

## ***NID: 2018 yield rates announced by the Cyprus Tax Authorities***

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For the purposes of the Notional Interest Deduction (“NID”) the Cyprus Tax Authorities (“CTA”) have now announced the interest yields of the 10-year government bonds for the below countries as at 31 December 2017, i.e. for tax year 2018. 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 2018 for funds employed in the below countries is as set out in the table below:

<b>Country where the funds are employed</b>	<b>2018 NID interest rate</b>
Cyprus, Austria*, Czech Republic*, France*, Germany*, Ireland*, Latvia*, Luxembourg*, Netherlands*, Norway*, Slovakia*, Slovenia*, Spain*, Sweden*, UK*	4,881%
Canada	5,079%
China	7,268%
Croatia	5,453%
Greece	7,073%
Hungary	5,031%
India	10,571%
Italy	5,005%
Poland	6,385%
Romania	7,314%
Russia	10,590%
Russia (denominated in US dollars)	6,822%
Serbia	8,968%
South Africa	11,780%
USA	5,406%

\*The Cyprus NID interest rate is used as it is the minimum.

Five countries have been announced as Non-Applicable:

1. Belorussia
2. BVI
3. Kazakhstan
4. UAE
5. Ukraine

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.

### ***The Takeaway***

With this latest announcement the CTA have established an important part of the NID calculation for 2018 for the countries to which the announcement refers.

### ***Let's talk***

For a deeper discussion of how this development might affect you or your business, please contact:

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