

CYPRUS FILM SCHEME



REPUBLIC OF CYPRUS

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The present English text is for information purposes only and is not legally binding. The legally binding document is in the Greek language.

CHAPTER 1 - INTRODUCTION

The Council of Ministers with decision number 83.415 taken on 27/09/2017 has approved a scheme for the promotion of the film industry and the promotion of the Republic of Cyprus as an island for filming. The said Scheme constitutes the policy framework which is based on development, financial and tax incentives. The Scheme's sunset date is December 2020 and its annual budget is €1.5 million.

Definitions

Within the framework of the Scheme:-

- 1) **'Applicant'** means the legal person of a special purpose registered in the Republic of Cyprus or in another Member State of the European Union and which carries out business through a branch or office in the Republic of Cyprus with the initials (AVC) in its name which is entitled under the Scheme to submit an application.
- 2) **'Approved Company'** is defined as the company which satisfies the relevant requirements and the directions of the Committee with reference to the minimum expenditure in the Republic of Cyprus. The Approved Company is the entity which is responsible for all the activities in the performance of an Approved Production and must provide, if required by the Committee, full financial facts and data for the whole of the production worldwide, as well as full financial facts and data in relation to the application for tax allowance for investment in infrastructure and equipment, as the case may be.
- 3) **'Approved Expenditure'** is defined as the data relating to expenses which have arisen from the Approved Company and which are eligible to be taken into consideration for calculation of the amount to be returned as a financial incentive in accordance with the Scheme.
- 4) **'Approved Production'** is defined as the production which has been approved by the Competent Authority for cash rebate or granting of a tax credit certificate based on the eligibility criteria of the Scheme.
- 5) **'Business'** means an entity which carries out economic activity.
- 6) **'Capital'** means investments in Audiovisual Films which relate to the Scheme.
- 7) **'Chairman of the Committee'** refers to the person, to whom executive powers have been assigned by the Competent Authority as determined in the Scheme. The Chairman of the Committee is a representative of Cyprus Investment Promotion Agency (Invest Cyprus) as assigned by the Board of Directors of Invest Cyprus.
- 8) **'Committee'** refers to the Cyprus Film Commission which is the implementing body for the Scheme. It assesses and approves the applications which satisfy the requirements of the Scheme by making a recommendation to the Competent Authority with respect to the sum of the cash rebate or the issuance of the tax credit certificate to the Applicant and/or the tax allowance certificate for investment in infrastructure and equipment. Upon completion of the production and after an application for cash rebate or issuance of a tax credit certificate by the Applicant, the Committee carries out the final check, once it has confirmed the data as submitted by the certified auditors of the Applicant is full and complete. It issues an opinion to the Competent Authority for the final grant of the relevant sum of cash rebate or tax credit under the Scheme as well as for the issuance of a tax allowance certificate.

- 9) ‘**Companies Facing Financial Difficulties**’ means the business in relation to which at least one of the following conditions applies:
- a. In the case of a limited liability company (other than a small or middle sized company which has not completed three years since its incorporation or, as far as eligibility for venture capital financing is concerned, small and middle sized companies which have not completed seven years since their first commercial sale, which satisfies the criteria for venture capital financing after due examination by the selected intermediary financial institution) when more than half of its authorised share capital has been lost due to cumulative losses. This applies when, from the deduction of the cumulative losses from the reserves, (and all other items that are generally considered to be part of the company’s own funds) a negative cumulative amount results which exceeds half of its authorised share capital. With respect to the application of the present provision, ‘limited liability company’ refers in particular to types of companies mentioned in Appendix I of directive 2013/34/EU of the European Parliament and the Commission (1) and the term ‘capital’ includes, where applicable, every difference arising from an issuance at a premium.
 - b. In the case of a company where at least some members have unlimited liability for the company’s debts (other than a small or middle sized company which has not completed three years since its incorporation or, as far as eligibility for venture capital financing is concerned, small and middle sized companies which have not completed seven years since their first commercial sale, which satisfies the criteria for venture capital financing after due examination by the selected intermediary financial institution) when more than half of its authorised share capital, as is evident in the company accounts, has been lost due to cumulative losses. With respect to the application of the present provision, ‘company where at least some members have unlimited liability for the company’s debts’ refers in particular to the types of companies mentioned in Appendix II of directive 2013/34/EU.
 - c. In the case of a company subject to a group insolvency procedure or which satisfies the requirements of national laws governing it with respect to its submission to a group insolvency procedure after an application made by its creditors.
 - d. In the case of a company which has received support aid and has not yet repaid its debt or terminated the guarantee agreement or which has received restructuring aid and is still under a restructuring plan.
 - e. In the case of another business other than a small and middle sized enterprise, provided that in the last two years:
 - i. The debt to equity ratio of the business is higher than 7.5 and
 - ii. The financial liabilities ratio of the business (EBITDA interest coverage ratio) is below 1.0.
- 10) ‘**Competent Authority**’ means the Ministry of Finance. The Competent Authority takes the final decision and approves or rejects the proposal of the Committee for cash rebate, tax credit and/or tax allowance for investment in infrastructure and equipment for approved Applicants. The Competent Authority grants the relevant payments relating to the cash rebate and issues the certificate of tax credit and/or tax allowance.
- 11) ‘**Completion**’ means the end of the filming activities in the Republic of Cyprus in accordance with the declaration made by the Applicant and which was accepted by the Committee. The term ‘complete’ shall be interpreted in accordance with the declaration of the applicant for the completion of the film in Cyprus which has been accepted by the Committee.

12) '**Co-production**' means an Approved Production which is the result of a co-production/co-generation agreement between two or more producers.

Provided that:

- a. The Financial Incentive given shall be shared between the co-producers as agreed between them or in the absence of such agreement pro rata based on the participation in the budget of the Approved Production and
- b. The co-producers shall be jointly and separately liable with respect to the obligations under this Scheme.

13) '**Cultural Product**' means an audiovisual production in relation to which the Committee has found that the content is culturally compliant with the cultural test.

14) '**Directions**' means the guidelines which the Committee may issue from time to time.

15) '**Eligible Expenditure**' means the expenditure made in the Republic of Cyprus (excluding expenses which are covered by aid/sponsoring by other state/semi-state organisations) by a Production Company with an Approved Production relating to the information set out in Appendix 2 - Eligible Expenditure and Form 2, Part I, for pre-production, production, filming or post-production of an audiovisual production in the Republic of Cyprus.

