



2020 Notional Interest Deduction rates announced

25 February 2020 – The Cyprus Tax Department issued earlier this month a notification announcing the interest reference rates of the 10-year government bond as at 31 December 2019, which are applicable for the tax year 2020.

The notification, dated 12 February 2020, can be found at <https://www.mof.gov.cy/mof/tax/taxdep.nsf/All/6390295517CE6F0EC22583930032A080?OpenDocument> and relates to the application of Article 9B of the Income Tax Law N118(I)/2002 Notional Interest Deduction (NID) for the tax year 2020.

The NID enhances the tax benefits of financing business operations through equity and offers a tax efficient alternative to debt financing.

A NID is allowed on new equity funds introduced into a Cyprus tax resident company that are used for the operations of the company. The NID should be calculated on the basis of the 'reference interest rate' which is equal to the yield on the 10-year government bond of the country where the new funds will be/are invested, **plus** 3%.

The Tax Department publishes the 10- year government bond yields for selected countries on an annual basis through which one can derive the relevant reference rate. In the absence of published guidance on behalf of the Tax Department, the relevant yield should be obtained from publicly available sources.

You may refer to the 10-year government bond yield rates as at 31 December 2019 (applicable for 2020 tax year) as published by the Tax Department:

Country	10 Year Bond Yield	Country	10 Year Bond Yield
Abu Dhabi	2,514	Egypt	13,518
Argentina	10,253	Egypt (US\$)	6,382
Armenia	8,064	Finland	0,043
Austria	0,016	France	0,115
Belarus (US\$)	5,350	Germany	-0,210
Belgium	0,086	Greece	1,431
British Virgin Islands	N/A	Hong Kong	1,699
Bulgaria	0,257	Hungary	2,017
Canada	1,699	India	6,557
Cayman Islands	N/A	Ireland	0,120
China	3,130	Isle of Man	1,712
Croatia	0,621	Israel	0,960

Cyprus	0,536	Israel (US\$)	2,520
Czech Republic	1,569	Italy	1,404
Dubai (€)	N/A	Ivory Coast	N/A
Dubai (US\$)	3,160	Kazakhstan (€)	0,996
Kenya	12,180	Kazakhstan (US\$)	2,566
Latvia	0,136	South Africa	9,018
Lithuania	0,169	Spain	0,463
Luxembourg	-0,087	Sweden	0,145
Marocco	2,420	Switzerland	-0,454
Mauritius	4,260	Taiwan	0,670
Netherlands	-0,060	U.S.A.	1,919
Nigeria	11,563	Ukraine (€)	N/A
Nigeria (€)	N/A	Ukraine (US\$)	6,504
Norway	1,540	United Arab Emirates	N/A
Poland	2,109	United Kingdom	0,817
Romania	4,398	Vietnam	3,459
Russia	6,270		
Russia (US\$)	2,605		
Saudi Arabia	2,839		
Serbia	2,778		
Singapore	1,730		
Slovakia	0,192		
Slovenia	0,267		

Set below is a table summarising the previous years' 10-year government bond yield rates.

	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016	Tax Year 2015
COUNTRY	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Abu Dhabi	2,302	-	-	-	-
Argentina	-	5,669	-	-	-
Armenia	6,385	9,251	-	-	-
Austria	0,484	0,563	-	-	-
Belarus (US\$)	7,226	5,946	-	-	-
Belgium	0,768		-	-	-
British Virgin Islands	N/A	N/A	-	-	-
Bulgaria	0,966	0,750	-	-	-
Canada	1,965	2,079	-	-	-

Cayman Islands	N/A	-	-	-	-
China	3,261	4,268	-	-	-
Croatia	2,415	2,453	-	-	-
Cyprus	2,302	1,881	3,489	3,685	5,037
Czech Republic	1,884	1,650	0,414	0,499	-
Dubai (€)	N/A	N/A	-	-	-
Dubai (US\$)	4,722	4,402	-	-	-
Egypt	17,990	-	-	-	-
Egypt (US\$)	8,271	-	-	-	-
Finland	-	-	-	-	-
France	0,705	0,780	-	-	-
Germany	0,284	0,423	0,204	0,568	0,540
Greece	4,346	4,073	8,361	9,639	
Hong Kong	1,946	1,754	-	-	-
Hungary	2,971	2,031	-	-	-
India	7,261	7,571	6,878	7,758	7,860
Ireland	1,166	0,811	-	-	-
Isle of Man	2,305	-	-	-	-
Israel	2,320	-	-	-	-
Israel (US\$)	3,900	-	-	-	-
Italy	2,739	2,005	1,930	1,847	-
Ivory Coast	-	-	-	-	-
Kazakhstan (€)	2,463	-	-	-	-
Kazakhstan (US\$)	4,232	N/A	4,204	5,311	-
Kenya	-	-	9,350	-	-
Latvia	1,029	0,715	0,894	1,104	-
Lithuania	-	-	-	-	-
Luxembourg	0,522	0,637	-	-	-
Morocco	-	-	-	-	-
Mauritius	5,380	5,420	-	-	-
Netherlands	0,383	0,501	-	-	-
Nigeria	-	-	12,932	-	-
Nigeria (€)	-	-	N/A	-	-
Norway	1,754	1,579	-	-	-
Poland	2,812	3,385	3,627	2,937	-
Romania	4,811	4,314	3,748	3,703	3,570
Russia	8,720	7,590	8,380	9,570	13,730
Russia (US\$)	5,020	3,822	4,409	6,600	6,580

Saudi Arabia	4,321	-	-	-	-
Serbia	4,722	5,968	-	-	-
Singapore	0,789	0,815	-	-	-
Slovakia	0,789	0,815	-	-	-
Slovenia	1,166	0,843	-	-	-
South Africa	9,206	8,780	-	-	-
Spain	1,413	1,558	-	-	-
Sweden	0,457	0,540	-	-	-
Switzerland	-0,197	-	-	-	-
Taiwan	-	-	-	-	-
U.S.A.	2,685	2,406	-	-	-
Ukraine (€)	N/A	-	-	-	-
Ukraine (US\$)	10,780	7,222	8,705	9,622	-
United Arab Emirates	N/A	N/A	3,326	7,490	-
United Kingdom	1,275	1,188	1,326	-	-
Vietnam	-	-	-	-	-

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