



## Deemed dividend distribution due end of 2018

**26 November 2018 - Cyprus tax resident companies must declare at least 70% of their 2016 accounting profits by 31 December 2018 and pay the resulting special contribution for defence of 17% by 31 January 2019.**

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 2016 will be triggered on 31 December 2018. The said provisions will come into force in case a Cyprus tax resident company does not distribute at least 70% of its 2016 accounting profits by 31 December 2018.

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 2018 and will be required to withhold a 17% special contribution for defence and pay it over to the Tax Department. The amount of any deemed dividend is reduced by any actual dividend distributed during the period from 1 January 2016 to 31 December 2018 out of the 2016 accounting profits.

It is emphasized that the deemed dividend distribution provisions apply to both Cyprus tax resident and domiciled individuals. It also applies to 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-Cyprus tax resident individual or a tax resident but non-Cyprus domiciled individual, the deemed dividend distribution provisions do not apply.

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