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| **MANUAL**  PAYMENT OF DIVIDEND | **2023** |

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| **REPUBLIC OF CYPRUS** |  |  |  |
| **MINISTRY OF ENERGY, COMMERCE AND INDUSTRY** |  |  |

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**MANUAL FOR PAYMENT OF DIVIDEND TO CREDITORS**

1. An informative letter is sent to the bankrupt regarding the intention of paying dividend **(**[**Attachment 1**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%201%20LETTER%20TO%20BANKRUPT.docx)**)**.
2. A dividend folder is created in which all relevant documents and letters are filed.
3. A creditors list is prepared which includes creditors referred in the Statement of Affairs, creditors who verified their debts and creditors that acknowledged by the trustee.
4. The trustee must check if there are any preferential creditors, who are defined in article 38 of the Bankruptcy Law Chapter 5 and are the following:
5. All Government taxes and duties, council charges due from the bankrupt at the date of the Receivership/Bankruptcy Order and which became due and payable within the twelve months immediately preceding the date of the Receivership Order (eg income tax, .P.A.).
6. Any amount of wages of an employee in proportion to his employment by the bankrupt during the eighteen weeks immediately preceding the issue of the Receivership Order.
7. Any amount of compensation which the bankrupt is obliged to pay to the employee due to bodily injury which the employee suffered as a result of an accident caused by his employment.
8. Any amount due to the employee for the leave to which he is entitled from his employment by the bankrupt for a period of employment of a single year.
9. All rents accrued and due to the landlord during the four months immediately preceding the date of the Receivership Order.

Moreover, preferential debts are the following:

A) PAYE debts, i.e. deductions made for Income Tax from employees' wages and must be paid by the employer - based on the Income Tax Act 4/78 (section 45).

B) The debts to the Social Insurance Fund - based on the Social Insurance Law 41/80.

C) Provident Fund – based on the Provident Fund Law 44/81.

If there are preferential creditors, the trustee must calculate according to the money available for payment of dividend, whether the preferential creditors will be settled and a balance will remain to pay dividend to the other creditors. If only preferential creditors will be paid, the steps below will apply only to them.

