



Deemed dividend distribution due end of 2020

10 December 2020 - Cyprus tax resident companies must declare at least 70% of their 2018 accounting profits by 31 December 2020 and pay the resulting special contribution for defence of 17% and National Health Contribution of 2,65% by 31 January 2021.

The above is provided in the Special Contribution for Defence Law and the National Health Contribution Law with respect to accounting profits being subject to deemed dividend distribution provisions.

These provisions apply for special contribution for defence purposes in cases where a company with shareholders that are Cyprus tax residents **and** Cyprus domiciled, has not distributed at least 70% of the accounting profits for a specific tax year.

The deemed distribution provisions also apply for National Health Contribution purposes in case where a Cyprus tax resident company has ultimately Cyprus tax resident individual shareholders (domicility is irrelevant).

The deemed dividend distribution provisions on the accounting profits for the tax year 2018 will be triggered on 31 December 2020. The said provisions will come into force in case a Cyprus tax resident company does not distribute at least 70% of its 2018 accounting profits by 31 December 2020.

If a Cyprus tax resident company does not distribute such profits, then it will be deemed that it has distributed to its Cyprus tax resident shareholders (individuals or corporations). In that case, 70% of the company's after tax accounting profits will be deemed as distributed by 31 December 2020 and will be required to withhold a 17% special contribution for defence (for Cyprus tax resident and domiciled shareholders) and 2,65% National Health Contribution (for all tax resident shareholders) and pay them over to the Tax Department. The amount of any deemed dividend is reduced by any actual dividend distributed during the period from 1 January 2018 to 31 December 2020 out of the 2018 accounting profits.

It is stressed once again that the deemed dividend distribution provisions apply for special contribution for defence purposes to Cyprus tax resident and domiciled individuals. They also apply to tax resident corporate shareholders, the ultimate or immediate physical shareholders of which, are tax resident individuals domiciled in Cyprus.

For National Health Contribution purposes the deemed distribution provisions apply in cases where a tax resident company is directly or ultimately owned by a Cyprus tax resident individual (domicility is irrelevant).


In case a tax resident company is ultimately owned by a non-Cyprus tax resident individual, the deemed dividend distribution provisions do not apply.

Costas Tsielepis & Co Ltd

205, 28th October Str., Louloupis Court, 1st Floor, 3035 Limassol, Cyprus | P.O. Box 51631, 3507 Limassol, Cyprus
T: +357 25871000 | F: +357 25373737 | E: info@tsielepis.com.cy | www.tsielepis.com.cy

Registration No. HE195250 | Licensed Statutory Auditors, ICPAC Certificate No. E165/A

George Tsielepis, BSc, FCA, **Alexis Tsielepis**, BSc, FCA, **Antonis Christodoulides**, BSc, FCCA, **Costas Constantinou**
Nicolas Papapanayiotou, BSc, MBA, FCCA



It is emphasized that Form T.D 603 Declaration of withheld Special Contribution for Defence and National Health Contribution from Dividends will also need to be submitted by the end of the month following the month of the dividend declaration (actual or deemed).

Late payment of the special contribution for defence and national health contributions will be subject to interest at the current rate of 1,75% per annum and to a 5% penalty on the tax due. An additional penalty of 5% on the tax due may be imposed if the tax remains unpaid two months after the above due dates. Failure to submit Form TD603 within the deadline a penalty of €100 will also be imposed.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications on this or any other tax issue.