



ΕΠΙΣΗΜΟΣ ΕΦΗΜΕΡΙΣ

ΤΗΣ ΚΥΠΡΙΑΚΗΣ ΔΗΜΟΚΡΑΤΙΑΣ

Αριθμός 1704

Παρασκευή 17 Ιουλίου 1981

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Αριθμός 1345

Ἡ Σύμβασις μεταξύ τῆς Κυβερνήσεως τοῦ Βασιλείου τῆς Δανίας καὶ τῆς Κυβερνήσεως τῆς Δημοκρατίας τῆς Κύπρου, ἥτις συμφώνως πρὸς τὸ ἄρθρον 169(1) τοῦ Συντάγματος συνωμολογήθη καὶ ὑπεγράφη τὴν 26/5/1981 δυνάμει τῆς ὑπ' ἀριθμὸν 19.904 καὶ ἡμερομηνίαν 22/1/1981 Ἀποφάσεως τοῦ Ἑπισημοῦ Συμβουλίου, δημοσιεύεται ἐν τῇ ἐπισημῇ ἐφημερίδι τῆς Δημοκρατίας συμφώνως πρὸς τὰς διατάξεις τοῦ ἄρθρου 169(3) τοῦ Συντάγματος, συνοδευομένη ὑπὸ μεταφράσεως αὐτῆς εἰς τὴν ἑλληνικὴν.

CONVENTION

between the Government of the Kingdom of Denmark and the Government of the Republic of Cyprus for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital.

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

Article 1

PERSONAL SCOPE

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

Article 2

TAXES COVERED

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

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of

capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3. The existing taxes to which the Convention shall apply are, in particular :

(a) In the case of Denmark :

- (1) the income tax to the state (indkomstskatten til staten);
- (2) the municipal income tax (den kommunale indkomstskat);
- (3) the income tax to the county municipalities (den amtskommunale indkomstskat);
- (4) the old age pension contributions (folkepensionsbidragene);

- (5) the seamen's tax (somandsskatten);
 - (6) the special income tax (den saerlige indkomstskat);
 - (7) the church tax (kirkeskatten);
 - (8) the tax on dividends (udbytteskatten);
 - (9) the contribution to the sickness "per diem" fund (bidrag til dagpengefonden);
 - (10) the capital tax to the state (formueskatten til staten);
- (hereinafter referred to as "Danish tax").
- (b) In the case of Cyprus:
- (1) the income tax;
 - (2) the capital gains tax;
 - (3) the special contribution;
- (hereinafter referred to as "Cyprus tax").

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

Article 3

GENERAL DEFINITIONS

1. For the purposes of this Convention, unless the context otherwise requires:
- (a) the terms "a Contracting State" and "the other Contracting State" mean Denmark or Cyprus as the context requires;
 - (b) the term "Denmark" means the Kingdom of Denmark including any area outside the territorial sea of Denmark which in accordance with international law has been or may hereafter be designated under Danish laws as an area within which Denmark may exercise sovereign rights with respect to the exploration and exploitation of the natural resources of the sea-bed or its subsoil; the term does not comprise the Faroe Islands and Greenland;
 - (c) the term "Cyprus" means the Republic of Cyprus including any area adjacent to the territorial waters of Cyprus which in accordance with international law has been or may hereafter be designated, under the laws of Cyprus concerning the Continental Shelf, as an area within which the rights of Cyprus with respect to the sea bed and sub-soil and their natural resources may be exercised;
 - (d) the term "person" includes an individual, a company and any other body of persons;
 - (e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - (f) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
 - (g) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State except when the ship or aircraft is operated solely between places in the other Contracting State;
 - (h) the term "competent authority" means:
 - (1) in Denmark, the Minister for Inland Revenue, Customs and Excise or his authorised representative;
 - (2) in Cyprus, the Minister of Finance or his authorised representative.

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

Article 4

RESIDENT

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

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

- (a) he shall be deemed to be a resident of the State in which he has a permanent home available to him; if he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has an habitual abode;
- (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident of the State of which he is a national;
- (d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

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

Article 5

PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" includes especially:

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

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

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

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;

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

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person — other than an agent of an independent status to whom paragraph 6 applies — is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

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

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

Article 6

INCOME FROM IMMOVABLE PROPERTY

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

2. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and right to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

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

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable pro-

erty of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

BUSINESS PROFITS

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

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

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

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

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

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

7. Where profits include items of income which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8

SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship or boat is situated, or, if there is no such home harbour, in the State of which the operator of the ship or boat is a resident.

