



Cyprus Tax News

Deemed Dividend Distribution for 2018

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 2018.

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 and domiciled shareholders. 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.

When do the DDD provisions apply?

The DDD provisions apply where a Cypriot tax resident 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 part of such profits are subject to Special Defence Contribution (SDC) at 17%.

Therefore, companies with accounting profits for tax year 2016 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 2018 and where applicable, pay the relevant SDC via [JCC smart](#) (category 603: withholding from dividends paid).

Otherwise, on 31 December 2018, 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 2019 via [JCC smart](#) (category 623: Defence on deemed dividends).

We are at your disposal to assist you with the relevant calculations as well as with administering the payment process.

 Get in touch

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