

Cyprus: Carve Out of arrangements in relation to Interest Rate Ceilings

Group companies with a presence in Cyprus can breathe a sigh of relief in light of the new amendment to the Criminal Code on interest rate ceilings. The applicability to intergroup structures of the interest rate ceiling introduced earlier this year was uncertain in terms of scope and was thought to catch loans extended by persons who were not financial institutions with interest received or charged on granting of loans, extension of repayment, pre-payment and renewal exceeding the permitted ceiling (currently at 12.57%).

A new amendment effective from the 16 December 2011 has carved out of the scope of the interest rate ceiling provisions the following arrangements:

- (a) a loan extended to a legal person, where the funds have originated directly or indirectly from sources outside Cyprus, provided that (i) the amount of the loan exceeds €1.000.000 and (ii) the minimum disbursement is €500.000;
- (b) a loan extended to a legal person, which is disbursed abroad (ie outside Cyprus) and provided that (i) the amount of the loan exceeds €1.000.000 and (ii) the minimum disbursement is €500.000;
- (c) a loan where the borrower and the lender are legal persons and who are considered to be related parties for the purpose of application of Section 33 of the Cyprus Income Tax Laws.

For further information on this topic please refer to the articles [Cyprus: Interest Rate Ceilings Introduced](#) and [Update to Interest Rate Ceiling](#) or contact Nancy Erotocritou (nancy.erotocritou@harneys.com).

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