

Investment Incentive Scheme Film Production in Cyprus (1 of 2)



The Government of the Republic of Cyprus has, on 27 September 2017, launched an investment incentive scheme to promote the filming industry in Cyprus. The programme aims at attracting international filming productions to Cyprus, providing major benefits for both the film production companies and the country itself.

The scheme offers tax incentives to production companies and also focuses on promoting Cyprus' highlights such as unique geographical position, pleasant climate, scenic locations, highly professional local staff, rendering the island an ideal film production destination.

Qualified productions, eligible to be examined as to whether they are suitable for benefiting from the scheme, include, amongst others, movies, television series, documentaries, animations and television programmes on research and on Natural History.

Natural advantages for filming in Cyprus

- More than 300 days of sunshine
- Short Internal Distances
- Short Distances from Neighbouring Countries
- Large variety of captivating sceneries
- Centuries of art and culture
- Harmonious blend of different cultures
- English widely spoken

Incentives

Production companies that opt to film in Cyprus will be able to choose to benefit from either a cash rebate (partial refund of the amount invested on the film) or a tax credit. The key provisions of each option available are presented below.

Cash Rebate

OR

Tax Credit

- A cash rebate of up to 35% of eligible expenditures incurred in Cyprus can be granted, where the amount depends on the score of the production at the cultural test¹.
- The rebate is given once filming is completed, on receipt of the audit report and its review by the Committee (composed by state officials from the administrative reform unit, the education and finance ministries, the Cyprus Investment Promotion Agency and the Cyprus Tourism Organisation).
- The maximum amount that can be given for each production is €650.000 in 12 consecutive months and the annual available amount for all productions shall not exceed €1.500.000 in total per year.
- Tax credit offers a reduction of the corporate tax liability of the company responsible for the implementation of a production, with the same criteria that apply for cash rebate (with the exception of the €650.000 limit)
- 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 film 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 years, subject to the above percentage restriction.

¹ Selection criteria under the cultural test are the participation of local actors in leading roles, the highlighting of cultural elements of the Cypriot or global culture, the use of the Greek/Cypriot language, etc.

Incentives (continued)

Irrespective of which option they select (cash rebate Vs tax credit) production companies can also benefit from tax discounts on investments made on equipment and infrastructure, and VAT returns on expenditure in scope.

Tax Discount

- Any small and medium-sized enterprise subject to a tax liability in Cyprus investing in cinematographic infrastructure and technological equipment will be entitled to deduct the amount of its investment from its taxable income.
- The aid may not exceed 20% of the qualifying production expenditures in the case of small enterprises and 10% of the qualifying production expenditures in the case of medium-sized enterprises.
- Investment in the case of equipment should remain in the territory of Cyprus for a period of at least 5 years.

VAT Refund

- Value Added Tax rates in the Republic of Cyprus are 19%, 9% and 5% on all products and services provided in the Republic of Cyprus and 19% and 5% on all taxable imports.
- For qualifying production expenditures incurred in Cyprus by natural or legal persons from third countries and which are related to the implementation of productions, the film production company is entitled to a refund of VAT (up to 14%).
- VAT returns arise within 6 months with respect to the legal person which carries out the foreign filming in Cyprus from the end of the last deadline for submitting the VAT declaration for the specific VAT period during which the expense occurred or from the date on which the application for VAT return is filed.

How we can help

VGDA is well positioned to provide you with all relevant details regarding the above investment incentive scheme and whether your company would be able to benefit from.

Furthermore, our firm can provide you with the following services:

- We can work with you to identify and assess your tax structuring options, evaluating the respective pros and cons, and assist you in determining the optimal route which is most beneficial for you.
- We can assist in the application for rendering the Cyprus Production Company as a qualified company under the current scheme.
- We can undertake the responsibility for project managing the establishment process of the Cyprus Production Company, monitoring all related workstreams, and coordinating with different stakeholders.
- We can provide accounting, audit and other related services for the Cyprus Production Company.

We remain at your disposal for any clarifications/ further information required.



Nicosia Office

32, John Kennedy Avenue
DADLAW Business Centre, 2nd Floor
1087 Nicosia, Cyprus

Tel.: +357 22 300900

Fax: +357 22 300901

Limassol Office

8, John Kennedy Street
Iris House, 8th Floor
3106 Limassol, Cyprus

Tel.: +357 25 760500

Fax: +357 25 760501

For more information you may contact:

Vasilis Koufaris

Managing Director

Tel. ☎: +357 99 432000

Email ✉: vkoufaris@vgda.com.cy

Antonis Antoniou

Director, Head of Audit

Tel. ☎: +357 99 699664

Email ✉: aantoniou@vgda.com.cy

Constantinos Christodoulou

Director, Head of Advisory

Tel. ☎: +357 99 657028

Email ✉: cchristodoulou@vgda.com.cy

This document has been prepared by VGDA Accountants Limited ("VGDA"), a private limited liability company registered in Cyprus, and may not be published, reproduced, copied or stored in any medium, in whole or in part, without VGDA's prior written consent. All rights reserved.

It is sent as part of our marketing communications which provide access to our range of professional services, as well as our publications and events. If you do not wish to receive marketing communications from us, please notify us by sending an email to administrator@vgda.com.cy.

It is noted that the information contained in this document is of a general nature and is, therefore, not intended to address the circumstances of a particular natural person or legal entity. Whilst the information contained herein has been prepared in good faith, no representation, undertaking or warranty, expressed or implied, is given or will be made and no liability is accepted by VGDA as to the accuracy, reliability, adequacy or completeness of the information contained in this document. No one should act upon such information without appropriate professional advice and after a thorough examination of the particular situation.

VGDA would be pleased to advise recipients of this document on how to apply the principles set out herein to their specific circumstances and requirements.

info@vgda.com.cy

www.vgda.com.cy