary course of business.

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

2nd The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property is located. The term includes 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 immovable property.

third The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or other use of real property.

4th The provisions of paragraphs 1 and 3 shall also apply to 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 enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2nd An enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, provision, unless the provisions of paragraph 3 to the contrary, in each Contracting State to that permanent establishment the profits which it can be assumed that the establishment would have acquired 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.

third In determining the permanent establishment shall be allowed as deductions expenses which are incurred for the permanent establishment, including costs for executive and general administrative expenses, whether incurred in the State in which the permanent establishment is situated or elsewhere.

4th To the extent that income attributable to a permanent establishment in a Contracting State is determined on the basis of an apportionment of the company's total profits of the various parts, nothing in paragraph 2 shall preclude that Contracting State from the taxable income is determined by such a procedure. The method of apportionment adopted shall, however, be such that the result is consistent with the principles in this article.

5th Profits shall be attributed to a permanent establishment by reason of the goods purchased by that permanent establishment or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits attributable to the permanent establishment by the same method year by year unless there is good and sufficient reason to the contrary.

7. Included in capital operating income which are dealt with separately in other Articles of this Convention, then the provisions of those articles of the rules in 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 Contracting State.

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

third Notwithstanding the foregoing provisions, capital of ships in international traffic derived by a company or partnership resident in Cyprus whose capital is more than 25% is controlled, directly or indirectly, by persons who are not residents of Cyprus are taxed in Sweden. This does not apply if the company or partnership shows that income is subject to the Cypriot tax that would be paid on such income if the tax computed without observing provision identical with, or similar provisions of the signing of this agreement in respect of the Merchant Shipping (tax provisions) .

4th Respect of income derived by the Danish, Norwegian and Swedish air transport consortium Scandinavian Airlines System (SAS), the provisions of paragraph 1 only in respect of the portion of income that corresponds to the participation held in that consortium by AB Aero Transport (ABA), 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 takes part in this company's capital, 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, or takes part in both their capital, observed the following.

Between the two enterprises in their commercial or financial relations made or imposed conditions, 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 that enterprise and taxed accordingly.

2nd Where profits on which an enterprise of a Contracting State to tax in that State, also included in the profits of an enterprise of the other Contracting State and taxed accordingly in that other State and the profits so included are profits which would have accrued to the company in that other State if the conditions made between the enterprises had been those which would be made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of tax imposed on the income of that State. In determining such adjustment, due to the other

provisions of this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

Article 10 Dividends

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

2nd 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 of the dividends the tax so charged shall not exceed

a) 5 percent of the gross dividends if the beneficial owner of the dividends is a company (other than a partnership) which holds directly at least 25 percent of the company making the payment,

b) 15 per cent of the gross amount of 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 company's taxable profits out of which dividends are paid.

third 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 in a company, which under the laws of the state where the distributing company domiciled for tax purposes be treated the same as income from shares.

4th As long as no withholding tax on dividends is not levied in Cyprus, is, notwithstanding the provisions of paragraph 2, dividends from a company resident in Cyprus for a resident of Sweden shall be exempt from any tax imposed in Cyprus in addition to tax on the profits of which the dividends are paid. An individual resident in Sweden are entitled to recover the Cypriot tax paid on the profits out of which dividends are paid to the extent that the tax exceeds that which he himself would have had to pay in Cyprus.

5th Dividends paid by a company resident in Cyprus to companies resident in Sweden shall, notwithstanding the provisions of paragraph 1 shall be exempt from taxation in Sweden to the extent the dividends would have been exempt under Swedish law if both companies had been Swedish companies. This exemption shall not only

a) the profits out of which the dividends are paid have been subjected to the normal Cypriot company income tax or income tax comparable thereto, or

b) the dividend paid by the company resident in Cyprus exclusively or almost exclusively of dividends which the company during the year or in previous years received on shares that the Company holds in a company resident in a third State, and which would have been exempt from Swedish tax on the shares on which the dividends are paid were held directly by the company resident in Sweden.

6. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends is 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 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.

7. Where a company which is a resident of a Contracting State derives income from the other Contracting State, that other State may not tax 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, even if the dividends paid or the undistributed profits consist wholly or partly of 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.

2nd 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. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

third Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and supported by the other Contracting State Government, its political subdivisions and local authorities including, Governor or state financial institution shall be exempt from tax in the first-mentioned Contracting State.

4 . For purposes of paragraph 3, the terms "Governor" and "State financial institution" have the following meanings:

a) in Cyprus:

- 1) Cyprus Governor and
- 2) government financial institution that the competent authorities of the

Contracting States have agreed upon,

b) in Sweden:

- 1) Sveriges Riksbank and National Debt Office and
- 2) government financial institution that the competent authorities of the Contracting States agreed.

5th The term "interest" as used in this Article means income from any kind of claim, whether secured by mortgage on immovable property or not, and either carrying a right to participate in the debtor or not. In particular, income from securities issued by the State and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment is not considered as interest for the purposes of this article.

6. provisions of paragraphs 1 and 2 shall apply not, 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, and the loans for 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.

