



Deemed dividend distribution declaration due end of December 2015

4 November 2015 - Cyprus companies must declare 70% of their 2013 accounting profits by 31 December 2015 and pay the resulting special contribution for defence of 17% by 31 January 2016.

The above is provided in the Special Contribution for Defence Law with respect to accounting profits being subject to deemed dividend distribution provisions. These provisions apply 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 dividend distribution provisions on the accounting profits for the tax year 2013 will be triggered on 31 December 2015. The said, provisions will come into force in case a Cyprus tax resident company does not distribute at least 70% of its 2013 accounting profits by 31 December 2015.

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) 70% of its after tax accounting profits by 31 December 2015 and will be required to withhold a 17% special contribution for defence and pay it over to the Department of Taxation. The amount of any deemed dividend is reduced by any actual dividend distributed during the period from 1 January 2013 to 31 December 2015 out of the 2013 accounting profits.

It is emphasized that the deemed dividend distribution provisions apply to both Cyprus tax resident **and** domiciled individuals and tax resident corporate shareholders, the ultimate or immediate physical shareholders of which are tax resident individuals domiciled in Cyprus. In case a tax resident company is ultimately owned by a non-tax resident individual or a tax resident but non-Cyprus domiciled individual, the deemed dividend distribution provisions **do not apply**.

For any additional information or for assistance with the calculation and settlement of the special contribution for defence liability relating to the application of the deemed dividend distribution provisions, please feel free to contact our Department of Taxation.