16) '**Film**'

- a. means an audiovisual production which is categorised as follows:
 - i. A film, including a documentary for television broadcast or for cinema broadcasting and animation, which is intended to be broadcast in commercial cinemas, of a duration not less than 60 minutes, except in the case of a large format (IMAX) film, not less than 45 minutes;
 - ii. One episode of an episodic television drama, including animation;
 - iii. One episode of a television or cinema documentary programme, including factual programmes of natural history;
 - iv. A series of television programmes. With respect to television or mini series, the number of episodes shall not exceed 15 episodes per annum;
 - v. Reality programmes, live or recorded which present culture and promote the Republic of Cyprus abroad;
 - vi. Other audiovisual projects/films as developed and approved by the Committee.
- b. includes part of an audiovisual production but
- c. does not include audiovisual content:
 - i. based on sports events,
 - ii. which are likely to incite racial discrimination or social hatred,
 - iii. of pornographic nature,
 - iv. which is based on recent news events,
 - v. which is of educational character,
 - vi. advertising productions.

- 17) ‘**Final Approval**’ means the approval granted in the form available at the website of the Committee and ‘**Final Approval Certificate**’ means the certificate issued by the Committee upon Final Approval of applications for Incentives I, II and III of the Scheme mentioned in Chapter 2. Each certificate may also contain specific additional requirements, particularly for the legal person making the production with respect to Incentives I and II.
- 18) ‘**Financial Incentive**’ means the economic benefit provided for pursuant to the provisions of the Scheme in the form of a cash rebate or a tax credit for film production or tax allowance for investments in infrastructure and equipment.
- 19) ‘**Foreign Production**’ is defined as the production in which a foreign legal or physical person participates in the expenses of the production at a percentage of at least fifty one (51 %) in one specific audiovisual film production filmed in the Republic of Cyprus.
- 20) ‘**Main Cinematography**’ means the cinematography and the visual recording of the main or significant video and audio components of a production in which the main characters of the film are involved.
- 21) ‘**Member**’
- a. means a member of the Committee; and
 - b. includes the Chairman of the Committee.
- 22) ‘**Member of the EU**’ means a Member State of the European Union as defined in the Treaty of the European Union.
- 23) ‘**Producer**’ means a person with a successful career and experience of at least two (2) productions in the past five (5) years.
- 24) ‘**Production Company**’ means a company which carries out the business of audiovisual productions and is registered in the Republic of Cyprus or another Member State of the European Union and carries out business in the Republic of Cyprus, either through a branch or an office which it maintains in the Republic of Cyprus.
- 25) ‘**Props**’ is defined as every movable asset which is intended to be visible in an audiovisual production.
- 26) ‘**Scheme**’ refers to the Cyprus Film Scheme for the promotion of the film industry in the Republic of Cyprus approved by the decision of the Council of Ministers on 27/09/2017 (proposal number 1433/2017) within the framework of which the system for cash rebate for Audiovisual Projects or tax credit certificate issuance as well as the tax allowance for investment in infrastructure and equipment and the VAT return is created.
- 27) ‘**Small and Medium Enterprise (SME)**’ is every entity, irrespective of its legal form, which carries out economic activity. It includes self employed persons and family enterprises involved in crafts or other economic activity, as well as personal companies or groups of people who carry on an economic activity on a regular basis.
- Number of employees and economic limits for SMEs:
- a. The category of small and medium sized enterprises consists of enterprises which employ less than 250 employees and the annual turnover of which does not exceed 50 million euros and/or the total annual balance sheet does not exceed 43 million euros.

- b. In the category of SMEs, a small enterprise is defined as the enterprise which employs less than 50 employees and the annual turnover of which and/or the total annual balance sheet does not exceed 10 million euros.
 - c. In the category of SMEs, a very small enterprise is defined as an enterprise which employs less than 10 employees and the annual turnover of which and/or the total annual balance sheet does not exceed 2 million euros.
- 28) '**Statutory audit office**' means a legal entity or any other entity irrespective of its legal form which has received:
- a. In accordance with the provisions of the Auditors Law of 2017 N53(I)/2017, a professional licence, or
 - b. In accordance with Directive 2006/43/EC, a licence by a competent authority of a Member State other than the Republic for carrying out obligatory checks.
- 29) '**Statutory Auditor**' means a natural person who has received in accordance with the Auditors' Law of 2017 N53(I)/2017, a professional licence.
- 30) '**Temporary Approval**' means the temporary approval granted in the form available on the website of the Committee and '**Temporary Approval Certificate**' means the certificate issued by the Committee upon Temporary Approval of applications for Incentives I, II and III of the Scheme mentioned in Chapter 2. Each certificate can also contain specific additional requirements, particularly for the legal person making the production with respect to Incentives I and II.

CHAPTER 2 - THE INCENTIVES

The Scheme is created in accordance with Regulation 651/2014 of the European Commission (the '**Relevant EU Regulation**') on declaring certain categories of aid, as compatible with the internal market and especially article 54 which aims to promote European Culture and article 17 in relation to investment aid for small and middle sized enterprises (hereinafter '**SMEs**'), and consists of a combination of grants and tax incentives as follows:

- I. Cash rebate
- II. Tax credit
- III. Tax Allowance for investment in infrastructure and equipment
- IV. Return of VAT on expenditure

It is noted that, with respect to the cash rebate or the tax credit, the applicant must select which incentive it shall take advantage of, given that they cannot both apply together. The cash rebate can apply together with the tax allowance for investment in infrastructure and equipment as well as together with the VAT return. The tax credit can apply together with the tax allowance for investment in infrastructure and equipment as well as together with the VAT return, by completing the relevant applications.

Persons entitled to apply under the Scheme

Pursuant to the Scheme, are the Applicants who:

- 1) are persons in the private sector,
- 2) shall carry the special purpose recognition initials AVC (AudioVisual Cyprus) after their name,
- 3) shall 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 in the Republic at least after the approval of the application,
- 4) shall be strictly restricted to one and only audiovisual production. 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.

It is noted that there is no restriction on the percentage of foreign ownership participation in the Applicant.

Application of the Scheme

1) The Competent Authority:

- a. Has an obligation to revisit and examine the progress and the impact of the Scheme on the general economy at regular intervals and prepare a report on financial benefits of direct or indirect impact on the economic indicators of the economy.
- b. Reserves the right to recommend the termination, decrease or increase of the annual available sum according to the progress of the Scheme and the economic ability of the State as well as the renewal of the time period of application of the Scheme three months prior to the expiration of the Scheme.
- c. With respect to the members of the Committee, has the right to reject recommendations in relation to candidate members until its full satisfaction.
- d. Is responsible for the final approval of recommendations submitted to it by the Committee.

