



**K. TREPPIDES
& CO LTD**

Direct Taxation

January Newsletter - Issue 01/2024



**Reduction of the Special Defence Contribution rate for
passive interest**

We would like to inform you that the Cyprus Parliament approved an amendment to the Special Defence Contribution ("SDC") Law reducing the SDC rate for passive interest earned by Cyprus tax residents (Individuals and Companies) from 30% to 17%.

The change was published in the Official Gazette of the Republic of Cyprus and applies from 1 January 2024.

It should be noted that when a person earns interest that meets the criteria set out in the Cyprus Income Tax Law ("ITL") for "active" interest income (i.e., interest earned within the ordinary business activities of the taxpayer, or interest closely connected to the ordinary business activities), such interest is taxed only under the provisions of the ITL at the applicable income tax rates and is exempt from SDC.

However, any interest income which is treated as "passive" income, instead of being taxed under the provisions of the ITL, it is taxed under SDC. As from 1 January 2024, the applicable SDC rate is 17%.

Passive interest received from savings certificates and development bonds of the Republic of Cyprus, corporate bonds listed on a recognized Stock Exchange, as well as interest received by a Local Authority, a Public entity, a Pension fund, a Provident Fund or the Social Insurance Fund, is subject to SDC at the reduced rate of 3%.

For any further information and/or clarifications required, please do not hesitate to contact us.



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