



Notional Interest Deduction rates announced for Greece, Kazakhstan and Italy

16 October 2017 – The Cyprus Tax Department issued last month a notification announcing the interest reference rates of the 10-year government bonds as at 31 December 2015 and 2016 for Greece, Kazakhstan and Italy.

The notification was issued on 18 September 2017 and relates to the application of Article 9B of the Income Tax Law N118(I)/2002 Notional Interest Deduction (NID) for the tax year 2016 and 2017 (see our related [Tax Alert No 46](#)).

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%**, with the minimum rate being the yield on the 10-year government bond of Cyprus plus 3%.

You may refer to the reference interest rates below as published by the Tax Department:

Country	Interest Rates	
	31/12/2016	31/12/2015
Greece	8,361%	9,639%
Italy	1,930%	1,847%
Kazakhstan	4,204%	5,311%

Based on the Tax Department's previous notification, it is noted that the minimum reference interest rate to be used for NID purposes for the tax year 2017 should be 6,489%, being 3,489% yield on the 10-year Cypriot government bond plus 3% as dictated by Article 9B of the Income Tax Law.

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