Cyprus slashes taxation on interest income to 17%
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The Cyprus government decided to slash taxation on interest income from 30% to 17%, Finance Minister Makis Keravnos said on Wednesday, noting that banks should follow suit in boosting income for depositors.

During the 2013 financial crisis in Cyprus, the then government doubled the taxation on interest income to 30% as part of the measures to boost public revenue.

Speaking after the meeting of the Council of Ministers, Keravnos said the fiscal impact of the measure is estimated at €16 million, noting the decision aims to increase income from deposits held by mainly medium-sized households and enterprises.

"At a time when deposit rates remain compressed, we send a message for the increase of the depositors' disposable income and I hope that the government paves the way and others will follow suit," he said.

Furthermore, Keravnos said the government decided to extend the implementation of a zero VAT bill on essential goods for an additional six months, adding that coffee and sugar will also be included in the list of products with zero VAT.

Keravnos said the extension was decided as the current zero VAT period expires in the end of October and concerned bread, milk, eggs, baby foods, baby and adult diapers and female hygiene products.

Replying to a question whether the government considers subsidising electricity prices and fuel, Keravnos reiterated that the government policy concerns the introduction of targeted measures.

“The government policy concerns targeted measures, which are more effective and comply with fiscal planning and fiscal discipline that we must uphold in order to keep our economy on the right track,” he said.

We are monitoring the situation with all seriousness and sensibility and depending on the developments, the government continues to introduce measures to assist those in need, Keravnos concluded.