3. For the 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 bareboat 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.

4. Profits of an enterprise 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 State.

5. The provisions of paragraphs 1 and 4 shall also apply to profits derived from the participation in a pool, a joint business or an international operating agency.

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

7. With respect to profits derived by the Danish, Norwegian and Swedish air transport consortium, known as the Scandinavian Airlines System (SAS), the provisions of paragraph 1 and 5 shall only apply to such part of the profits as corresponds to the shareholding in the consortium held by Det Danske Luftfartsselskab (DDL), the Danish partner of Scandinavian Airlines System (SAS).

Article 9

ASSOCIATED ENTERPRISES

1. Where—

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or
- (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

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

Article 10

DIVIDENDS

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

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

- (a) 10 per cent of the gross amount of the dividends if the recipient is a company (excluding a partnership) which holds directly at least 25 per cent of the capital of the company paying the dividends;
- (b) 15 per cent of the gross amount of the dividends in all other cases.

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

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

3. Notwithstanding the provisions of paragraph 2 — as long as Cyprus does not impose tax on dividends — dividends paid by a company which is a resident of Cyprus to a resident of Denmark 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 Denmark shall be entitled to a refund of any Cyprus tax imposed with respect to the profits or earnings out of which a dividend is paid, to the extent that said tax exceeds the individual's tax liability in Cyprus.

4. The term "dividends" as used in this Article means income from shares or other rights not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

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

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

Article 11

INTEREST

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

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

3. Notwithstanding the provisions of paragraph 2, any such interest as is mentioned in paragraph 1 shall be taxable only in the State of which the recipient is a resident, if such recipient is the beneficial owner of the interest and if such interest is paid:

- (a) to that State or a statutory body of that State;
- (b) in connection with the sale on credit of any industrial, commercial or scientific equipment;
- (c) in connection with the sale on credit of any merchandise by one enterprise to another enterprise, or
- (d) on any loan of whatever kind granted by a bank, or guaranteed by a State or a statutory body of that State.

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

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

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

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

Article 12 ROYALTIES

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

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

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

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

Article 13 CAPITAL GAINS.

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.

2. 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 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 a fixed base, may be taxed in that other State.

3. Gains 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 the Contracting State in which the place of effective management of the enterprise is situated.

4. 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.

Article 14 INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall

be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

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

Article 15

DEPENDENT PERSONAL SERVICES

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

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

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

3. Notwithstanding the preceding provisions of this Article, remuneration in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

4. Where a resident of Denmark derives remuneration in respect of an employment exercised aboard an aircraft operated in international traffic by the Scandinavian Airlines System (SAS) consortium, such remuneration shall be taxable only in Denmark.

Article 16

DIRECTORS' FEES

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

Article 17

ARTISTES AND ATHLETES

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as an athlete, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

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

3. The provisions of paragraphs 1 and 2 shall not apply to services of entertainers and athletes if their visit to a Contracting State is supported wholly or substantially from public funds of the other Contracting State.

Article 18

PENSIONS AND ANNUITIES

Pensions, annuities and social security payments arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in the State in which they arise.

Article 19

GOVERNMENT SERVICE

1.—(a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

(b) However, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

- (i) is a national of that State, or
- (ii) did not become a resident of that State solely for the purpose of rendering the services.

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

Article 20

STUDENTS

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training, receives for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

Article 21

OTHER INCOME

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

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

Article 22

CAPITAL

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by 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 by movable property pertaining to a

fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

3. Capital represented by ships and aircraft operated in international traffic and by movable property pertaining to the operation of such ships and aircraft, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Article 23

METHODS FOR ELIMINATION OF DOUBLE TAXATION

Double taxation shall be avoided as follows:

1. In Denmark:

(a) Subject to the provisions of sub-paragraph (c), where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Cyprus, Denmark shall allow—

(1) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Cyprus;

(2) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Cyprus.

(b) Such deduction in either case shall not, however, exceed that part of the income tax or capital tax, as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital which may be taxed in Cyprus.

(c) Where a resident of Denmark derives income or owns capital which, in accordance with the provisions of this Convention, shall be taxable only in Cyprus, Denmark may include this income or capital in the tax base, but shall allow as a deduction from the income tax or capital tax that part of the income tax or capital tax which is attributable, as the case may be, to the income derived from or the capital owned in Cyprus.

