



## *The most attractive and tax efficient Intellectual Property regime*

In 2012, Cyprus enacted its own Intellectual Property (IP) regime for profits generated from the use or sale of qualifying IP rights. Cyprus now constitutes as one of the most attractive and preferred IP location in the EU and worldwide, whereas the legal owner of qualifying IP may enjoy 80% tax exemption on IP related profits.

### *Tax benefits from the Cyprus IP tax regime*

The new IP tax regime offers exemption from tax on income generated from qualifying IP activities. More specifically:

- 80% exemption of worldwide income generated from IP owned by Cyprus tax resident company after deducting of any direct expenses.
- 80% exemption of profit generated from the disposal of IP owned by Cyprus tax resident company after deducting of any direct expenses.
- The cost for the acquisition or development of the IP may be capitalised and claimed as tax deductible on a straight line basis over the next five years, giving an annual tax depreciation of 20%.

### *Why Cyprus?*

- ✓ Cyprus IP tax regime can offer effective tax rate of lower than 2,5%.
- ✓ Cyprus is an EU member state.
- ✓ Cyprus registered IP can enjoy asset protection in all EU. Member states.
- ✓ Favourable and stable tax and legal framework.
- ✓ Access to Cyprus double tax treaty network.
- ✓ Access to EU directives.

## *IP protection in Cyprus*

Cypriot registered IP rights are protected both at European and International levels. Cyprus offers a comprehensive system that ensures that the results of innovation and creativity are secured.

### **Patents**

- National certificate is granted by the Department of Registrar of Companies and Official Receiver.
- A European certificate is issued by the European Patent Office.
- An International certificate is issued under the provisions of the Patent Cooperation Treaty, administered by the World Intellectual Property Organization.

### **Trade marks**

- Registration under the provisions of Capital 268.
- EU Regulation on the Community Trademark and on the Community Design offer via Cyprus uniform protection throughout the territory of the European Union.
- Cyprus is a signatory to the Paris Treaty and Madrid Protocol, whereas global protection of trademarks, service marks and designs is provided.

### **Copyrights**

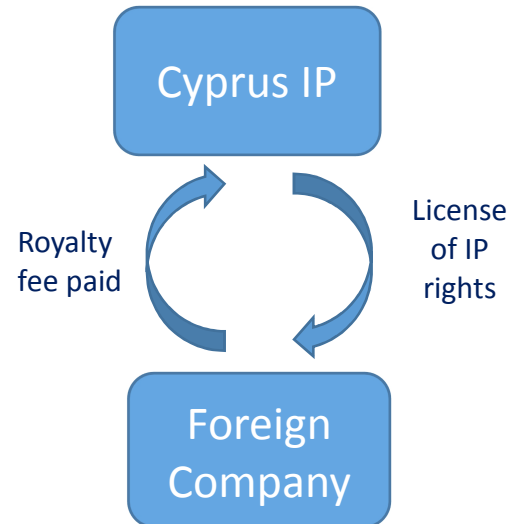
- Protected under Law N.59/76 on Protection of Intellectual Property which offers protection at a National level.
- Cyprus, is a signatory to the Bern Convention and Artistic Works, which covers a broad range of rights, including software copyrights. This guarantees protection to all Convention member states with no further action being required.

## Practical examples

### Taxation of royalty income

Cyprus IP company licenses its IP rights to foreign company and in return it receives royalty income of €200.000 per year. Under the IP regime the operations of the Cypriot company will be taxed as follows:

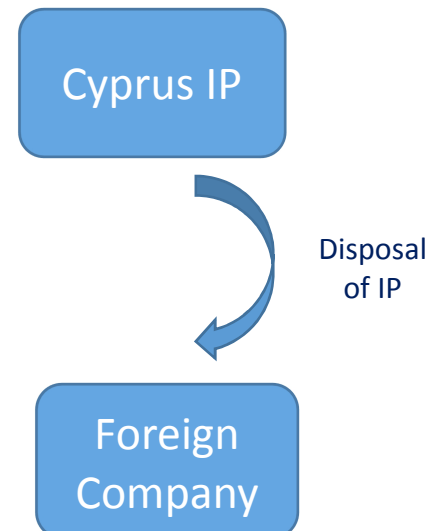
	€
Royalty income	200.000
Less: Direct expenses	<u>(100.000)</u>
<b>Net profit</b>	<b>100.000</b>
Statutory exemption of 80%	<u>(80.000)</u>
Taxable profit	20.000
<b>Tax at 12,5%</b>	<b>2.500</b>
<b>Effective tax rate</b>	<b>1,25%</b>



### Taxation of profits from disposal of IP

Cyprus IP company disposes its IP right for €500.000. The cost of acquisition was €150.000 and tax depreciation was claimed for 2 years. Under the IP regime the profit from the disposal of the IP right will be taxed as follows:

	€
Disposal price	500.000
Less: Cost of acquisition	<u>(150.000)</u>
<b>Net profit</b>	<b>350.000</b>
Add: Tax depreciation claimed	<u>60.000</u>
	410.000
Statutory exemption of 80%	<u>(328.000)</u>
Taxable profit	82.000
<b>Tax at 12,5%</b>	<b>10.250</b>
<b>Effective tax rate</b>	<b>2,05%</b>



*Qualifying IP Rights could be trademarks, designs, internet domain names, software, copyrights, secret formulae, know-how, work in process R&D, client lists, rights related to scientific, literary or artistic work, rights related to industrial or commercial work.*

## ***Other considerations***

The Cypriot IP company may require VAT registration in Cyprus. It may, in any case, be beneficial to voluntarily register for VAT, if no registration obligation exists.

Income from royalties is considered as service and in accordance with the interpretation of the VAT legislation the place of supply of royalty services, when the transaction is business-to-business, is where the supplier is located. If the Cypriot IP company provides royalty services to taxable persons in other EU countries, it will need to register for VAT in Cyprus in order to declare such services on its monthly VIES declaration. Furthermore, a registration requirement may also arise on the purchase of the IP by a Cyprus company.

Nevertheless, VAT registration will result in administration formalities but, if structured correctly, should not give rise to a VAT cost for the Cypriot IP company.

## ***Meet the Team***

Our tax experts will be glad to discuss with you the new Cypriot IP regime in order to understand your specific circumstances and explain how we can assist you. Our initial discussion is free-of-charge and without any obligation.

## ***Contact us***

Feel free to contact us via email, or by phone or fax. See below our contact details:

E-mail: [info@oxilium.com.cy](mailto:info@oxilium.com.cy)

Tel: +357 22 672200, +357 25 004242

Fax: +357 22 357057, +357 25 394198

For more information you may also visit our website: [www.oxilium.com.cy](http://www.oxilium.com.cy)