2) The Committee:

- a. assesses proposals by producers for aid based on the economic and cultural benefits for the Republic of Cyprus,
- b. recommends the amount of the production expenditure which satisfies the pre-requisites with respect to the cash rebate or the issuance of a tax credit certificate,
- c. recommends tax allowance in relation to Eligible Infrastructure and Equipment Expenditure and the investments which satisfy the criteria for the issuance of a tax allowance certificate,
- d. determines the relevant requirements and pre-requisites and
- e. determines whether an Applicant satisfies the relevant pre-requisites of the initial application and the final application for the cash rebate amount or issuance of a tax credit certificate upon completion of the production and/or the application for a tax allowance certificate for investment in infrastructure and equipment.

2.1. Set up and procedures of the Committee:

- 2.1.1.** The Committee shall consist of four (4) representatives of Ministries and organisations which are approved by the Competent Authority and serve for a three (3) year period with the possibility of renewal for a further three (3) year period as follows:
 1. Ministry of Education and Culture
 2. Ministry of Finance
 3. Cyprus Investment Promotion Agency (Invest Cyprus) (a representative of Invest Cyprus, as assigned by the Board of Directors of Invest Cyprus, is the chairman of the Committee and has the responsibility of processing and submitting the final proposal for final approval to the Competent Authority).
 4. Cyprus Tourism Organisation (CTO)
- 2.1.2** The Committee keeps a record of all financial incentives granted together with all supporting data of the applications and approvals for at least ten (10) years in order to:
 1. Be able to confirm that the provisions of the Scheme have been complied with.
 2. Provide the Commissioner for State Aid Control with any information which may be required.
 3. Require the Applicant who has been granted a financial incentive to return all or part of the sum if it finds that the terms of the Scheme have not been complied with.
 4. Require by way of a special recommendation to the Inland Revenue that the tax allowance granted to the Applicant pursuant to Incentive III, be cancelled if it finds that the terms of the Scheme have not been complied with.
 5. Communicate to the Competent Authority, the decisions of its work at the end of each year.

2.2. Committee Website

All information and forms as well as relevant guides addressed to parties interested in the Scheme will be available on the website of the Committee. The website shall provide information, initially, in 2 languages, Greek and English, if possible. The website shall be linked to the Filming website of the Cultural Services of the Ministry of Education and Culture.

Forms of Audiovisual Films compliant with the Scheme

Within the framework of the Scheme, proposals which are considered as complete in relation to the Scheme and the selection criteria, with an attractive, cultural/social character and with a professional presentation which can be considered as ‘compliant production’ with respect to the financial incentives of the Cash Rebate or the issuance of the Tax Credit Certificate, shall be assessed. The proposals for examination can include:

1) Feature Films - Long Films

Including those shot direct-to-video, where the project is a film commonly screened as the main attraction in commercial cinemas; of a duration of at least 60 minutes, or in the case of a large format (IMAX) film, at least 45 minutes.

2) Television film or Television series or mini-series

a. Television Film

Being a drama (i.e. a composition which tells a story through the development of theme and plot, by means of dialogue and action and the portrayal of characters, settings, and life situations) of a like nature to a feature film capable of exhibition on television, where the television movie is not less than one commercial television hour in length, or in the case of a programme predominantly utilising cell, stop motion and/or computer animation not less than one half commercial television hour; and is shot and processed to commercial release standards, for cinema exhibition or international telecast.

b. Television series or mini-series

Being an episodic television drama, including animation, which is either an extended but self-contained drama made for television wherein the key dramatic elements of character, theme and plot are introduced, developed and concluded so as to form a narrative structure (similar to that of a novel) and which features a major continuous plot enhanced by minor plots and there is the expectation of an ending that resolves the major plot tensions and is arranged into consecutive episodes for screening purposes or an anthology of drama works for television where the key dramatic elements of character, theme and plot are introduced, developed and concluded so as to form a narrative structure within each episode (similar to that of a novel or a short story) but there is no continuity of plot between episodes (although there may be host elements common to each episode) and is shot and processed to commercial release standards, for international telecast. The number of episodes for television series or mini series shall not exceed 15 episodes per annum.

c. Digital or Analogue Animation

Full feature and television animation series for international distribution whether computer generated or otherwise, but excluding computer games.

d. Creative documentary

Where the project is based on an original theme which contains a certain “timeless” element so that there is no loss of interest when the event with which it may be linked has passed and contains significant original filming and does not merely report information.

e. Transmedia and Crossmedia productions

Transmedia and crossmedia film productions that use different media for telling the same story, each medium making a contribution to the whole. Transmedia and Crossmedia projects that are linked to the production of a film are considered to be compliant with the Scheme for cash rebate or tax credit.

f. Reality programmes which directly or indirectly promote the Republic of Cyprus and its culture

Films which promote the beauty and culture of Cyprus simultaneously with examining the way of life of certain people under specific circumstances and which do not reduce the personality of the participants, do not insult the customs and culture of Cyprus and are consistent with the general framework of the Scheme are likely to be permitted by the Competent Authority.

The following in particular are not eligible under the Scheme:

- any public or special performance(s) staged for filming or otherwise
- any sporting event
- Television game shows other than reality programmes
- current affairs or talk shows
- educational programmes for tasks, hobbies or projects
- review, magazine-style, or lifestyle programmes.

Incentive I. Cash Rebate

The annual available sum for this aid shall not exceed €1,500,000. The aid shall be granted based on the following parameters and pre-requisites:

- 1) The application must be filed by the Applicant.
- 2) The maximum aid shall represent thirty five percent (35%) of eligible expenditure made in the Republic of Cyprus.
- 3) 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). It should be noted that in any case of minimum spending in the Republic of Cyprus, the above amounts should not exceed fifty percent (50%) of the total production budget.
- 4) For a production to be eligible, the Applicant must satisfy certain criteria which shall ensure that the aid promotes, among other, the Cypriot and/or European and/or world culture. The proposed cultural criteria are defined by cultural test.
- 5) The maximum sum which can be granted as aid for each production shall be €650,000. Such sum shall be payable upon completion of the filming and once an audit of the Eligible Expenditure has been completed and filed with the Committee and a Final Approval Certificate is issued. The sum shall be released within 90 business days immediately following the date of issuance of the Final Approval Certificate.
 - Companies Facing Financial Difficulties are excluded from the Scheme.

Incentive II. Tax credit

This constitutes aid, as a reduction of applicable corporate tax for the Applicant.

