

NID: 2017 yield rates announced by the Cyprus Tax Authorities

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In brief

For the purposes of the NID the Cyprus Tax Authorities (CTA) have now announced the interest yields of the 10-year government bonds for Cyprus, Czech Republic, Germany, India, Latvia, Poland, Romania, Russia, Ukraine, United Arab Emirates and United Kingdom as at 31 December 2016, the relevant date for tax year 2017. We understand that, unless stated otherwise, the announced interest yields are for bonds denominated in the official currency of the respective issuing country.

Based on the CTA announcement the NID interest rate (i.e. the interest yield of the 10-year government bonds plus 3%) for tax year 2017 for funds employed in the above mentioned countries is as set out in the table below:

Country where the funds are employed	2017 NID interest rate
Cyprus, *Czech Republic, *Germany, *Latvia, *United Arab Emirates, *United Kingdom	6.489%
Poland	6.627%
Romania	6.748%
India	9.878%
Russia	11.380%
Russia (denominated in US dollars)	7.409%
Ukraine	11.705%
*The Cyprus NID interest rate is used as it is the minimum.	

In detail

By way of background, with effect from 1 January 2015, Cyprus introduced for tax purposes an annual NID on new equity of companies. New equity is paid-up share capital and share premium introduced to a company as from 1 January 2015.

In a similar way that an interest expense on debt financing is generally calculated as an interest rate on loan principal,

the annual NID is calculated as an interest rate on the eligible share capital / premium.

The **NID interest rate** is defined as the yield on 10-year government bonds (as at 31 December of the prior tax year) **of the country where the funds are employed** in the business of the company plus a 3% premium. This is **subject to a minimum rate which is the yield of the 10-year Cyprus government bond**

(as at the same date) plus a 3% premium.

For the purposes of the above, the CTA have now announced the interest yields of the 10-year government bonds for Cyprus, Czech Republic, Germany, India, Latvia, Poland, Romania, Russia, Ukraine, United Arab Emirates and United Kingdom as at 31 December 2016, the relevant date for tax year 2017. We understand that, unless stated otherwise, the announced

interest yields are for bonds denominated in the official currency of the respective issuing country.

Based on the CTA announcement the **NID interest rate** for funds employed in the above mentioned countries for tax year 2017 is as set out in the table below:

The Takeaway

With this latest announcement the CTA have established an important part of the NID calculation for 2017 for the countries to which the announcement refers.

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Cyprus, *Czech Republic, *Germany, *Latvia, *United Arab Emirates, *United Kingdom	6.489%
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*The Cyprus NID interest rate is used as it is the minimum.	

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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