



Cyprus Tax News

Deemed distribution for 2015

We would like to remind you of the deemed distribution provisions of the Special Contribution for the Defence (“SDC”) Law. These provisions apply in cases where a Cypriot company with Cypriot tax resident domiciled shareholders has not distributed at least 70% of the accounting profits earned for a specific year. **These provisions do not apply to the proportion of profits attributable directly or indirectly to non-Cypriot tax resident shareholders** or to Cypriot tax resident shareholders that are not Cypriot-domiciled.

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The deemed distribution provisions apply where a Cypriot company has not distributed at least 70% of its profits (as adjusted for deemed distribution purposes) to its immediate shareholder(s) within two years from the end of the tax year of which such profits relate to. In this respect, a company's accounting profits earned in tax year 2013, will be subject to deemed distribution as at 31 December 2015.

As a result, companies within the scope of these provisions must declare a dividend on or before **31 December 2015** and pay the relevant SDC, by **31 January 2016** (if dividends are paid in December 2015). Alternatively, where a company chooses not to pay a dividend, then the SDC on deemed distribution is payable by **31 January 2016**. The SDC rate applicable to profits subject to deemed distribution as well as to profits distributed during 2015 is **17%**. In either case, the relevant forms issued by the Tax Department need to be completed and submitted according to the Assessment and Collection of Taxes Law in order to avoid penalties and interest.

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.



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