The aid shall be granted based on the following parameters and pre-requisites:

- 1) The application must be filed by the Applicant.
- 2) The maximum aid shall represent thirty five percent (35%) of the eligible expenditure made in the Republic of Cyprus.
- 3) 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). It should be noted that in any case of minimum spending in the Republic of Cyprus, the above amounts should not exceed fifty percent (50%) of the total production budget.

- 4) The Applicant must satisfy certain criteria which shall ensure that the aid promotes the Cypriot and/or European and/or world culture. The proposed cultural criteria are defined by the cultural test.
- 5) The sum of the tax credit against the taxable income shall not exceed fifty percent (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 (5) years, subject to the above percentage restriction.
- 6) The tax credit is not transferable to a third person. In the case of voluntary or involuntary liquidation or dissolution of the Applicant, the tax credit automatically ceases to have any value on the assets of the legal entity to which it has been granted.
 - Companies Facing Financial Difficulties are excluded from the Scheme.

Incentive III. Tax Allowance – Investment in Cultural Infrastructure and Equipment

According to Article 17 of Regulation 651/2014:

- 1) Every Applicant who invests in film production infrastructure and technological equipment such as filming studios, audiovisual processing premises, filming equipment, computer generated audiovisual means etc., shall be entitled to have the sum of its investment deducted from its taxable income. The relevant application form for tax allowance can be found at the website of the Committee.
- 2) The aid cannot exceed twenty percent (20%) of Eligible Expenditure in the case of small enterprises and ten percent (10%) of Eligible Expenditure in the case of middle sized enterprises.
- 3) The investment, where it relates to equipment shall remain in the Republic of Cyprus for a period of at least five (5) years.
- 4) Eligible Expenditure for a particular tax credit, are the following investments in tangible and/or intangible assets (**'Eligible Infrastructure and Equipment Expenditure'**):
- 5) An investment, in order to qualify as Eligible Infrastructure and Equipment Expenditure must consist of:
 - a. investment in tangible and/or intangible assets in relation to the creation of a new business establishment, the expansion of an existing business establishment, the variation of the production of a business establishment with new additional products or the fundamental change of the whole of the production process of an existing business establishment, or
 - b. acquisition of assets belonging to a business establishment, when the following pre-requisites are all satisfied:
 - i. the business establishment has closed or would have closed if it hadn't been acquired,
 - ii. the assets are acquired by third parties who are not related to the buyer, (this condition does not apply in the case where a family member or an employee of the initial owner takes over a small business),
 - iii. the transaction is effected on market terms.

A simple buy out of the shares of a business does not constitute an investment.
- 6) Intangible assets must meet all of the following conditions:
 - a. only used in the business establishment to which the aid is granted,
 - b. they are considered as depreciable assets,
 - c. purchased in accordance with market conditions by third parties not related to the buyer,
 - d. included in the assets of the enterprise for at least three (3) years.

7) The job vacancies created directly must satisfy all the following pre-requisites:

- a. they are created within three (3) years from the completion of the investment,
- b. there is a clear increase in the number of employees in the particular business establishment compared to the average of the preceding twelve months,
- c. they are preserved for a minimum period of three (3) years from the date when the vacancy is filled for the first time.
 - i. Companies Facing Financial Difficulties are excluded from the Scheme.
 - ii. For implementation of the above, the sums paid by small and medium sized enterprises ('SMEs') shall be deducted from gross income. The deduction, to the extent that it cannot be granted due to the above restriction, shall be carried forward and be granted in the next five (5) years, subject to the above paragraph b. percentage restriction.

With respect to I, II and III above:

In determining the level of cash rebate and the tax credit the Committee shall take into account all possible State subsidies, including aid provided by other EU Member States, in order to ensure that State aid does not go beyond fifty percent (50%) of the total production budget and sixty percent (60%) if it is a co-production pursuant to the relevant EU Regulation. To this end, the Producer shall provide a full and accurate disclosure of any relevant information relating to any other state aid received from any party and in any form.

The Competent Authority may, upon a positive recommendation by the Committee, recommend that the above restrictions be lifted in cases I and II relating to the maximum limit of the budget or the annual available sum for particular films which are considered beneficial for Cyprus generally, its culture, the economy in general and the development of the film industry in particular, provided all the provisions of the Relevant EU Regulation are met.

Incentive IV. VAT Return on expenditure for third countries

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% και 5%, on all taxable imports.

The Applicant has a right to VAT return in relation to any expenditure, in the same way as every natural or legal person of a Member State of the EU has, in accordance with the European Directive 9/2008 of 12 February 2008. 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, countries with which the Republic of Cyprus has already signed relevant interstate agreements.

In this respect, the Competent Authority shall look into promoting 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.

VAT returns arise within six (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.

For VAT returns the relevant provisions of the VAT Law N95(I)/2000 apply. In addition the provisions of the Regulatory Administrative Act 316/2001 with respect to exceptions apply.

Appendices

Appendix Explanation

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APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVES I AND II - CASH REBATE AND TAX CREDIT

PART 1. Check list for supporting documents for pre-approval:

Type

Application

Committee assessment form and provision of facts which thoroughly reinforce the rating of the production.

A brief description of the film, including the report on the beneficial promotion of Cyprus and the Cypriot/European culture and the report on accessibility to the audience to which the film is addressed.

Filmography of the Producer

Biographical data of the basic crew members of the production team.

Suggested date of commencement of production in Cyprus (including the dates of commencement of the preparation for the production).

Expected date of completion of the production in the Republic of Cyprus as well as a date for completion of post-production in the Republic of Cyprus so long as reasons exist based on the application for cash rebate/tax credit relating to post-production.

All agreements relevant to the production, including, without limitation, the following:

- Letters of Commitment with reference to specific amounts
- Preliminary agreements
- Pre-sale agreements if they exist.
- Distribution agreements if they exist.
- Distribution plan in each case.

Detailed expenses budget in euro relating to expenditure in the Republic of Cyprus including the date of submission of the application for cash rebate or tax credit (the budget presentation needs to be brief as per the table of Eligible Expenditure and categorised).

Certificate of incorporation of the Applicant or registration certificate of a branch or office in the Republic of Cyprus of a special purpose vehicle registered in a Member State of the European Union.

Certificate of directors and shareholders of the Applicant or of a special purpose vehicle registered in a Member State of the European Union to which the branch or office belongs and through which the special purpose vehicle registered in a Member State of the European Union operates as an Applicant.

APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVES I AND II - CASH REBATE AND TAX CREDIT

PART 1. Check list for supporting documents for pre-approval:

Type

Submission of production programme regarding filming as well as detailed analysis relating to the use of locations within the Republic of Cyprus.

