



**K. TREPPIDES
& CO LTD**

**Direct Taxation
December Newsletter - Issue 22/2023**



***Deemed Dividend Distribution as at
31st December 2023***

We would like to remind you of the deemed dividend distribution (DDD) provisions of the Special Contribution for the Defence Law (SDC) that apply on the 31st of December 2023, and for which there is a reporting deadline on 31st of January 2024.

Provisions of the DDD

The DDD provisions apply to the profits of Cyprus tax resident companies, that are attributable directly or indirectly to Cyprus tax resident and domiciled shareholders. The provisions do not apply to the portion of profits attributable directly or indirectly to non-Cyprus tax resident and/or Cyprus tax resident non-domiciled shareholders, although, there is an obligation to withhold GHS contributions on any DDD attributable to Cyprus tax resident non-domiciled shareholders.

Companies are deemed to have distributed to their resident shareholders 70% of their accounting profits, after taxes and certain adjustments, as at the end of two years from the year to which the profits relate to. Therefore, the DDD provisions apply where a Cyprus company has not distributed at least 70% of its after-tax accounting profits (as adjusted for DDD purposes) within the two-year period. Any actual dividends paid out of such profits within the two-year period reduce the profits subject to the deemed distribution rules.

To this end, according to the DDD provisions set above, companies with accounting profits for the tax year 2021, which have not distributed at least 70% of their adjusted after-tax profits before the 31st of December 2023, are subject to the DDD provisions. The undistributed part of the profits after tax (as adjusted for DDD purposes), up to the 70% threshold, is subject to SDC at 17% for Cyprus tax resident domiciled shareholders.

GHS Contributions

In addition to the SDC, the distribution of a deemed dividend to shareholders which are Cyprus tax resident individuals (irrespective of their domicile status) may be subject to contributions to the General Healthcare Scheme (GHS) at the rate of 2,65%.

Payment deadlines

For SDC and GHS contributions on DDD as at 31st December 2023, the payment is due by the 31st of January 2024.

The payments are made through JCC smart or online banking. In case of late payments, these can be made only through online banking and are subject to interest

at the current rate of 2,25% 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 return submission deadline

For DDD as at 31st of December 2023 with SDC and GHS liability, the “Declaration of withheld Special Contribution for Defence (SDC) and General Healthcare Scheme (GHS) from Dividends” (i.e., form T.D.603) should be submitted through the Taxisnet electronic system by the 31st of January 2024. Late submission carries a fixed penalty of €100.

For any further information and/or clarifications required, please do not hesitate to contact us.



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