(d) For purposes of deduction from the tax referred to in sub-paragraph (a) and (b).

(1) where for the purpose of promoting economic development in Cyprus dividends are exempt from any tax in Cyprus in addition to the tax chargeable on the profits or income of the company, or are taxed in Cyprus at a rate lower than 15 per cent of the gross amount of such dividends, the amount of Cyprus tax shall be deemed to be 15 per cent of the gross amount of such dividends;

(2) where the rate of Cyprus tax on interest to which paragraph 2 of Article 11 applies is reduced below 10 per cent of the gross amount of such interest by virtue of special incentive measures designed to promote economic development in Cyprus, the amount of Cyprus tax shall be deemed to be 10 per cent of the gross amount of such interest.

2. In Cyprus:

(a) Subject to the provisions of Cyprus tax Law regarding credit for foreign tax,

there shall be allowed as a credit against Cyprus tax payable in respect of any item of income derived from, and any item of capital situated within Denmark, the Danish tax paid under the laws of Denmark and in accordance with this Agreement. The credit shall not however exceed that part of the Cyprus tax, as computed before the credit is given, which is appropriate to such items of income or capital.

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

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

Article 24

NON-DISCRIMINATION

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

2. The term "nationals" means:

(a) in the case of Denmark all individuals possessing the nationality of Denmark and in the case of Cyprus all individuals possessing the citizenship of Cyprus;

(b) all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.

3. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Except where the provisions of paragraph 1 of Article 9, paragraph 7 of Article 11, or paragraph 4 of Article 12, apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining

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

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

Article 25

MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

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

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

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

Article 26

EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out this Convention or the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be 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) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

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

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

Article 27

DIPLOMATIC AGENTS AND CONSULAR OFFICERS

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

Article 28

TERRITORIAL EXTENSION

1. This Convention may be extended, either in its entirety or with any necessary modifications, to any territory for whose international relations Denmark is responsible and which imposes taxes substantially similar in character to those to which the Convention applies. Any such extension shall take effect from such date and subject to such modifications and conditions, including conditions as to termination, as may be specified and agreed between the Contracting States in notes to be exchanged through diplomatic channels or in any other manner in accordance with their constitutional procedures.

2. Unless otherwise agreed by both Contracting States, the termination of the Convention by one of them under Article 30 shall also terminate, in the manner provided for in that Article, the application of the Convention to any part of the territory of the Contracting States to which it has been extended under this Article.

Article 29

ENTRY INTO FORCE

1. The Governments of the Contracting States shall notify to each other that the constitutional requirements for the entry into force of this Convention have been complied with.

2. This Convention shall enter into force on the date of the latter of the notifications referred to in paragraph 1 and its provisions shall have effect:

- (a) in Denmark:
 - (1) in respect of income arising for any calendar year beginning on or after the first of January 1980;
 - (2) in respect of capital assessed for any calendar year beginning on or after the first of January 1980;
- (b) in Cyprus:
 - (1) in respect of income arising for any year of assessment beginning on or after the first of January 1980;
 - (2) in respect of capital gains arising at any time on or after the first of August 1980.

3. Subject to the provisions of paragraph 4 of this Article the existing arrangement shall cease to have effect as respect taxes to which this Convention in accordance with the provisions of paragraph 2 of this Article applies.

4. Where any provisions of the existing arrangement would have afforded any person greater

relief from tax than this Convention, such provisions shall continue to have effect for one year after the date on which the provisions of this Convention would otherwise enter into force pursuant to paragraph 2 of this Article, but shall cease to have effect thereafter.

5. The existing arrangement between Denmark and Cyprus shall terminate on the last date on which it has effect in accordance with the foregoing provisions of this Article.

6. In this Article the term "the existing arrangement" means the arrangement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income which was in force between the Government of Denmark and the Government of Cyprus immediately before the 16th August 1960 when the independent sovereign Republic of Cyprus was established, and which has continued in force since that date between the Government of Denmark and the Government of the Republic of Cyprus.

Article 30
TERMINATION

This Convention shall remain in force until terminated by one of the Contracting States.

V. VILLADSEN,
for the Government of the
Kingdom of Denmark.

Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year beginning after the expiration of a period of five years from the date of its entry into force.

In such event, the Convention shall cease to have effect:

- (a) in respect of income arising for the calendar year next following that in which the notice of termination is given, and subsequent years;
- (b) in Denmark as respects capital assessed for the calendar year next following that in which the notice of termination is given, and subsequent years;
- (c) in Cyprus as respects capital gains arising at any time on or after the first day of the calendar year next following that in which the notice of termination is given.