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. If, 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, and such interest is borne by such permanent establishment or fixed arrangement, 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, with respect to the claim for which it is paid, exceeds the amount which would have been agreed between the payer and the beneficial owner if such relationship existed, the provisions of this Article shall apply only to the last mentioned amount. In such case, the excess amount under the laws of each Contracting State, due to the other provisions of this Agreement.

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 the person concerned is entitled to royalties.

2nd The term "royalties" 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 recording 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.

3rd The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties is 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 fixed base, 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.

4th Where by reason of a special relationship between the payer and the beneficial owner of the royalties, or between both of them and some other person, with respect 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 of the royalties, if such relationship existed, the provisions of this Article shall apply only to the last

mentioned amount. In such case, the excess amount under the laws of each Contracting State, due to the other provisions of this Agreement.

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 from the alienation of shares of a company whose principal assets consist of such immovable property may be taxed in that other State.

2nd Gains from the 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 for the purpose of performing independent personal services, resident of a Contracting State has in the other Contracting State may be taxed in that other State. The same applies to profits from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base.

third 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.

Respect to gains derived by the consortium Scandinavian Airlines System (SAS), the provisions of this paragraph in respect only of that part of the profits as corresponds to the participation held in that consortium by AB Aero Transport (ABA), the Swedish partner of Scandinavian Airlines System (SAS) .

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

5th In the case where an individual has been a resident of a Contracting State and become a resident of the other Contracting State prejudice to paragraph 4 is not the first State the right to tax such gains from the alienation of property which such person receives at any time during the seven years immediately following the person ceased to be a resident of the first-mentioned State.

Article 14 Independent personal

1. Income derived by a resident of a Contracting State from the performance of professional services or other independent activities shall be taxable only in that State unless he in the other Contracting State has a fixed base regularly available to him in order to pursue the activity. If he has such a fixed base, the income may be taxed in the other State but only so much of them as is attributable to that fixed base.

2nd The term "professional" 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 Income

1. Subject to the provisions of Articles 16, 18, 19 and 20, salaries, wages and other similar remuneration (excluding pension) derived by a resident of a Contracting State

in respect of employment, only in that State unless the employment exercised in the other Contracting State. If services are rendered in that other State, such remuneration as is derived therefrom may be taxed there.

2nd 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, only in the first-mentioned State if:

- a) the recipient is present in the other State for a period or periods exceeding in the aggregate 183 days in any twelve month period, and
- b) the remuneration is paid by, or on behalf of an employer who is not a resident of that 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.

third Notwithstanding the preceding provisions of this Article, remuneration for 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 income of an employment exercised aboard an aircraft operated in international traffic by the consortium Scandinavian Airlines System (SAS), such remuneration shall be taxable only in Sweden.

Article 16 Directors' fees

Directors' fees and other similar remuneration derived by a resident of a Contracting State in his capacity as a member of the board of directors or a similar organ of a company resident in 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 from his personal activities in the other Contracting State as an entertainer, such as theater, motion picture, radio or television artiste, or a musician, or of be taxed in that other State.

2nd 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 artist 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 political subdivision or local 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 and
1) is a citizen of this State, or

2) is not a resident of that State solely for the work.

2nd 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 political subdivision or local 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 and a national of that State.

third 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 local authority.

Article 19 Students

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 not be taxed in that Contracting State for

a) amounts paid to him from sources outside that State for his maintenance, education or training, and

b) income from work performed in that Contracting State if income for any taxable year exceeds 10 000 Swedish crowns or the equivalent in Cypriot pounds.

Exemption under b) above is made only for the time reasonably required to complete the course or training, but shall in no case exceed a period of seven consecutive years.

Article 20 Other income

1. Income derived by a resident of a Contracting State not dealt with in the foregoing Articles of this Convention shall be taxable only in that State, regardless of where the income arises.

2nd The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in Article 6, paragraph 2, 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, 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.

third Income which is not treated in the foregoing Articles of this Agreement, as a resident of a Contracting State derived from the other Contracting State, may, notwithstanding the provisions of paragraphs 1 and 2, may be taxed in that other State.

4th Income dealt with in this article 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 where the income is paid under the social security laws of that State.

Article 21 Elimination of double taxation

1. In Cyprus, avoiding double taxation as follows:

- a) In accordance with the provisions of Cypriot law of the foreign tax credit, shall from Cyprus tax on income or chargeable gains accruing from Sweden settled the Swedish tax paid under Swedish law and in accordance with this Agreement. Such deduction shall not, however, exceed that part of the Cypriot tax, as computed before the deduction is given, which is attributable to such income or taxable capital gain.
- b) In cases where such income or taxable capital gain of dividends from a company resident in Sweden to a company resident in Cyprus, which directly owns at least 25% of the Swedish company's equity, are included at settlement (in addition to any Swedish tax on dividend) the Swedish tax to the distributing company pays on his income, which is attributable to that capital.

