



Cyprus Tax News

Deemed Dividend Distribution as at 31 December 2024

We would like to remind you of the obligations that arise from the deemed dividend distribution (DDD) provisions of the [Special Contribution for the Defence Law](#) that apply on 31 December 2024.

What profits are within the scope of the DDD provisions?

The DDD provisions apply to the profits of Cypriot tax resident companies that are ultimately attributable to shareholders who are Cypriot tax resident and Cypriot domiciled individuals.

These provisions **do not apply** to the proportion of profits that are ultimately attributable to shareholders who are non-Cypriot tax resident individuals or Cypriot tax resident individuals that are not Cypriot-domiciled (see further below though, on the obligation to withhold GHS contributions).

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 adjusted profits is subject to Special Defence Contribution (SDC) at 17%.

Therefore, companies with accounting profits for tax year **2022** 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 2024** and where applicable, pay the relevant SDC by the end of the following month that the dividend was declared.

Otherwise, on 31 December 2024, the relevant undistributed profits (up to the 70% threshold) would be considered as deemed distributed and the relevant SDC and GHS (where applicable) would need to be paid by **31 January 2025**.

What about GHS contributions on actual or deemed dividend distributions?



The distribution of either an actual or a deemed dividend to shareholders which are Cypriot tax resident individuals (irrespective of their **domicile status**) is subject to contributions to the General Healthcare System (**GHS**) at the rate of 2,65%. For more details on GHS contributions, please refer to the [guidance](#) issued by the Cyprus Tax Authorities.

GHS contributions on **actual** dividends would need to be paid by **the end of the following month that the dividend was declared** and on **deemed** dividends by **31 January 2025**.

Dividends paid to shareholders which are either non-Cypriot tax residents or Cypriot tax resident companies (unless the 4-year rule applies) are exempt from SDC and from GHS contributions.

Payments of SDC and GHS

The prompt payment of SDC and GHS can be made by selecting one of the below payment methods from the icons appearing next to the Payment Reference Number (PRN) of the SDC and GHS payment:

- Credit/debit card by selecting  which automatically transfers you to jccsmart gateway, or
- online banking, by selecting .

Late payments can only be made via online banking

The relevant tax codes per payment type are provided below:

Payment type	Tax code
SDC on actual dividends paid	603
SDC on deemed dividends distribution	623
GHS contributions on actual dividends paid	703
GHS contributions on deemed dividends distribution	723

What are the penalties for late payment of the SDC and GHS due?

Late payment of the SDC and GHS contributions due will be subject to interest at the current rate of 5% per annum and to a 5% penalty on the tax due. An additional penalty of 5% on the tax due may be imposed if the tax remains unpaid two months after the above due dates.

Tax declaration for actual dividend distribution

Form T.D.603 “Declaration of withheld Special Contribution for Defence (SDC) and General Healthcare Scheme (GHS) from Dividends” should be submitted by the end of the following month that the dividend was declared or by 31 January 2025 for deemed dividends, through [TAXISnet](#). The form is due for submission only in case any SDC or GHS liability arises on the actual or deemed dividend payments. Late submission carries a fixed penalty of **€100**.

How can we help?

We are at your disposal to assist you with the relevant calculations, the administration of the payments and the submission of the relevant declaration.

[Get in touch](#)

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