List of actors and members of the crew (Cyprus, EU and Third Country nationals) with full data, copies of passports (exclusively for EU and Third Country nationals) or identity cards.

Sworn affidavit for possible state aid received/applied for either from the Republic of Cyprus or any other Member State and that in the event where cash rebate is applied for it has not used the tax credit aid and vice versa.

Other documents which reinforce the assessment regarding the experience and the history of the producer.

Sustainable financial plan and details for possible third sponsors including possible letters of interest/commitment from interested parties, where appropriate.

Complete financial plan for the whole production and of the financial resources with which the production will be made, which will contain reference to the financial resources which cover 100% of the production cost.

Proof of funds which covers at least seventy percent (70%) of the total production cost and required capital (for which the financial plan in the paragraph immediately above provides) for the production.

APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVES I AND II - CASH REBATE AND TAX CREDIT

PART 2. Check list for supporting documents for final approval:

Type

Certified report from certified auditors of the Applicant which provides detailed statements relating to production expenditure within the Republic of Cyprus, as well as expenditure made in relation to Eligible Expenditure within the Republic of Cyprus by the Applicant. The report must also provide information on any other aid from Member States of the European Union the Applicant may have obtained relating to the production.

It is noted that cash rebate is made when the submission of the evidence by the auditor of the company proves 100% of the cover of the costs in Cyprus.

Declaration by the Applicant which mentions the completion date of the whole production upon which the film will be delivered to any third party sponsor or distributor of the film.

Confirmation that the Applicant as well as its affiliate companies have satisfied all their tax obligations towards the Inland Revenue Department and the Social Securities Department as well as other taxes and debts managed by the said departments prior to the date of submission of the tax credit certificate. To this end the Committee shall determine the minimum requirements.

APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVE III – TAX ALLOWANCE

PART 3. Check list for supporting documents for pre-approval:

Type

Application

Suggested date of commencement of investment activities in infrastructure and/or equipment in the Republic of Cyprus.

Expected date of completion of investment activities in infrastructure and/or equipment in the Republic of Cyprus.

All agreements relevant to the investment, including, without limitation, the following:

- Confirmations of equipment import
 - Agreement on undertaking investment activities in infrastructure
-

Detailed budget on investment activities in the Republic of Cyprus

Detailed planning of investment activities

Sustainable financial plan and details for possible third sponsors including possible letters of interest/commitment from interested parties, where appropriate.

Proof of funds which covers at least seventy percent (70%) of the total cost and required capital (for which the financial plan in the paragraph immediately above provides) for the investment.

Certificate of incorporation of the Applicant or registration certificate of a branch or office in the Republic of Cyprus of a special purpose vehicle registered in a Member State of the European Union or of a legal person with tax presence in the Republic of Cyprus.

Certificate of directors and shareholders of the Applicant or of a special purpose vehicle registered in a Member State of the European Union to which the branch or office belongs and through which the special purpose vehicle registered in a Member State of the European Union operates as an Applicant or of a legal person with tax presence in the Republic of Cyprus.

Sworn affidavit for possible state aid received/applied for either from the Republic of Cyprus or any other Member State and that in the event where cash rebate is applied for it has not used the tax credit aid and vice versa.

Other documents which reinforce the assessment of the application.

APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVE III – TAX ALLOWANCE

PART 4. Check list for supporting documents for **final approval:**

Type

Certified report from certified auditors which provides detailed statements relating to the investments in the Republic of Cyprus, and which contains a report in relation to job vacancies created and which shall accompany the tax forms of the Applicant.

Declaration by the Applicant which mentions the completion date of the investment activities in their entirety.

Confirmation that the Applicant as well as its affiliate companies have satisfied all their tax obligations towards the Inland Revenue Department and the Social Securities Department as well as other taxes and debts managed by the said departments prior to the date of submission of the tax allowance certificate. To this end the Committee shall determine the minimum requirements.

APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND MANAGEMENT OF EXPENSES

Application Process and Assessment

1) Pre-approval Application

- a. The Applicant under the incentives for cash rebate or tax credit, is obliged to commence filming and relevant activities in the Republic of Cyprus in relation to the Approved Production within ten (10) weeks from the date of issuance of the **Temporary Approval Certificate** and no later than eight (8) weeks prior to the commencement of activities. The Application must be made on the relevant application form for cash rebate or the form for tax credit, fully completed, taking into consideration the assessment criteria together with the supporting documents (point 3 below).
- b. The application is examined by Invest Cyprus with respect to its completeness and thereafter assessed by the Committee which makes recommendations based on the criteria of the Scheme, as to the extent of cash rebate or the rate of tax credit for approval by the Competent Authority.
- c. In the case of approval by the Competent Authority, the Committee shall issue an **Approval Certificate** within sixty (60) business days from the expiration date of the period for submission of applications, which determines the percentage of return or the rate of tax credit, taking into consideration the performance of the Applicant in the cultural test.

In the case of rejection of the application, the Applicant is notified within sixty (60) business days from the expiration date of the period for submission of applications and of the reason/s of rejection.

- d. Prior to the commencement of the filming in the Republic of Cyprus, the Applicant is committed to employ local crew members in the production as follows:
 - i. At least 1 Cypriot or EU citizen living in Cyprus, in the production team above the line
 - ii. At least 2 Cypriots or EU citizens living in Cyprus above the line
 - iii. At least 3 Cypriots or EU citizens living in Cyprus (beyond extras) below the line.
- e. The Chairman of the Committee, for the purposes of the Scheme, shall provide support to the Applicant for the granting of the relevant licenses and approvals. For approved films, the Antiquities Department and/or any other relevant authority, shall issue the relevant licenses for filming in locations and archeological monuments where appropriate and under terms and conditions in cooperation with Invest Cyprus and the CTO as the case may be.

2) Final Approval

- a. The Applicant submits an application for cash rebate or issuance of tax credit certificate to the Committee within one hundred and twenty (120) business days after the completion of the filming (*or 24 calendar months in cases of applications relating to post-production Eligible Expenditure*) which shall be accompanied by a certified auditor report which shall provide details in relation to the sum of Eligible Expenditure made and paid in the Republic of Cyprus.
- b. The application is examined by Invest Cyprus with respect to its completeness and thereafter assessed by the Committee which makes recommendations based on the criteria of the Scheme, the extent of cash rebate or the rate of tax credit for approval by the Competent Authority. The Competent Authority issues the final approval within sixty (60) business days from the date of submission of the certified auditor report which accompanies the application for cash rebate or issuance of tax credit certificate.

APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND MANAGEMENT OF EXPENSES

Application Process and Assessment

- c. Successful Applicants shall receive the Final Approval Certificate issued by the Ministry of Finance through Invest Cyprus within sixty (60) business days from the date of submission of the certified auditor report which accompanies the application for cash rebate or issuance of tax credit certificate. With respect to the Final Approval Certificate for tax allowance for investment in infrastructure and equipment, this shall be issued within sixty (60) business days from the date of submission of the certified auditor report. Provided that in the case where the application submitted is found to be incomplete during the examination by Invest Cyprus or during the assessment by the Committee and additional data is required to be provided by the Applicant, the sixty (60) day period is interrupted until the Applicant provides the required data. The payment of the cash rebate by the Competent Authority shall be made by transfer to the bank account of the Applicant within ninety (90) business days from the issuance of the Final Approval Certificate.
- d. In the case of any change in the information provided in the application, the Applicant must immediately inform Invest Cyprus. If this is not complied with, the omission can lead to the cancellation of the project. The Committee reserves the right to cancel the approval of the project or to amend the terms and conditions accordingly as well as amend the initially approved amount of cash rebate if the proposed changes significantly differ from the initial submission of the application.
- e. In the case of cash rebate each return is made in euro and where the return must be made in freely convertible foreign currency, the exchange rate is determined as the exchange rate in force at the time of submission of the application for cash rebate.
- f. Each Applicant shall keep a full and accurate record of all transactions and other actions relating to the Applicant, for the purpose of extracting data relating to Eligible Expenditure and for making this directly available to the Committee.
- g. Each archive file kept by the Applicant as well as related data, must be kept for at least ten (10) years after completion of the production work in the Republic of Cyprus and be immediately available to the Committee.

3) Supporting forms which must accompany the pre-approval application pursuant to Incentives I and II - Cash Rebate and Tax Credit:

I and II - Cash Rebate and Tax Credit: Appendix 1 Part 1 contains a documents check list where there is a list of supporting documents.

4) Supporting forms which must accompany the final approval application pursuant to Incentives I and II – Cash Rebate and Tax Credit:

I and II – Cash Rebate and Tax Credit: Appendix 1 Part 2 contains a documents check list where there is a list of supporting documents.

5) Supporting forms which must accompany the pre-approval application pursuant to Incentive III Tax Allowance:

III Tax Allowance: Appendix 1 Part 3 contains a documents check list where there is a list of supporting documents.

6) Supporting forms which must accompany the final approval application pursuant to Incentive III Tax Allowance:

III Tax Allowance: Appendix 1 Part 4 contains a documents check list where there is a list of supporting documents.

APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND MANAGEMENT OF EXPENSES

Eligible Expenditure

- 1) Expenditure incurred by the Applicant locally** in relation to the categories of production expenditure, which satisfy the conditions of approval and a list of which can be found at Appendix 3 - FORMS, Form 2, Part I and Part II.

2) Basis of Expenditure

To be considered Eligible Expenditure, the expense element must be created during the production of the audiovisual production within the Republic of Cyprus. Additionally, the Applicant must have been discharged of any other obligations towards the Government and other creditors at the time of claiming the cash rebate or the tax credit through the Scheme.

3) Expenditure Management

All receipts and invoices shall be categorised correctly based on the Eligible Expenditure as mentioned in Appendix 3 - FORMS, Form 2, Part I and Part II.

a. Accommodation

Accommodation expenses relating to cast and crew working for the production in the Republic of Cyprus are considered Eligible Expenditure. All accommodation bills must be issued as invoices by Hotels / Hostels which shall clearly identify the names of the customers staying and the date of check in and check out.

b. Air travel

Air travel expenses relating to the production and undertaken in the Republic of Cyprus are considered to be Eligible Expenditure when the travel relates to incoming and outgoing flights of cast and crew whose stay in the Republic of Cyprus and travel to and from the Republic of Cyprus is necessary for undertaking tasks relating to the production in the Republic of Cyprus.

Payment of flight tickets must be made directly to the airline company or the official representative thereof in the Republic of Cyprus.

The Applicant must keep a detailed record of all expenses to be submitted with the application.

c. Catering-Food

The cost connected to food and catering is considered Eligible Expenditure, so long as it is consumed by cast and crew during the production in the Republic of Cyprus. All invoices and receipts relating to eating must be issued by catering businesses/restaurants/hotels where the dates of order are clearly specified. No return will be made for tobacco and alcohol products.

d. Equipment and Grip Rental

The cost connected with rental of equipment is considered as Eligible Expenditure, including the cost for grip rental, provided the equipment is rented for the purpose of the production in the Republic of Cyprus. All payments made to equipment service providers must be accompanied by receipts on the letterhead of the provider clearly specifying the date on which the relevant services are provided.

e. Acquisition of Props

Only the cost connected with the commonly used props is considered Eligible Expenditure. When the Applicant purchases props for use in the production and thereafter sells or disposes of such items upon completion of the production, then the income from the second sale is deducted from the initial purchase price. Only the remaining clear sum can be claimed as Eligible Expenditure.

All purchases of props claimed must be supported by receipts by the Applicant/purchaser.

APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND MANAGEMENT OF EXPENSES

Eligible Expenditure

f. Acquisition of land and buildings

Every acquisition of land or buildings or erection of buildings of substantial cost related to the production within the Republic of Cyprus, is excluded from Eligible Expenditure as such type of expenditure should not be considered as expenditure which logically occurs from the making of the production.

g. Construction and restoration/ interior design

Scenery construction is considered as Eligible Expenditure as long as the material used for the constructions is purchased and the scenery is constructed in the Republic of Cyprus.

h. Transport and transport service vehicles

The cost of transport services and the vehicles used exclusively for the purpose of transporting cast, crew members, trucks for transport of equipment/containers is considered as Eligible Expenditure, as well as the cost of fuel for the vehicles used for the above purposes provided these costs are reasonable and in line with production requirements.

Payments made for transportation and fuel must be supported by receipts and invoices of the transportation company or the owner and must specify the dates and the purpose for which the vehicle was used.

i. Insurance and accounting services

Insurance and accounting services expenditure for the realisation of the production is considered Eligible Expenditure and can be claimed as such on condition that the insurance companies and the accounting firms have their place of business in the Republic of Cyprus and are duly licensed for this purpose in the Republic of Cyprus.

Insurance which can be claimed is restricted to insuring employees during filming in the Republic of Cyprus, insurance of props, scenery, costumes, equipment and civil liability insurance.

