

Flash Report

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New Ukraine-Cyprus Tax Treaty

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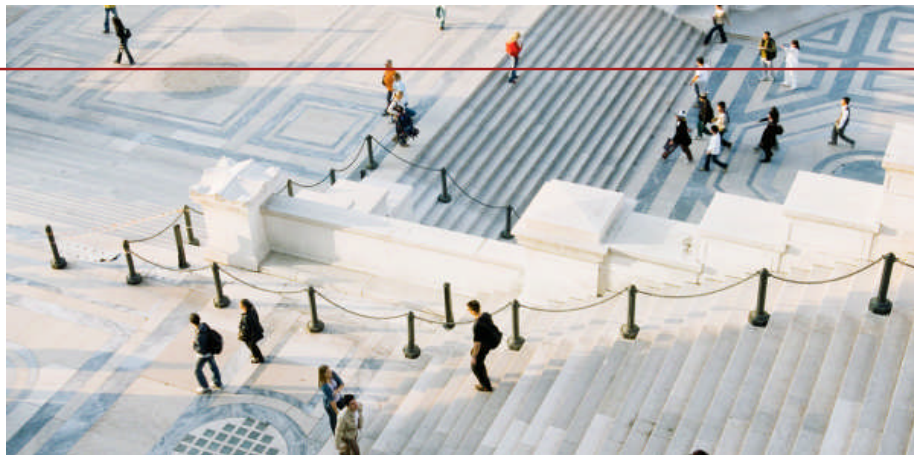
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The new Ukraine-Cyprus Tax Treaty Enters into Force

According to a letter of the Ministry of Foreign Affairs*, the new Ukraine-Cyprus tax treaty entered into force on 7 August 2013.

According to the prevailing English text of the new treaty, the new treaty will "have effect" from 1 January 2014, while the old (USSR) tax treaty will be terminated on the date that the new treaty "comes into effect".

Given that the wording of the new treaty makes a clear distinction between the term "enter into force" and the term "come into/have effect", in our view, the old treaty should not stop to apply from 7 August 2013 (when the new treaty "entered into force") and should apply till 1 January 2014 (when the new treaty starts to apply).

The past experience in respect of some Ukrainian tax treaties (replacing respective USSR tax treaties) which entered into force in the middle of a year but came into effect from the following year shows that in practice the respective USSR treaties applied till the new ones came into effect (e.g. the Ukraine-Switzerland tax treaty).

Nevertheless, due to the vague wording of the Ukrainian text of the new treaty, there is a risk that the Ukrainian tax authorities may interpret the provisions of the new treaty in a way that the old treaty terminates from the date when the new treaty enters into force (i.e. from 7 August 2013).

It is expected that the Ministry of Income and Levies will issue an official clarification on this issue. We will update you as the things develop.

* No. 72/14-612/1-2711 dated 23 August 2013