



**K. TREPPIDES
& CO LTD**

Direct Taxation

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**Extension of application of the reduced Special
Defence Contribution rate of 3%**

We would like to inform you that as from 8 June 2022 the application of the reduced Special Defence Contribution ("SDC") rate of 3% has been extended to Cyprus tax resident legal entities.

As per the old provisions of the law, the reduced rate of 3% applied to interest income received by Cyprus tax resident domiciled individuals from Cyprus Government savings certificates and development bonds, corporate bonds, as well as interest received by a Provident Fund or the Social Insurance Fund.

Following the amendment, in addition to Cyprus tax resident domiciled individuals, the reduced rate of 3% will also apply to Cyprus tax resident legal entities, on interest received from savings certificates and development bonds of the Republic of Cyprus or any other State, corporate bonds listed on a recognised

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.

It is noted that interest income arising from the ordinary carrying on of a business or which is closely connected with the ordinary carrying on of a business is not considered as interest and does not fall within the provisions of the SDC law.

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

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