

Cyprus Tax Alert

9 January 2024

Reduction in defence tax to 17% on interest income

The Cyprus Parliament approved on 6 December 2023 an amendment to the Special Defence Contribution ('SDC') Law, through which the SDC rate on passive interest income earned by Cypriot tax residents (individuals and companies) is reduced from 30% to 17%.

The amendment was published in the official Cyprus Government Gazette on 20 December 2023 and comes into force on 1 January 2024.

Active interest income derived from the ordinary carrying on of a business or closely connected with the ordinary carrying on of a business is not considered as passive interest and therefore it does not fall within the provisions of the special contribution for defence law. Such interest income is subject to the provisions of the income tax legislation.

Please do not hesitate to contact us for clarifications.

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