

## ***NID: tax year 2019 yield rates announced by the Cyprus Tax Authority***

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For the purposes of the Notional Interest Deduction (“NID”) the Cyprus Tax Authority (“CTA”) has now announced the yield rates of the 10-year government bonds for the below countries as at 31 December 2018, i.e. the yield rates that apply for tax year 2019. We understand that, unless stated otherwise, the announced yield rates 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 yield rate of the 10-year government bonds plus 3%) for tax year 2019 for funds employed in the below countries is as set out in the table below:

<b>Country where the funds are employed</b>	<b>2019 NID interest rate</b>
Cyprus, Austria*, Bulgaria*, Canada*, Czech Republic*, France*, Germany*, Hong Kong*, Ireland*, Latvia*, Luxembourg*, Netherlands*, Norway*, Slovakia*, Slovenia*, Spain*, Sweden*, Switzerland*, UK*	5,302%
Armenia	9,385%
Belarus (denominated in US dollars)	10,226%
China	6,261%
Croatia	5,415%
Greece	7,346%
Hungary	5,971%
India	10,261%
Italy	5,739%
Mauritius	8,380%
Poland	5,812%
Romania	7,811%
Russia	11,720%
Russia (denominated in US dollars)	8,020%
Serbia	7,722%
South Africa	12,206%
Ukraine (denominated in US dollars)	13,780%
USA	5,685%

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

Three countries have been announced as Non-Applicable i.e. the yield rates that apply for tax year 2019 for these countries have not been clarified:

1. British Virgin Islands (we understand that British Virgin Islands have not issued government bonds)
2. Kazakhstan (we understand that a 10-year government bond denominated in a currency other than the official currency of Kazakhstan may have been issued)
3. United Arab Emirates (we understand that a 10-year government bond for each Emirate, i.e. Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, Umm Al Quawain, may have been issued)

### **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 rate 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 has established an important part of the NID calculation for 2019 for the investee 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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