



Philippos Aristotelous

# New rates for calculating notional interest deduction for new equity capital



May 20 2016 | Contributed by Andreas Neocleous & Co LLC

Corporate Tax, Cyprus

- Introduction
- Bond rates
- Notional interest deduction rates

## Introduction

In July 2015 the government introduced a notional interest deduction on new equity capital (ie, paid-up share capital and share premium) injected into companies and permanent establishments of foreign companies on or after January 1 2015 for the purpose of financing business assets, calculated by applying a reference rate to the new equity. The reference rate is three percentage points above the Cyprus 10-year government bond yield or three percentage points above the government bond yield in the country in which the assets funded by the new equity are used, whichever is the higher. The bond yield rates to be used are as at December 31 of the year preceding the year of assessment.

## Bond rates

In February 2016 the Tax Department announced the 10-year government bond rates at December 31 2014, on which the notional interest deduction for the 2015 tax year is based for Cyprus, Germany, India, Romania and Russia. The Tax Department recently announced the corresponding rates for December 31 2015 as well as a rate for Ukraine, which will be used to calculate the notional interest deduction on capital introduced in 2016. For 2015 the Cyprus rates will be used for assets used in Ukraine.

The government bond rates for 2014 and 2015 are set out in the table below.

Country	Bond rates	
	December 31 2014	December 31 2015
Cyprus	5.037%	3.685%
Germany	0.540%	0.568%
India	7.860%	7.758%
Romania	3.570%	3.703%
Russia	13.730%	9.570%
Ukraine	N/A	9.622%

## Notional interest deduction rates

Based on the above, the notional interest deduction rates for the 2015 and 2016 tax years are set out in the table below.

Country	Notional interest deduction rates	
	2015	2016
Cyprus	8.037%	6.685%
Germany	8.037%	6.685%
India	10.860%	10.758%
Romania	8.037%	6.685%
Russia	16.730%	12.570%
Ukraine	8.037%	12.622%

For further information on this topic please contact Philippos Aristotelous at Andreas Neocleous & Co LLC by telephone (+357 25 110 000) or email ([aristotelous@neocleous.com](mailto:aristotelous@neocleous.com)). The Andreas Neocleous & Co LLC website can be accessed at [www.neocleous.com](http://www.neocleous.com).

The materials contained on this website are for general information purposes only and are subject to the disclaimer.

ILO is a premium online legal update service for major companies and law firms worldwide. In-house corporate counsel and other users of legal services, as well as law firm partners, qualify for a free subscription.