



## Multilateral Instrument ratified

**21 February 2020 – The Instrument of Ratification of the Multilateral Convention to Implement Tax Treaty Related Matters to Prevent Base Erosion and Profit Shifting (more widely known as the Multilateral Instrument) was published on 22 January 2020 in the Cyprus Government Gazette, together with the Cyprus Definitive List of Reservations and Notifications (known as the MLI Cyprus Position) and the Explanatory Statement.**

The purpose of the Multilateral Convention is to automatically and swiftly amend existing Double Tax Treaties (DTTs), providing uniformity and coherence.

In order to ensure the minimum required compliance, Cyprus has approved the embodiment of Action 6 (Purpose of Covered Tax Agreement), Action 7 (Prevention of Treaty Benefit) and Action 14 (Making Dispute Resolution Mechanisms More Effective). In effect, the Cyprus DTTs will be amended to include these provisions without further bilateral negotiations provided the other jurisdiction of the treaty has accepted the same provisions as with Cyprus.

The Multilateral Convention will apply to DTTs in which Cyprus is a party, provided that the other Contracting State has also ratified the convention. For what concerns withholding taxes, the Multilateral Convention is applicable as from the first day of the calendar year following the year of ratification. In the case of Cyprus, it will be applicable as from 1 January 2021.

The MLI will enter into force with respect to specific tax treaties after the respective treaty country has deposited its instrument of ratification, acceptance or approval of the MLI and a specified time has passed. In the case of Cyprus, the MLI will enter into force on 1 May 2020.

For provisions relating to withholding taxes, the earliest entry into effect date will be 1 January 2021, provided the other Contracting Jurisdiction has also submitted its instrument of ratification with the OECD prior to or during 2020. For provisions relating to other taxes, the earliest entry into effect date will be 1 November 2021, provided the other Contracting Jurisdiction has also submitted its instrument of ratification with the OECD prior to or during January 2020.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications.