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Cyprus Intellectual Property Tax Regime



CYPRUS IP Box regime

**Which new
rules were
implemented
with respect
to intellectual
property
taxation?**



Cyprus is a very popular destination for companies and individuals who want to benefit the most from its favorable tax structure.

One major sector that is of special interest to intellectual property owners is the **IP Box regime**.

On 14 October 2016 the House of Representatives enacted into Law significant amendments to Cyprus' IP Box regime. These amendments apply retroactively from 1 July 2016 and provide a transitional period for intellectual property assets qualified under the existing IP Box regime adopted in 2012.

The amendments implemented in 2016 by the Cypriot authorities made the existing IP Box rules stricter.

It should be mentioned that the old IP Box regime was not fully cancelled as the companies which enjoyed its benefits prior to the amendments were able to continue to do so until the end of the transitional period, 30 June 2021.

In order to determine whether the particular IP asset is eligible for the IP Box regime it is important to ascertain if it falls under the definition of "qualifying intangible asset": an asset which was acquired, developed or exploited by a person within its business activities, which is the result of research and development (R&D) activities and which includes intangible assets for which only economic ownership exists.



These assets include:

- Patents (as defined by the Patent Law);
- Computer software;
- Other IP assets which are legally protected, and they fall under one of the following:
 - Utility models and intellectual property assets which provide protection to plants and genetic material, orphan drug designations and extensions of protections for patents.
 - Non-obvious, useful and novel where the person which utilizes them in furtherance of a business does not generate annual gross revenues exceeding Euro 7.500.000 (in case of a group of companies not exceeding Euro 50.000.000), which are certified as such by an Appropriate Authority in Cyprus or abroad.

“Business names, brands, trademarks, image rights and other intellectual property rights used for the marketing of products and services are not considered as qualified intangible assets.”

The benefits of the **IP box regime** are the following:



Up to 80% of qualifying profits (this amount is calculated based on the special formula) shall be regarded as a deductible expense.

This means that the effective tax rate of the “qualifying income” will be the same **2,5%** which was applicable under an old IP Box regime.

Why choose AGP Law?

We can provide you, inter alia, with the following services:

- IP registrations including trademarks and designs, in over 150 countries all over the world, in addition to the harmonised single application for all EU Member States (OHIM);
- Registration of the Cyprus Company;
- Interpretation & implementation of the Cyprus IP Box regime;
- Interpretation & implementation of the double tax treaties;
- Elaboration of tax efficient IP strategies;
- Ongoing support.

We offer tailor-made, clear and immediate advice to clients addressing their need.

Contact us



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