



M.C. FANDEOS CO LTD

Chartered Certified Accountants

Est.1997

Tax update – Notional Interest Deduction (“NID”) rules

July, 2020

Following a recent amendment of Article 9B of the Income Tax Law on the application of the provisions of the Notional Interest Deduction (NID) on new share capital contributed into a company after 1 January 2015 we would like to inform you on the following:

- Reference interest rate: As from 1 January 2020 this will be increased to the 10-year government bond yield plus 5% instead of 3% as previously stated in the Income Tax Law.
- Reference interest rate: Up until 31 December 2019 the minimum rate which can be applied is the 10-year government bond yield of Cyprus as at 31 December of the year preceding the tax year plus 3%. As from 1 January 2020 the Cyprus government bond yield rate is no longer to be used as a minimum rate for the government bond yield part of the NID rate calculation.
- New equity: Prior to the relevant amendments new equity considered to be equity funds introduced to the company on or after 1 January 2015. As from 1 January 2021 new equity will also considered to be new equity resulted from the capitalization of retained earnings existed as at 31 December 2014.

At your disposal for any further clarifications you may need.

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