



Deemed dividend distribution due end of 2024

9 December 2024 - Cyprus tax resident companies must declare at least 70% of their 2022 accounting profits by 31 December 2024 and withhold the resulting Special Contribution for Defence of 17% and National Health Contribution of 2,65% by 31 January 2025.

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 Cyprus tax resident **and** Cyprus **domiciled** shareholders 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 Cyprus tax resident individual shareholders (domicility is irrelevant).

The deemed dividend distribution provisions on the accounting profits for the tax year 2022 will be triggered on 31 December 2024. The said provisions will come into force in case a Cyprus tax resident company does not distribute at least 70% of its 2022 accounting profits by 31 December 2024.

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 2024 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 Cyprus 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 2022 to 31 December 2024 out of the 2022 accounting profits.

It is re-emphasized 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.

The relevant tax codes per payment type are provided below:

Payment Type	Tax Code
SDC on actual dividends paid	603
SDC on deemed dividend distribution	623
GHS contributions on actual dividends paid	703
GHS contributions on deemed dividend distribution	723

Late payment of the special contribution for defence and national health contributions (i.e. after 31/1/2025) will be subject to interest, currently being 5% 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 due date.

It is also reminded that any actual or deemed dividend distribution will need to be declared electronically through the Taxisnet system by completing and submitting Forms T.D. 603 for actual dividend distribution or T.D. 623 relating to Deemed Dividend Distribution. It is reminded that the deadline of the submission of the relevant dividend forms is the end of the month following the month of the declaration (or deemed declaration) of the dividend.

Late submission of the Forms T.D 603 or T.D. 623 will be subject to a €100 penalty.

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.