


DMB - BKMS **GROUP**

**Financial
Incentives
for Filming
in Cyprus**



FINANCIAL INCENTIVES










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- I. Cyprus Filming Scheme
 - II. Incentives for corporates
 - III. Incentives for individuals
 - IV. Attractive Intellectual Property regime
 - V. Effective Legal Framework

FINANCIAL INCENTIVES

Illustrative Example for the financial benefits

Assumptions: €6 million Budget for production with distribution & €10 million revenues

Benefits: Up to €2.1 million benefits and €140K Tax

| PHASE | COSTS | CASH REBATE | VAT REFUND | NET COST (w INCENTIVES) |
|--|-------------|-------------|------------|-------------------------|
|  CAPEX | €500,000 | €147,059 | €95,000 | €257,941 |
|  PRE-PRODUCTION | €1,000,000 | €294,118 | €190,000 | €515,882 |
|  PRODUCTION | €1,000,000 | €311,190 | €131,955 | €556,855 |
|  OTHER & POST-PRODUCTION | €1,000,000 | €310,644 | €132,620 | €556,736 |
|  TOTAL PRODUCTION | €3,500,000 | €1,063,010 | €549,575 | €1,887,415 |
|  PROMOTION / DISTRIBUTION | €2,500,000 | €0 | €0 | €2,500,000 |
|  TOTAL | €6,000,000 | €1,063,010 | €549,575 | €4,387,415 |
|  REVENUES | €10,000,000 | €0 | €0 | €10,000,000 |
|  SURPLUS (DEFICIT) | €4,000,000 | €1,063,010 | €549,575 | €5,612,585 |

| | |
|--------------------------------|------------|
| TOTAL BENEFITS | €2,173,844 |
| CASH REBATE / TOTAL PRODUCTION | 30.4% |
| VAT REFUND / TOTAL PRODUCTION | 15.7% |
| TAX RELIEF / SURPLUS | 10.0% |

| | |
|------------------------------|-------------------|
| Corporate Tax | €701,573 |
| Tax Relief | €561,259 |
| Net Tax | €140,315 |
| Net Surplus (Deficit) | €5,472,271 |

