

Residents of Cyprus are subject to defence contribution depending on their sources of income as outlined here below:

- Dividends

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Interest received

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Interest received by an individual from Government Savings

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Interest received by an individual from Government Bonds

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Interest earned by an approved provident fund

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Rental Income reduced by 25%

17%

30%

3%

3%

3%

3%

Dividends

Dividends paid by a company resident in Cyprus to another company resident in Cyprus are exempted from Special Contribution for Defence.

Dividends received by a company resident in Cyprus or a company not resident in Cyprus but which maintains a permanent establishment in Cyprus, from a company which is not resident in Cyprus and of which at least 1% of the share capital is withheld, then the dividends are exempted from Special Contribution for Defence.

Interest Received

Interest received as a result of performing a business activity, is not considered interest for Special Defence Contribution purposes.

Deemed Distribution

A company resident in Cyprus which is deemed to have made a distribution of 70% of its profits after tax in the form of dividends at the end of the two years from the end of the tax year in which the profits relate, must account for 17% defence contribution.

Dividends deemed to have been distributed are reduced by any dividends that have actually been distributed during the two year period.
The deemed distribution provisions do not apply to profits which relate to shareholders who are non-residents of Cyprus.