

# Amendments to the Income Tax Law – Accelerated capital allowances for capital expenditure incurred to improve the energy efficiency of businesses

12 April 2024 | Issue 4 /2024

On 4<sup>th</sup> of April 2024, the House of Representatives, approved some amendments to the Income Tax Law, providing accelerated capital allowances as an incentive for companies and sole traders that incurred capital expenditure to improve their energy efficiency and reduce their operational costs.

The amendments are the following:

- For capital expenditure incurred during the years 2023, 2024, 2025 and 2026 to improve the energy efficiency of a building, accelerated capital allowances will be granted at the rate of **7%** (instead of 3% provided under the current legislation).
- For investment in machinery and equipment connected to renewable energy systems and/or for investments in other technical systems to improve energy efficiency incurred during the years 2023, 2024, 2025 and 2026 accelerated capital allowances will be granted at the rate of **20%** (instead of 10% provided under the current legislation).
- For investment incurred during 2023, 2024, 2025 and 2026 for new commercial electric vehicles (i.e. vans), taxis and buses, accelerated capital allowances will be granted at the rate of **33,3%** (instead of 20% provided under the current legislation).
- The costs incurred to conduct a study to upgrade/improve the energy efficiency of a building used by the business or for the issuance of an energy savings certificate will be treated as tax deductible for corporate income tax purposes, subject to conditions (i.e. to be conducted by an approved professional).

The companies and sole traders that are eligible to deduct capital allowances using the increased rates outlined above, can choose not to apply the increased rates during the relevant year that they incurred the expenditure.

The entry into force of the new provisions outlined above is 1<sup>st</sup> of January 2023.

## Contact us

### Savvas M. Klitou

Head of Tax

**p:** +357 22 458500

**e:** [s.klitou@bakertilly.com.cy](mailto:s.klitou@bakertilly.com.cy)

Nicosia, Cyprus

### Valentinos Pavlides

Director, Tax Services -  
Transfer Pricing Services

**p:** +357 22 458500

**e:** [v.pavlides@bakertilly.com.cy](mailto:v.pavlides@bakertilly.com.cy)

Nicosia, Cyprus

### Andreas Papagavriel

Director, Tax Services

**p:** +357 22 458500

**e:** [a.papagavriel@bakertilly.com.cy](mailto:a.papagavriel@bakertilly.com.cy)

Nicosia, Cyprus