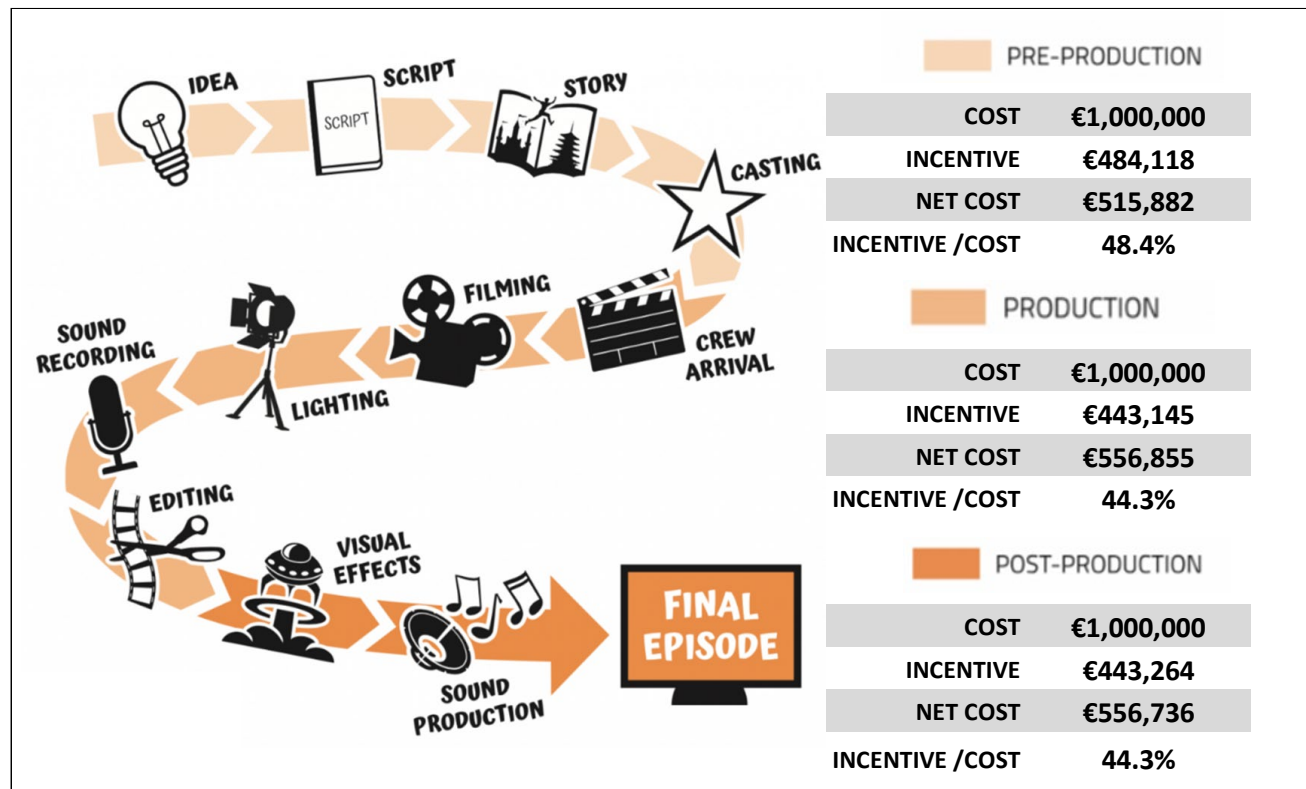


FINANCIAL INCENTIVES

Illustrative Example for the financial benefits

Assumptions: €3 million production costs

Benefits: Up to €1.3 million benefits





I. CYPRUS FILMING SCHEME

❖ Eligible Entities

- ✓ Legal Persons registered in Cyprus
- ✓ Legal Persons registered in the EU with registered branch or office in Cyprus
- ✓ Have an addition to their legal name - Audio Visual Cyprus
- ✓ Restricted to one visual-audio project
- ✓ Exception is the group production of documentaries under a group title and a single budget
- ✓ No limitation in the participation of foreign shareholder in the legal structure





I. CYPRUS FILMING SCHEME

❖ Qualifying production categories

- ✓ Feature Films – Long Films of a minimum duration of 60 minutes
- ✓ Television film or Television series or mini series
- ✓ Digital or analogue Animation
- ✓ Creative documentaries
- ✓ Reality programs which directly or indirectly promote the Republic of Cyprus and its culture

❖ Non - Qualifying production categories among others


- ✓ Any public or special event coverage
- ✓ Sports events
- ✓ Special programs with speakers
- ✓ Educational programs





I. CYPRUS FILMING SCHEME


A. Cash Rebate

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- ✓ Rebate of up to 25%-35% on eligible expenditures incurred in Cyprus.
 - ✓ Minimum expenditures in Cyprus €200,000 for Feature Films, €100,000 for Television series and €50,000 for documentaries
 - ✓ The minimum expenditures shall be less than the 50% of the total production budget
 - ✓ The amount granted will depend on the score of the production at the cultural test
 - ✓ The rebate will be given once filming is completed, on receipt of the audit report and its review by the committee



I. CYPRUS FILMING SCHEME

B. Tax Credit

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- ✓ The maximum aid, as a reduction of applicable corporate tax for the Applicant, shall represent 35% of the eligible expenditure made in the Republic of Cyprus.
 - ✓ Minimum expenditures in Cyprus €200,000 for Feature Films, €100,000 for Television series and €50,000 for documentaries
 - ✓ The sum of the tax credit against the taxable income shall not exceed 50% of the Applicants' 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 years, subject to the above percentage restriction



I. CYPRUS FILMING SCHEME

C. Tax Allowances for Investment in infrastructure and equipment


- ✓ Any small and medium-sized enterprise subject to a tax liability in Cyprus investing in film production infrastructure and technological equipment shall 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 (< 50 employees and €10 mln turnover) and 10% of the qualifying production expenditures in the case of medium-sized enterprises (< 250 employees and €50 mln turnover) .
- ✓ Investment in the case of equipment should remain in the territory of Cyprus for a period of at least 5 years.





I. CYPRUS FILMING SCHEME

D. Return of VAT on expenditure

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- ✓ 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 company is entitled to a refund of VAT.
 - ✓ 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.