The cost of the audit by certified auditors and the administrative expenses burden the Applicant and are not considered Eligible Expenditure.

j. Per diems

Only daily subsistence given to cast and crew relating to expenditure for food, accommodation and transport expenses during the production in the Republic in Cyprus are considered Eligible Expenditure. The Applicant must provide relevant receipts against the daily expenses (per diems) together with the application. The maximum daily allowance shall be 100 euros per person.

k. Fees for location use license

The fees payable to the owners of locations or Public bodies for a license to film in the Republic of Cyprus are considered Eligible Expenditure. The claim for their return must be supported by payment receipts and invoices from the owners of the locations or the Public body, where the date and location of the filming is clear.

l. Post-production services (sound and image)

Post-production services which relate to the creation, management, change and modification of sound and image related to the purpose of the production in the Republic of Cyprus are considered Eligible Expenditure.

APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND MANAGEMENT OF EXPENSES

Eligible Expenditure

m. Compensation for cast and crew

The sum which could be claimed as Eligible Expenditure is based on the number of days during which the cast and crew members offered their services to the production which was carried out in the Republic of Cyprus, as a percentage against the total number of working days according to their employment contract for the whole production.

The Applicant must attach official copies of the contracts relating to these persons so as to be able to confirm that a logical allocation has been made and it has been calculated correctly.

n. Dispatch and transfer costs

Dispatch costs of equipment and other materials which relate to the production in the Republic of Cyprus are considered Eligible Expenditure when paid in the Republic of Cyprus through a local shipping or local airline company in the Republic of Cyprus.

o. Value Added Tax

Eligible Expenditure claimed for return shall not include VAT.

p. Arm's length

With reference to the issue of ensuring that the sums charged between the Applicant and possible affiliate companies thereof for the provision of services or goods are commercially reasonable, the following principle is adopted:

Where the Applicant undertakes expenditure which increases the cost of provision of particular services or goods within the framework of the production, then the cost shall be calculated based on the commercial cost in the market for the relevant goods and services and on this basis shall be counted as Eligible Expenditure.

The cost which shall be taken into consideration for the purpose of the current provision, shall be the sum which would have been charged between them for the services, had they not been affiliated, at arm's length, at normal rates as unrelated parties.

APPENDIX 3: FORMS

FORM 1 (Type 1A)

Temporary Cash Rebate Certificate

In accordance with the financial incentives and the Directions pursuant to the Scheme _____

and

In relation to the application received by the Committee [date] from [company name] (the '**Applicant**')

The Committee confirms that, with respect to the audiovisual production [title of the film as in the application for cash rebate], the said production is an Approved Production for the purposes of the Scheme and shall receive cash rebate of a percentage equal to [percentage to be granted for total eligible expenditure approved by the Republic of Cyprus and which is calculated at present at [total budgeted eligible expenditure]] subject to the following conditions:

- 1) This certificate is issued strictly based on information provided by the Applicant during the process of submission of the application.
- 2) Any significant change in the information provided initially to the Committee which may arise during the progress of the production, must immediately be communicated in writing to the Committee before the expected time of its application or the earliest possible after it has come to the attention of the Applicant.
- 3) Omission to inform the Committee accordingly is considered a breach of the terms of this certificate.
- 4) a. Upon completion of the Approved Production in the Republic of Cyprus, the Applicant must provide the following documents to the Committee:
 - i. immediate written communication that the filming activity has been completed in the Republic of Cyprus with respect to the audiovisual production for which the financial incentive has been applied,
 - ii. full data for the beneficiary of the cash rebate through the Scheme,
 - iii. accounts which refer to the amounts used for each particular expense element of the production and against which cash rebate occurs, including expenses relating to the employment of Cypriot nationals and EU/EEC nationals and the eligible goods and services incorporated into the production,
 - iv. complete list of cast and crew members (distinguishing between local actors and crew members) with the following information:
 - Nationality/Country of permanent residence
 - ID number/passport number
 - Duration of employment
 - Role in the production,
 - v. final list of locations used and dates on which they were used (with address details where possible).

APPENDIX 3: FORMS

FORM 1 (Type 1A)

Temporary Cash Rebate Certificate

- b. The accounts must include the following:
- i. A synopsis of the ('top sheet') production expenditure which covers all expenses in the Republic of Cyprus and the total of the production expenses.
 - ii. Detailed analysis of the relevant labour costs (including gross salaries of full and part time employees, withholding taxes, social security contributions and other funds (cohesion and industrial training etc.)) in accordance with labour laws of the Republic of Cyprus as applied in the Scheme and sums paid to employees directly employed under an agreement for provision of services).
 - iii. All accounts must be presented before the Value Added Tax Authority and all recordings in the accounts must be confirmed and supported with official receipts which enable the issuer who has received payment from the production to be identified.
 - iv. Copies of receipts from the relevant competent tax authorities and the companies, evidencing that the amounts have already been paid to the said authorities and companies.
 - v. The Applicant shall provide to the satisfaction of the Committee details relating to the Eligible Expenditure, including invoices and receipts in relation to the Approved Production.
 - vi. The accounts must be certified by a certified audit firm registered in the Republic of Cyprus and be submitted together with Factual Findings report as per the model of the Directive of the Committee which is available at the website of the Committee.
- 5) After submission of the final audited accounts, the invoices, the receipts and the final production expenditure in the Republic of Cyprus, the Approved Company must provide access to representatives of the Committee for the examination of the accounts which relate to the audiovisual production for which cash rebate is being applied for.
- 6) Should there be deemed to be a significant difference where the final overall budget exceeds the estimated overall budget as indicated in the application by more than ten percent (10%) (and on which the rebate was calculated as per the provisional and final certificates) additional returns may be made against the initial budgeted amount, at the absolute discretion of the Committee without a right of counterclaim by the Applicant.
- 7) After the receipt of the certified report by the certified auditors and after final re-examination by the Committee, the cash rebate shall be transferred to the Applicant the latest within ninety (90) business days from the date of submission of the application for Cash Rebate by the Applicant.
- 8) The cost of the audit by the certified auditors together with the administrative expenses burdens the Applicant. These expenses do not qualify as Eligible Expenditure.
- 9) In the event where additional information is required with respect to the audit, the processing of the audit shall not proceed until all relevant information is collected.

