

# Cyprus Film Industry Incentive Scheme

January 2019

In September 2017, the Cyprus Council of Ministers approved a scheme for the promotion of the Republic of Cyprus as a filming destination. The scheme, called 'Olivewood', will close in December 2020 and has an annual budget of €1.5 million. The scheme, which is line with EU law, offers a combination of financial and tax incentives:

- Cash rebate
- Tax credit
- Tax allowance for investment in infrastructure and equipment
- Reimbursement of VAT on expenditure

Cash rebates and tax credits cannot be applied for jointly; applicants must select only one from these two options. Individually they can be applied for in conjunction with the tax allowance for investment in infrastructure equipment and reimbursement of VAT on expenditure.

## Eligible Applicants

To be eligible to apply for the scheme, applicants must:

- Be private sector companies
- Carry the special purpose recognition initials AVC (Audio-visual Cyprus) after their name

- Be registered in the Republic of Cyprus, or any other European Union member state, provided that they carry on business in the Republic of Cyprus through a branch or office at least after approval of the application

Applications are restricted to one audio-visual production only. The integration of more than one production under the same applicant (slate of films) is expressly prohibited, with an exception for a group production of a documentary for television or cinema under one single general title with a single budget, or a television series of no more than 15 episodes per annum with a single budget.

## Forms of Audio-Visual Films Compliant with the Scheme

- Feature films (long films)
- Television film or television series or mini-series
- Digital or analogue animation
- Creative documentary
- Transmedia and crossmedia productions
- Reality programmes which directly or indirectly promote the Republic of Cyprus and its culture

### Incentives

#### Cash Rebate

The annual available sum for this aid shall not exceed €1.5 million. In addition:

- The maximum aid shall represent 35% of eligible expenditure made in the Republic of Cyprus.
- Minimum expenditure in the Republic of Cyprus should be at least €200,000 in the case of feature films (long films), €100,000 for television drama series or self-contained drama films, €50,000 for documentaries for television or cinema broadcast and €30,000 for other television programmes (or the equivalent in any other freely convertible currency). In any case, the above amounts should not exceed 50% of the total production budget.
- The applicant must satisfy certain criteria which shall ensure that the aid promotes, amongst other, Cypriot and/or European and/or world culture.
- The maximum sum which can be granted as aid for each production shall be €650,000.

#### Tax Credit

This constitutes a reduction of the applicable corporate tax for the applicant. In addition:

- The maximum aid shall represent 35% of the eligible expenditure made in the Republic of Cyprus.
- Minimum expenditure in the Republic of Cyprus which comes to at least €200,000 in the case of feature films (long films), €100,000 for television drama series or self-contained drama films, €50,000 for documentaries for television or cinema broadcast and €30,000 for other television programmes (or the equivalent in any other freely convertible currency). In any case, the above amounts should not exceed 50% of the total production budget.
- The applicant must satisfy certain criteria which shall ensure that the aid promotes Cypriot and/or European and/or world culture.
- The sum of the tax credit against the taxable income shall not exceed 50% of the applicant's taxable income for the tax year within which the production is made. The tax credit, to the extent that it is not granted due to the above percentage restriction, shall be carried forward and be given within the next five (5) years, subject to the above percentage restriction.

#### Tax Allowance – Investment in Cultural Infrastructure and Equipment

- Every applicant that invests in film production infrastructure and technological equipment such as filming studios, audio-visual processing premises, filming equipment, computer generated audio-visual means, etc., will be entitled to have the sum of its investment deducted from its taxable income.
- The aid cannot exceed 20% of eligible expenditure in the case of small enterprises and 10% in the case of medium-sized enterprises.
- The investment, where it relates to equipment, shall remain in the Republic of Cyprus for a period of at least five (5) years.

#### VAT Return on Expenditure for Third Countries

The VAT rates in the Republic of Cyprus are 19%, 9% and 5% on all products and services provided in the Republic and 19% and 5% on all taxable imports.

The applicant is entitled to reimbursement of VAT in relation to any expenditure, similarly to every natural or legal person of an EU member state. With respect to natural or legal persons from third countries which transact with the applicant, such persons shall not be entitled to VAT return except in the cases of persons from Israel, Norway and Switzerland with which the Republic of Cyprus has already signed relevant interstate agreements.

The competent authority intends to promote interstate agreements for mutual VAT return with the following countries: Russia, China, India, Ukraine, Canada, Australia, Japan, New Zealand, Thailand, Egypt and the United Arab Emirates.

With respect to the United States of America, where no VAT is applied, but only sales tax which is non-refundable, the competent authority may examine the introduction of relevant measures.

#### Additional Cyprus Tax Incentives Which Can Be Used in Conjunction with the Scheme

- Entry of professional equipment in the Republic of Cyprus from other EU member states is exempt from customs formalities and taxes.
- Company losses are transferred and set off against other income of the company for the next five (5) tax years. Such losses can be also used to set off income of other group companies in the same tax year.

