



Reduction of defence tax on passive interest income

9 January 2024 - The Cyprus Parliament approved on 6 December 2023 an amendment to the Special Defence Contribution Law, through which the special contribution for defence rate on passive interest income earned by Cypriot tax residents (individuals and companies) is reduced from 30% to 17%.

The amendment was published in the official [Cyprus Government Gazette](#) on 20 December 2023 and is effective as from 1 January 2024.

Active interest income derived from the ordinary carrying on of a business or closely connected with the ordinary carrying on of a business is not considered as passive interest and therefore it does not fall within the provisions of the special contribution for defence law. Such interest income is subject to the provisions of the income tax legislation.

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