



2018 Notional Interest Deduction rates announced


22 March 2018 – The Cyprus Tax Department has issued a notification announcing the interest reference rate of the 10-year government bond as at 31 December 2017.

The notification, dated 14 February 2018, can be found through this [link](#) and relates to the application of Article 9B of the Income Tax Law N118(I)/2002 Notional Interest Deduction (NID) for the tax year 2018.

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%. (see our related [Tax Alert No 46](#))

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

Country	Interest Rate	Country	Interest Rate
BVI	N/A	Latvia	0.715
Austria	0.563	Luxembourg	0.637
France	0.780	Norway	1.579
Germany	0.423	South Africa	8.780
Greece	4.073	Holland	0.501
United Arab Emirates	N/A	Hungary	2.031
United Kingdom	1.188	Ukraine	N/A
USA	2.406	Poland	3.385
India	7.571	Romania	4.314
Ireland	0.811	Russia	7.590
Spain	1.558	Russia (US \$)	3.822
Italy	2.005	Serbia	5.968
Kazakhstan	N/A	Slovakia	0.815
Canada	2.079	Slovenia	0.843
China	4.268	Sweden	0.540
Croatia	2.453	Czech Republic	1.650
Cyprus	1.881	Belarus	N/A



Based on the Tax Department's notification, it transpires that the minimum reference interest rate to be used for NID purposes for the tax year 2018 should be 4.881% being 1.881% 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.