

Cyprus Tax Authorities publish 10-year government bond yield rates for NID purposes

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Executive summary

The Cypriot Tax Department (CTD) issued an announcement on 30 January 2019 to inform taxpayers of the 10-year government bond yield rates as at 31 December 2018 for a number of countries (set forth in the table below), with respect to the Notional Interest Deduction on equity. These yield rates are to be used to determine the reference interest rate for claiming NID in respect of the 2019 tax year.

In addition, the CTD issued another announcement on 30 January 2019 to inform taxpayers that it has updated the list of the 31 December 2016 and 31 December 2017 10-year government bond yield rates (which are used to determine the reference interest rate for claiming NID in respect of the 2017 and 2018 tax years respectively) for a number of countries.

The key provisions of the NID and the applicability of the 10-year government bond yield rates are summarized below.

Detailed discussion

Notional Interest Deduction

As of 1 January 2015, Cyprus tax resident companies (as well as foreign companies with permanent establishments in Cyprus), which carry on a business, are entitled to claim a Notional Interest Deduction (NID) on their equity capital introduced on or after 1 January 2015.

NID is deducted from the taxable income of the company for the relevant tax year (subject to any restrictions) for the period of time within the tax year during which the equity belongs to the company and is used by that company for the carrying on of its activities.

The NID will equal the multiple of the “reference interest rate” (as defined below) and “new equity.”

“**Reference interest rate**” means the yield rate (not the coupon rate) as at 31 December of the year preceding the tax year of the 10-year government bond of the country in which the new capital is invested increased by 3%, having as a minimum limit the yield rate of the 10-year government bond of Cyprus increased by 3% (the higher of the two yield rates).

10-year government bond yield rates as at 31 December 2018 (applicable for 2019 tax year)

Country	Yield Rate	Country	Yield Rate
Austria	0.484	Luxembourg	0.522
Armenia	6.385	Mauritius	5.380
Belarus (US\$)	7.266	Netherlands	0.383
British Virgin Islands	N/A*	Norway	1.754
Bulgaria	0.966	Poland	2.812
Canada	1.965	Romania	4.811
China	3.261	Russia	8.720
Croatia	2.415	Russia (US\$)	5.020
Cyprus	2.302	Serbia	4.722
Czech Republic	1.884	Slovakia	0.789
France	0.705	Slovenia	1.166
Germany	0.284	South Africa	9.206
Greece	4.346	Spain	1.413
Hungary	2.971	Sweden	0.457
Hong Kong	1.946	Switzerland	-0.197
India	7.261	Ukraine (US\$)	10.780
Ireland	1.166	United Arab Emirates	N/A*
Italy	2.739	United Kingdom	1.275
Kazakhstan	N/A*	United States	2.685
Latvia	1.029		

* There are currently no government bond yield rates for the above indicated countries

10-year government bond yield rates as at 31 December 2016

Country	Yield Rate
Kenya	9.350

10-year government bond yield rates as at 31 December 2017

Country	Yield Rate
Armenia	9.251
Bulgaria	0.750
Hong Kong	1.754
Mauritius	5.420

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