

Tax Flash

Notional Interest Deduction Rates 2026

On 18 March 2026, the Cyprus Tax Department released the 10-year government bond yield rates as at 31 December 2025, which are to be applied in determining the Notional Interest Deduction (NID) for the 2026 tax year.

Please refer to the [Tax Department Website](#) for the applicable rates.

The NID represents an annual tax-deductible expense / deduction calculated on “new equity,” defined as funds introduced into a company on or after 1 January 2015 and employed in generating taxable income.

The Reference Interest Rate corresponds to the yield of the 10-year government bond of the country in which the new equity is invested (as at 31 December 2025), increased by 5%.

Key limitations and compliance considerations:

- **80% Limitation:** The NID is capped at 80% of the taxable profit arising from the assets financed by the new equity.
- **No Loss Creation:** The deduction cannot give rise to a tax loss. Any unutilised NID is forfeited and cannot be carried forward.
- **Asset Alignment:** The applicable reference rate must correspond to both the nature of the asset and the jurisdiction in which the equity is effectively deployed / invested.

Contact us for any further information, clarification, or assistance in relation to the above or any other tax matters.



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