I. CYPRUS FILMING SCHEME

- ❖ **Maximum amount for Incentives A, B and C**
 - ✓ up to 50% of the production budget

- ❖ **What is required for an application**
 - ✓ Application and Evaluation Form
 - ✓ Production Summary
 - ✓ Benefits for the Cypriot / European Culture
 - ✓ Producer filmography
 - ✓ CVs
 - ✓ Production planning
 - ✓ Agreements
 - ✓ Budget
 - ✓ Entity's legal documents





I. CYPRUS FILMING SCHEME

❖ Eligible expenditures incurred in Cyprus

- ✓ Accommodation
- ✓ Traveling
- ✓ Catering
- ✓ Equipment & Grip Rental
- ✓ Set Construction
- ✓ Staff Transportation
- ✓ Fees for using locations
- ✓ Post production expenses (sound and vision)
- ✓ Per diem (daily expenses for food, accommodation & transport)
- ✓ Remuneration for actresses & actors & the production team
- ✓ Transportation cost for equipment
- ✓ Acquisition of Land and Buildings
- ✓ Registration, Legal, Insurance & Accounting Services
- ✓ Security Services
- ✓ Visual effects
- ✓ Telecommunications
- ✓ Repairs and reinstatements





I. CYPRUS FILMING SCHEME

Application Process

1. Submission of the application

2. Temporary Approval Certificate

3. Review by Committee

4. Issuance of Approval Certificate within sixty (60) business days from the expiration date of the period for submission of applications

5. Completion of Filming

6. Submission of certified auditor report

7. Issuance of Final Approval Certificate (FAC)

8. Bank transfer within 90 business days from the FAC date of issuance






II. INCENTIVES FOR CORPORATES

- ❖ Competitive corporate tax rate of 12.5%
- ❖ Duty exemption for import / export of production equipment
- ❖ Tax exemption on Foreign capital gains
- ❖ No Tax on dividend and interest
- ❖ No Tax on Royalties rights used outside Cyprus
- ❖ 0-10% Tax on Royalties rights used within Cyprus
- ❖ Tax loss carried forward for 5 years
- ❖ Foreign Exchange gains or losses are tax exempt
- ❖ Double Tax Treaties with 65 countries






II. INCENTIVES FOR CORPORATES

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- ❖ Notional Interest Deduction on equity
 - ✓ Tax deduction on new capital (equity) introduced into the company with a calculation of a 'notional' interest expense to be deducted from the taxable income.
 - ✓ Notional Interest is the yield of the 10-year government bond increased by 5%
 - ❖ Low registration and operating costs of Corporates
 - ❖ Rapid granting of Licenses for shooting
 - ❖ Efficient work / entry permits for the personnel
 - ❖ Member of the European Union and Euro Zone



III. INCENTIVES FOR INDIVIDUALS

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- ❖ Non-Domicile Tax Resident with Tax Exemption on Dividend and Interest Income (60 Days in Cyprus & less than 183 Days in another country)
 - ❖ 100% exemption on remuneration for salaried services rendered outside Cyprus
 - ❖ Tax exemption of the initial €19,500 earned in Cyprus
 - ❖ Top Tax Rate is 35%
 - ❖ 20% or 50% Income Tax relief on income received in Cyprus for the first 5 years of employment
 - ❖ No Capital gain tax from sales of property situated outside Cyprus
 - ❖ No inheritance and gift taxes



IV. ATTRACTIVE IP REGIME

- ❖ Efficient Intellectual Property tax regime coupled with the protection afforded by EU Member States and by the signatories of all major IP treaties and protocols.
- ❖ It covers a wide range of intangibles including:
 - ✓ Copyrights: literary works, dramatic works, musical works, scientific works, artistic works, sound recordings, films, broadcasts, published editions, databases, publications, software programs
 - ✓ Patented inventions
 - ✓ Trademarks (and service marks), designs and models that are used or applied on products





IV. ATTRACTIVE IP REGIME

- ❖ 80% of the profits qualifying for the regime are exempt from tax
- ❖ Based upon the applicable corporate tax rate of 12.5% profits from IP can result to an effective tax rate of as low as 2.5%.
- ❖ The regime is compliant with 'Nexus approach', where non-tangible property needs to show a direct relationship between the qualifying assets and the owned expenses as they contribute to the income. If the nexus fraction is 90 then 90% of the profit is regarded as qualified and the effective tax rate will be 3.5%





V. EFFECTIVE LEGAL SYSTEM

- ❖ The legal foundation is based upon common law
- ❖ One of the most efficient and reliable legal systems
- ❖ Regulatory framework is effective, business friendly, with transparency & reliability in business practices.
- ❖ Fully compliant with the EU legislation, Financial Action Task Force on Money Laundering (FATF), OECD, FATCA, the Financial Stability Forum laws.
- ❖ Simple and Straightforward company incorporation
- ❖ Adoption of International Financial Reporting Standards (IRFS)
- ❖ Cost effective compare with other jurisdictions

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