**Cyprus. The Agreement on the avoidance of double taxation with Georgia has entered into force.**

Cyprus announced the ratification of the Agreement on the avoidance of double taxation with Georgia, which was signed on May 13, 2015 in Tbilisi during the 24th annual meeting of the European Bank for Reconstruction and Development (EBRD).

The basis of the signed agreement was the OECD Model Convention on the avoidance of double taxation on income and capital; the main provisions of the Agreement are the following:

- Permanent Establishment: the definition of this concept is included to the agreement in accordance with the Model Convention: the building site; construction, assembly, installation project; supervisory activities continue for a period of more than nine months.

- Tax rates: Tax on dividends, interest and royalties - all payments are set at 0%.

- Tax on capital gains: capital gains derived by a resident of one country from the sale of immovable property situated at the territory of the other country may be taxed in the country where the property is located. Capital gains arising from the sale of shares are taxable only in the country of the seller’s tax resident.

So, the agreement creates favorable conditions to strengthen economic relations between the two countries. In addition, the agreement provides a zero tax on dividends, interest and royalties, which will help to increase investments in Georgia, as well as to effectively minimize the Georgian internal taxes on dividends.

The agreement also provides the procedure for the exchange of tax information between two countries in accordance with international standards.