



Cyprus Tax News Deemed Dividend Distribution for 2017

We would like to remind you of the deemed dividend distribution (DDD) provisions of the Special Contribution for the Defence Law that apply on 31 December 2017.

What profits are within the scope of the DDD provisions?

The DDD provisions apply to the profits of Cypriot tax resident companies that are attributable directly to Cypriot tax residents but do not apply to profits that are ultimately attributable to non-Cypriot tax resident shareholders.

When do the DDD provisions apply?

The DDD provisions apply where a Cypriot company has not distributed at least 70% of its after tax profits (as adjusted for DDD purposes) within two years from the end of the tax year to which such profits relate. In such a case, the undistributed profits are subject to Special Defence Contribution (SDC) at 17%.

Therefore, companies with accounting profits for tax year 2015 that fall within the DDD provisions, would have to declare an appropriate amount of dividend in order to meet the 70% threshold of distributed profits on or before 31 December 2017 and where applicable, pay the relevant SDC by submitting form T.D.61AM to the Tax Department.

Otherwise, on 31 December 2017, the relevant undistributed accounting profits (up to the 70% threshold) would be considered as deemed distributed and the relevant SDC would need to be paid by 31 January 2018 by submitting form T.D.623 to the Tax Department.

It is worth noting that the submission of form T.D.623 is mandatory where a company has profits subject to the DDD provisions, irrespective of whether SDC arises or not.

We are at your disposal to assist you with the relevant calculations as well as with the preparation and submission of the relevant tax forms.



Get in touch

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