In witness whereof the undersigned, duly authorised thereto, have signed this Convention.

Done in duplicate at Nicosia this 26th day of May 1981, in the English language.

CH. HADJIPANAYIOTOU,
for the Government of the
Republic of Cyprus.

Άριθμός 2034

ΠΡΟΟΙΜΙΟΝ

Αί διπλωματικά διακοινώσεις (Νότα 30.Δ τής 19ης Μαρτίου 1982 του Βασιλείου τής Δανίας και Νότα τής 10ης Ἀπριλίου 1982 τής Δημοκρατίας τής Κύπρου) αίτινες ἀντηλλάγησαν μεταξύ του Δανου Πρέσβεως και του Ὑπουργου Ἐξωτερικῶν τής Δημοκρατίας τής Κύπρου και διά τῶν ὁποίων ἐπετεύχθη συμφωνία διά τήν τροποποίησιν τής Συμβάσεως μεταξύ τής Κυβερνήσεως του Βασιλείου τής Δανίας και τής Κυβερνήσεως τής Δημοκρατίας τής Κύπρου διά τήν Ἀποφυγὴν τής Διπλῆς Φορολογίας ἐν σχέσει πρὸς τοὺς Φόρους ἐπὶ του Εἰσοδήματος και του Κεφαλαίου, δημοσιευθείσης ἐν τῇ ἐπισήμῳ ἐφημερίδι τής Δημοκρατίας τὴν 17ην Ἰουλίου, 1981 διά τής ὑπ' ἀρ. 1345 γνωστοποιήσεως, δημοσιεύονται διά τοὺς σκοποὺς τῶν διατάξεων του Ἄρθρου 169(3) του Συντάγματος, συνοδευόμενα ὑπὸ μεταφράσεως αὐτῶν εἰς τὴν ἑλληνικὴν.

NICOSIA
30.D

Beirut 19th March, 1982

Your Excellency,

With reference to the Convention between the Government of the Kingdom of Denmark and the Government of the Republic of Cyprus for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital, signed in Nicosia on May 26, 1981, I have the honour to propose that the following amendments be made to the Convention :

In Article 8, paragraph 2, in the fourth and the last lines the words "or boat" should be deleted.

In Article 10, paragraph 3, in the second line the sentence "impose tax on dividends"

should be substituted by the sentence :
"impose tax at source on dividends".

In Article 28, paragraph 2, in the fourth line, the words "of the Contracting states" should be deleted.

If the foregoing proposal is acceptable to the Government of the Republic of Cyprus, I have the honour to suggest that the present Note and Your Excellency's reply to that effect be regarded as constituting an agreement between the two Governments, which shall enter into force on the date of Your Excellency's reply.

Please accept, Your Excellency, the assurance of my highest consideration.

H.E. Mr. N. Rolandis,
Minister of Foreign Affairs,
Nicosia.

REPUBLIC OF CYPRUS
MINISTRY OF FOREIGN AFFAIRS

April, 10, 1982

Excellency,

I have the honour to refer to your Note 30.D of 19 March 1982 concerning the Convention for the Avoidance of Double Taxation which reads as follows :

"Your Excellency,

With reference to the Convention between the Government of the Kingdom of Denmark and the Government of the Republic of Cyprus for the Avoidance of Double Taxation with respect to Taxes on Income and on Capital, signed in Nicosia on May 26, 1981, I have the honour to propose that the following amendments be made to the Convention :

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"impose tax at source on dividends".

In Article 28, paragraph 2, in the fourth line, the words "of the Contracting states" should be deleted.

If the foregoing proposal is acceptable to the Government of the Republic of Cyprus, I have the honour to suggest that the present Note and Your Excellency's reply to that effect be regarded as constituting an agreement between the two

Governments, which shall enter into force on the date of Your Excellency's reply.

Please accept, Your Excellency, the assurance of my highest consideration".

The above proposals are acceptable to the Government of the Republic of Cyprus

and thus this Note and your Note of 19 March 1982 constitute an agreement between the two Governments entering into force on this date of April 10, 1982.

Accept, Excellency, the assurances of my highest consideration.

(NICOS A. ROLANDIS)
Minister of Foreign Affairs

H.E. Mr. V. Villadsen,
Ambassador of the
Kingdom of Denmark,
BEIRUT — LEBANON