2nd In Sweden, avoids double taxation as follows:

- a) Where a resident of Sweden derives income which, under Cypriot law and in accordance with the provisions of this Agreement may be taxed in Cyprus, Sweden shall, unless paragraph b) below to the contrary, with regard to the provisions of Swedish legislation concerning the settlement of foreign tax - as it may be amended from time to time without changing the general principle hereof - from this person's Swedish income tax an amount equal to the Cypriot tax paid on that income.
- b) Where a resident of Sweden derives income which under the provisions of Article 7 or Article 14 may be taxed in Cyprus, Sweden shall exempt income from tax, provided that the bulk of the income from the permanent establishment or fixed base derived from activities other than the management of securities or other similar properties and activities are operated in Cyprus from the permanent establishment or fixed base.
- c) Where a resident of Sweden derives income which under the provisions of this Agreement shall be taxable only in Cyprus or are exempt from Swedish tax under paragraph b) above, Sweden, in the determination of the rate of Swedish tax, take the income as taxable only in Cyprus and is exempt from Swedish tax.
- d) The reduction of the tax referred to in paragraph a);
 - 1) in the case of dividends exempt from tax in Cyprus in addition to the tax on the profit or income or taxable in Cyprus at a rate of less than 20% of the gross amount, the Cypriot tax is considered to be 20% of the gross amount,
 - 2) in cases where such interest on the provisions of Article 11, paragraph 2 shall apply taxed in Cyprus at a rate of less than 15% of the gross amount, the Cypriot tax is considered to be 15% of the gross amount.

This paragraph applies to the first seven years during which this Agreement applies. The competent authorities shall consult each other to determine whether this period shall be extended.

third Where under any provision of this Agreement, the taxation of income or taxable capital gain alleviated in a Contracting State and a natural person under the laws of the other Contracting State is taxed on such income or taxable capital gain to the extent remitted to or received in that other Contracting State and not to its full amount, the tax relief under this Agreement is permitted in the first-mentioned Contracting State shall refer to only part of the income or chargeable gains as remitted to or received in that other Contracting State.

4th For the purposes of this Article, the income accruing to a resident of a Contracting State which are taxed in the other Contracting State in accordance with this Agreement shall be deemed to arise from sources in that other State.

Article 22 Prohibition of discrimination

1. Nationals of a Contracting State shall not 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 that other State in the same circumstances are or may be subjected. Notwithstanding the provisions of Article 1 shall apply this provision also apply to persons who are not domiciled in a Contracting State or of both Contracting States.

2nd Taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall, in that other State may not be less favorable 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 or reliefs or reductions on account of civil status or family responsibilities which it grants to residents of their own state.

third Except where the provisions of Article 9, paragraph 1, Article 11, paragraph 8 of Article 12, paragraph 4, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall be deductible in determining the taxable profits of such companies on the same basis as 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 deductible in determining the taxable capital of such an undertaking on the same terms as contracted to a resident of the first-mentioned State.

4th Enterprises of a Contracting State, the capital wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not 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.

5th Notwithstanding the provisions of Article 2, the provisions of this article to taxes of every kind and description.

Article 23 Mutual Agreement Procedure

1. If a person believes that a Contracting State or both Contracting States made arrangements for him in result or will result in taxation not in accordance with the provisions of this Agreement, he may, without prejudice to his right to avail themselves of the remedies provided in these States' domestic legal system, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under Article 22, paragraph 1, of the Contracting State of which he is a national. The case must be presented within three years from the time the person first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.

2nd If the competent authority finds the complaint 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 for the purpose of avoiding taxation not in accordance with the Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic laws of the Contracting States.

third The competent authorities of the Contracting States shall by mutual agreement any difficulties or doubts arising as to the interpretation or application of the agreement. They may also consult together for the elimination of double taxation in cases not covered by the agreement.

4th The competent authorities of the Contracting States may communicate directly with each other to enforce the contract 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 to implement the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Article 1. Notices received by a Contracting State shall be treated 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) which determines, or collection of the taxes covered by the Agreement or prosecution or complaint regarding these taxes. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2nd The provisions of paragraph 1 be construed so as to impose on a Contracting State the

- a) to carry out administrative measures at variance with the laws and administrative practice of that Contracting State or of the other Contracting State,
- b) to supply information which is not obtainable under the laws or in the normal administrative practice of that Contracting State or of the other Contracting State,
- c) leave 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 (ordre public).

Article 25 Diplomatic agents and consular officers

The provisions of this Agreement shall affect the fiscal privileges which, under international law or under the provisions of special agreements diplomatic agents or consular officers.

Article 26 Entry into force

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged at London as soon as possible.

2nd The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall apply to income derived from 1 January 1988 or later.

Article 27 Termination

1. This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement at any time after the expiry of a period of five years from the date of entry into force, provided that notice of termination was through diplomatic channels at least six months in advance. In such event this Agreement shall cease to apply to income derived from 1 January of the year next following the year in which the termination occurred.

In witness whereof the undersigned, being duly authorized thereto, have signed this Agreement and have affixed thereto their seals.

Done in London October 25, 1988 in duplicate, in the English language.

For the Kingdom of Sweden Leif Leif Country

For the Republic of Cyprus Tassos Panayides