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## Cyprus

### Rates for calculating Notional Interest Deduction for new equity capital introduced in 2015

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

The Cyprus Tax Department has recently announced the 10-year government bond rates at 31 De-

ember 31, 2014, on which the NID for the 2015 tax year will be based, for the following countries:

	%
Cyprus	5.037
India	7.860
Russia	13.730
Romania	3.570
Germany	0.540

After applying the uplift of three percentage points the NID for equity introduced during 2015 in order to fund assets used in India will be 10.86% of the amount of new equity introduced, and for equity introduced in order to fund assets used in Russia it will be 16.73% of the amount introduced. For equity used to fund assets used in Cyprus or in the other countries, whose rates are lower than the Cyprus rate, the NID will be 8.037%, three percentage points above the Cyprus bond rate.

**Philippos Aristotelous**  
**Andreas Neocleous & Co LLC**  
<http://www.neocleous.com>