

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

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Executive summary

On 12 February 2020, the Cypriot Tax Department (CTD) [announced](#) the 10-year government bond yield rates as at 31 December 2019 for a number of countries (set forth in the table below) with respect to the Notional Interest Deduction (NID) on equity. These yield rates are to be used to determine the reference interest rate for claiming NID in respect of the 2020 tax year.

The key NID provisions 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 NID on their equity capital introduced on or after 1 January 2015.

The 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%. However, the reference interest rate cannot be lower than the yield rate of the 10-year government bond of Cyprus increased by 3%.

10-year government bond yield rates as at 31 December 2019 (applicable for 2020 tax year)

Country	Yield rate	Country	Yield rate
Abu Dhabi	2,514	Kazakhstan (US\$)	2.566
Argentina	10,253	Kenya	12.180
Armenia	8,064	Latvia	0.136
Austria	0.016	Lithuania	0.169
Belarus (US\$)	5.350	Luxembourg	-0.087
Belgium	0.086	Morocco	2.420
British Virgin Islands	N/A*	Mauritius	4.260
Bulgaria	0.257	Netherlands	-0.060
Canada	1.699	Nigeria	11.563
Cayman Islands	N/A*	Nigeria (€)	N/A*
China	3.130	Norway	1.540
Croatia	0.621	Poland	2.109
Cyprus	0.536	Romania	4.398
Czech Republic	1.569	Russia	6.270
Dubai (€)	N/A*	Russia (US\$)	2.605
Dubai (US\$)	3.160	Saudi Arabia	2.839
Egypt	13.518	Serbia	2.778
Egypt (US\$)	6.382	Singapore	1.730
Finland	0.043	Slovakia	0.192
France	0.115	Slovenia	0.267
Germany	-0.210	South Africa	9.018
Greece	1.431	Spain	0.463
Hong Kong	1.699	Sweden	0.145
Hungary	2.017	Switzerland	-0.454
India	6.557	Taiwan	0.670
Ireland	0.120	United States	1.919
Isle of Man	1.712	Ukraine (€)	N/A*
Israel	0.960	Ukraine (US\$)	6.504
Israel (US\$)	2.520	United Arab Emirates	N/A*
Italy	1.404	United Kingdom	0.817
Ivory Coast	N/A*	Vietnam	3.459
Kazakhstan (€)	0.996		

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

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