1. The trustee sends a letter to the creditors who did not verify their debt **(**[**Attachment 2**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%202%20LETTER%20CRED%20NOT%20VER%20DEBT.docx)**)**. Attaches directions **(**[**Attachment 3**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%203%20DIRECTIONS%20FOR%20PROOF.docx)**)** and proof of debt form **(**[**Attachment 4**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%204%20Creditors%20proof%20of%20dept%20form.docx)**)**.
2. To the creditors who verified their debt, a letter is sent in order to reply if the debt is still due and to send any information requested **(**[**Attachment 5**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%205%20LETTER%20CRED%20VER%20DEBT.docx)**)**.
3. The expenses made by the applicant creditor, are the bankruptcy petition expenses which are approved by the Court Registrar. Sometimes, the approved bankruptcy expenses are written on the bankruptcy order. If the bankruptcy expenses are not included in the bankruptcy file, the trustee sends a letter to the applicant creditor in order to submit them. The applicant creditor’s expenses are paid in priority before the payment of dividend. (art. 36 (1) (d) of Bankruptcy Law Chapter 5) **(**[**Attachment 6**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%206%20LETTER%20TO%20APPLICANT%20CRED.docx)**)**.
4. At the same time the trustee publishes the Intention of Paying Dividend to the Official Gazette and to the Insolvency Department’s webpage or to the trustee’s webpage, with a deadline for submitting verifications 2 weeks from the publication date (art. 121 (1) Bankruptcy Regulations). **(**[**Attachment 7**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%207%20PUBL%20OF%20INTENTION%20PAY%20DIV.doc)**)**. The dividend must be paid within 2 months from the publication date. If the payment of dividend is not made within the 2 months, then the publication for the Intention of Paying Dividend must be repeated.
5. The trustee examines the proof of debt forms and checks that they are filled properly, have a stamp, are signed with an affidavit and that the debt was created before the Receivership Order for Orders issued before 07/05/2015 or the Bankruptcy Order for Orders issued after this date. Also the proof of debt must contain all the relevant evidence.
6. The amount of debt which is approved for payment of dividend purposes, is the debt included any interest and expenses, up to the Receivership Order date for Orders issued before 07/05/2015 or up to the Bankruptcy Order date for Orders issued after this date. If the proof of debt is approved, the trustee fills the approved amount for payment of dividend purposes on the proof of debt form and informs the creditor with a letter. **(**[**Attachment 8**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%208%20LETTER%20FOR%20APPR%20PROOF.docx)**)**.
7. If the trustee rejects part or entire the amount of the proof of debt, fills the proof the proof of debt form with the approved amount and informs the creditor with a letter. The creditor has the right to refer to the Court within 21 days from the date of the letter for change the trustee’s decision **(**[**Attachment 9**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%209%20REJECTION%20PROOF%20OR%20PART.doc)**)**.
8. Only creditors who submitted a proof of debt form are entitled to receive dividend. The trustee fills the “List A” which contains the creditors who have verified their debt **(**[**Attachment 10**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2010%20LIST%20A.xlsx)**)**.All the data on this list will be filled at this stage, except from the “amount paid”.
9. The trustee must prepare the “Statement of account” for the payment of dividend **(**[**Attachment 11**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2011%20STATEMENT%20OF%20ACCOUNT.xlsx)**)**. The statement begins with the balance of account of the bankrupt’s estate. The applicant creditor’s expenses, the publication costs for the intention of paying dividend and for payment of dividend and any other real expenses according to the article 35 of Bankruptcy Law Chapter 5, are deducted. The remaining balance, will be multiplied with the percentage set in the regulations for fees, in order to calculate the amount which the trustee is entitled for the payment of dividend. The balance after deducting the trustee’s fees, is the amount to be paid to the creditors as dividend. According to this amount and the total amount of approved debt verifications of “List A” the trustee calculates the percentage of dividend.
10. Then the trustee completes the “List A” and the “Statement of account”.
11. If the amount calculated to be paid as dividend is enough to pay all verified debts 100% and there is still a surplus, then the trustee must calculate interest for all creditors up to the date of the payment of dividend with a percentage of 9% (article 38 (6) of Bankruptcy Law Chapter 5). A percentage greater than 9% is applied only if there is a Court Order stating it and only if all creditors are settled in full (article 62 of Bankruptcy Law Chapter 5). Therefore in this case columns for interest must be added on “List A”.
12. Then, the trustee publishes the Payment of Dividend to the Official Gazette and to the Insolvency Department’s webpage or to the trustee’s webpage **(**[**Attachment 12**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2012%20PAYMENT%20DIVD%20PUBLICATION.doc)**)**.
13. At the same time, a letter is sent to all creditors who will receive a dividend, which informs them about the percentage and the amount of dividend, along with the statement of account. **(**[**Attachment 13**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2013%20LETTER%20CRED%20AMOUNT%20PERC.docx)**)**.
14. The same procedure is followed also for the payment of dividend for companies under liquidation (Article 299-The Companies Law Chapter 113). The preferential creditors are defined in article 300 of The Companies Law Chapter 113. If a floating charge, then after the settlement of preferential creditors, the holder of the floating charge has priority over the remaining unsecured – non preferential creditors (Article 300-The Companies Law Chapter 113).
15. **Insolvency Practitioners must send a copy of List A to the Insolvency Department for informing the case file. Moreover, copies of the receipts for the dividend amount paid to creditors must be included in the Accounts of Receipts and Payments which is sent to the Department of Insolvency for audit. (**[**Attachment 14**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2014%20BANKRUPTCIES.doc) **for Bankruptcies and** [**Attachment 15**](http://www.meci.gov.cy/MECI/insolvency.nsf/All/BA843E5C40B3B0A0C2258998003B9D43/$file/ATT%2015%20LIQUIDATIONS.doc) **for Companies under Liquidation)**