- For non-residents who stay in the Republic for less than 183 days only their Cyprus earned income is taxed, whereas interest and dividend income from sources within or outside the Republic of Cyprus are tax-exempt.
- In cases where the tax payer is a non-domiciled tax resident, s/he is discharged from the special defence contribution tax that is imposed on dividends, interest and rental income.
- 20% of the income relating to employment, which started in or after the year 2012 (maximum duration of five [5] years) of a tax payer who is non-domiciled until 2020, is tax free. The exemption relates to a maximum amount of €8,550, from the compensation of a person who was a non-resident in Cyprus before the commencement of his employment. Alternatively, in case of remuneration from employment exceeding €100.000 annually, such remuneration will be subject to a 50% exemption from income tax. This exemption is granted for a period of 10 years, starting from the date of employment commencement.
- New equity introduced to a company as from 1 January 2015 is eligible for an annual notional interest deduction provided that the new equity is used for business purposes. The relevant interest rate is the yield on 10 year government bonds (as at 31 December of the prior tax year) of the country where the funds are employed in the business of the company plus a 3% premium.
- The Republic of Cyprus has a special tax regime relating to intellectual property rights, where 80% of the profit from the use or sale of intellectual property rights is deducted as deemed output subject to the fulfilment of certain criteria.
- The transfer of immovable property or other assets and liabilities between legal persons carried out within the framework of a reorganisation is exempt from tax and other duties provided that such reorganisation scheme is subject to the conditions imposed by the local Income Tax Law. Taxes and duties include transfer fees, capital gains tax, special defence contribution and income tax.
- Ongoing company administration, registered office, and company secretarial services and directorship services
- Bank account opening and administration services
- Ensuring ongoing compliance with Cyprus regulations
- Accounting, bookkeeping and VAT services
- Liaison with the external auditors in respect of annual audit
- Legal services (through associates)
- Tax advice (through associates)
- Processing of immigration permits for the company's owner/s and employees
- Assistance with office setup, relocation and payroll services

If you or your clients would like to discuss the scheme, please contact our Cyprus office by telephone at +357-258-20-650 or email at [cyprus@tridenttrust.com](mailto:cyprus@tridenttrust.com).

#### How We Can Assist

- Preparation of application forms
- Incorporation of Cyprus companies

# Offices

## The Americas/Caribbean

### Bahamas

Trident Corporate Services  
(Bahamas) Ltd  
T: +1 242 322 6154  
bahamas@tridenttrust.com

### Barbados

Trident Corporate Services  
(Barbados) Ltd  
T: +1 246 621 0760  
barbados@tridenttrust.com

### British Virgin Islands

Trident Trust Company (BVI) Ltd  
T: +1 284 494 2434  
bvi@tridenttrust.com

### Canada

TT Services (Canada) Ltd  
T: +1 778 370 1392  
vancouver@tridenttrust.com

### Cayman Islands

Trident Trust Company  
(Cayman) Ltd  
T: +1 345 949 0880  
cayman@tridenttrust.com

### Nevis

Morning Star Holdings Ltd  
T: +1 869 469 1817  
nevis@tridenttrust.com

### Meridian Trust Company Ltd

T: +1 869 469 1333  
nevis@tridenttrust.com

### Panama

Trident Trust (Panama) S.A.  
T: +507 302 7494  
panama@tridenttrust.com

### United States

Atlanta  
Trident Corporate Services, Inc  
T: +1 404 233 5275  
usa@tridenttrust.com

### Trident Fund Services, Inc

T: +1 404 364 2019  
americasfunds@tridenttrust.com

### Miami

Trident Fund Services  
T: +1 305 351 3190  
americasfunds@tridenttrust.com

### New York

Trident Corporate Services, Inc  
T: +1 212 840 8280  
nyc@tridenttrust.com

### Sioux Falls

Trident Trust Company  
(South Dakota) Inc  
T: +1 605 679 4355  
sd@tridenttrust.com

### US Virgin Islands

Trident Trust Company (VI) Ltd  
T: +1 340 774 7322  
usvi@tridenttrust.com

## Asia

### Hong Kong

Trident Corporate Services (Asia) Ltd  
& Trident Trust Company (HK) Ltd  
T: +852 2805 2000  
hongkong@tridenttrust.com

### New Zealand

Trident Trust Company (NZ) Ltd  
T: +64 9 300 6067  
nz@tridenttrust.com

### Singapore

Trident Corporate Services  
(Singapore) Pte Ltd &  
Trident Trust Company  
(Singapore) Pte Ltd  
T: +65 6653 1800  
singapore@tridenttrust.com

## EMEA

### Cyprus

Trident Trust Company (Cyprus) Ltd  
T: +357 258 20 650  
cyprus@tridenttrust.com

### Trident Fiduciaries (Middle East) Ltd

T: +357 253 53 520  
fiduciariesme@tridenttrust.com

### Dubai

Trident Trust Company (UAE) Ltd  
DMCC Branch  
T: +971 4 423 9988  
dubai@tridenttrust.com

### Trident Fund Services (DIFC) Ltd

T: +971 4 277 1191  
dubai@tridenttrust.com

### Guernsey

Trident Trust Company  
(Guernsey) Ltd  
T: +44 1481 727571  
guernsey@tridenttrust.com

### Isle of Man

Trident Trust Company (IOM) Ltd  
T: +44 1624 646700  
iom@tridenttrust.com

### Jersey

Trident Trust Company Ltd  
T: +44 1534 733401  
jersey@tridenttrust.com

### Luxembourg

Trident Trust Company  
(Luxembourg) S.A.  
T: +352 26 30 28 48  
luxembourg@tridenttrust.com

### Malta

Trident Corporate Services  
(Malta) Limited &  
Trident Trust Company (Malta) Ltd  
T: +356 21 434 525  
malta@tridenttrust.com

### Mauritius

Trident Trust Company  
(Mauritius) Ltd  
T: +230 210 9770  
mauritius@tridenttrust.com

### Seychelles

Trident Trust Company  
(Seychelles) Ltd  
T: +248 4 422 000  
seychelles@tridenttrust.com

### Switzerland

Trident Corporate Services AG  
T: +41 44 396 1080  
switzerland@tridenttrust.com

### United Kingdom

Trident Trust Company (UK) Ltd  
T: +44 20 7935 1503  
uk@tridenttrust.com

### Trident Company

Services (UK) Ltd  
T: +44 20 7487 0460  
corpservices@tridenttrust.com