APPENDIX 3: FORMS

FORM 1 (Type 1A)

Temporary Cash Rebate Certificate

Obligations

- 1) The Applicant is obliged to ensure that the filming activity and all other activities related to the film are carried out in accordance with the laws of the Republic of Cyprus. The courts of the Republic of Cyprus are the competent courts in any dispute which arises.
- 2) Prior to the commencement of the filming in the Republic of Cyprus, the Approved Company commits to employing local staff in the production and provide the names of such staff to the Committee as follows:
 - a. At least 1 Cypriot or EU citizen living in Cyprus, in the production team above the line
 - b. At least 2 Cypriots or EU citizens living in Cyprus above the line
 - c. At least 3 Cypriots or EU citizens living in Cyprus (beyond extras) below the line.
- 3) The Production Company shall include in the titles of the film in the language of the production ‘This Production is made with the support of the financial incentives granted by the government of the Republic of Cyprus’ and ‘The filming/recording was done on location in Cyprus’ or ‘Part of the filming/ recording was done on location in Cyprus’ as the case may be. The titles shall be incorporated in a prominent position in the ending titles, immediately after the titles of the actors and members of the crew. The logo of the Committee must also be evident.
- 4) Prior to the payment of the cash rebate and after completion of the production, the Production Company shall supply the Committee with a high definition video of the main contributors, meaning the director and the producers, who will therein describe their experience in Cyprus. The Committee and other Government Authorities have full rights to use such clips for publicity purposes after the film has been broadcast.

APPENDIX 3: FORMS

FORM 1 (Type 1B)

Temporary Tax Credit Approval Certificate

In accordance with the financial incentives and the Directions pursuant to the Scheme _____

and

In relation to the application received by the Committee [dated] from [company name] (the '**Applicant**)

The Committee confirms that, with respect to the audiovisual production [title of the film as in the application for the tax credit certificate], the said production is an Approved Production for the purposes of the Scheme and shall receive a tax credit certificate of a percentage equal to [percentage to be granted for total eligible expenditure approved by the Republic of Cyprus and which are calculated at present at [total budgeted eligible expenditure]] subject to the following conditions:

- 1) This certificate is issued strictly based on information provided by the Applicant during the process of submission of the application.
- 2) Any significant change in the information provided initially to the Committee which may arise during the progress of the production, must immediately be communicated in writing to the Committee before the expected time of its application or the earliest possible after it has come to the attention of the Applicant.
- 3) Omission to inform the Committee accordingly is considered a breach of the terms of this certificate.
- 4) Upon completion of the Approved Production in the Republic of Cyprus, the Applicant must provide the following documents to the Committee:
 - a. immediate written communication that the filming activity has been completed in the Republic of Cyprus with respect to the audiovisual production for which the financial incentive has been applied.
 - b. full data for the beneficiary of the tax credit certificate through the Scheme.
 - c. accounts which refer to the amounts used for each particular expense element of the production and against which the tax credit arises, including expenses relating to the employment of Cypriot nationals and EU/EEC nationals and the eligible goods and services incorporated into the Production.
 - d. complete list of cast and crew members (distinguishing between local actors and crew members) with the following information:
 - i. Nationality/Country of permanent residence
 - ii. ID number/passport number
 - iii. Duration of employment
 - iv. Role in the production
 - e. Final list of locations used and dates on which they were used (with address details where possible).
- 5) After the receipt of the certified report by the auditors and after final re-examination by the Committee, the tax credit certificate shall be issued to the Applicant the latest within sixty (60) business days from the date of submission of the certified report of the auditors which accompanies the application for issuance of the tax credit certificate by the Applicant.

APPENDIX 3: FORMS

FORM 1 (Type 1B)

Temporary Tax Credit Approval Certificate

Obligations

- 1) The Applicant is obliged to ensure that the filming activity and all other activities related to the film are carried out in accordance with the laws of the Republic of Cyprus. The courts of the Republic of Cyprus are the competent courts in any dispute which arises.
- 2) Prior to the commencement of the filming in the Republic of Cyprus, the Approved Company commits to employing local staff in the production and providing the names of such staff to the Committee as follows:
 - a. At least 1 Cypriot or EU citizen living in Cyprus, in the production team above the line
 - b. At least 2 Cypriots or EU citizens living in Cyprus above the line
 - c. At least 3 Cypriots or EU citizens living in Cyprus (beyond extras) below the line.
- 3) The Production Company shall include in the titles of the film in the language of the production 'This Production is made with the support of the financial incentives granted by the government of the Republic of Cyprus' and 'The filming/recording was done on location in Cyprus' as appropriate. The titles shall be incorporated in a prominent position in the ending titles, immediately after the titles of the actors and members of the crew. The logo of the Committee must also be evident.
- 4) Prior to the payment of the cash rebate and after completion of the production, the Production Company shall supply the Committee with a high definition video of the main contributors, meaning the director and the producers, who will therein describe their experience in Cyprus. The Committee and other Government Authorities have full rights to use such clips for publicity purposes after the film has been broadcast.

APPENDIX 3: FORMS

FORM 2

PART I - DATA ON EXPENSES INCLUDED IN ELIGIBLE EXPENDITURE

1. Provision of production company services
2. Labour costs (including of foreign employees)
3. Wages of cast, extras and crew
4. Accommodation in the Republic of Cyprus
5. Per diems of staff
6. Audio equipment rental
7. Catering and food expenses
8. Scenery construction
9. Artistic construction costs
10. Diving services
11. Electricity and other common services
12. Generators
13. Transport and vehicle rental services
14. Laundry and cleaning services
15. Licenses for use of locations and archeological monuments
16. Post-production (sound and image)
17. Professional services (such as insurance, legal and accounting services)
18. Camera and lighting rental
19. Rental of marine vehicles
20. Rental of mobile toilets
21. Rental of office furniture and office set-up costs
22. Rental of airplanes/helicopters
23. Rental of production offices, warehouse space, workshop facilities, storage space and stages
24. Rental or purchase of props
25. Rental of water tanks and related marine services
26. Repairs & restorations
27. External production crew rental with or without staff
28. Security services (police, fire brigade, army, ambulances and medical services)
29. Pyrotechnic services
30. Scenery
31. Special effects services
32. Shipping
33. Stunt services
34. Telecommunications
35. Air travel to and from the Republic of Cyprus (flights and sea travel)
36. Visual Effects services
37. Costume Rental
38. Cost of registration of applicant company up to €1,000 plus out of pocket expenses payable at the Registrar of Companies in Cyprus in relation to the registration of the applicant company
39. Animal services.

APPENDIX 3: FORMS

FORM 2

PART II – EXPENSES NOT INCLUDED IN ELIGIBLE PRODUCTION EXPENDITURE

1. Catering for entertainment of cast and crew
2. Leasing of equipment out of the Republic of Cyprus except for special case as described herein
3. Airline tickets, commercial transportation and shipping or airline transportation costs paid outside the Republic of Cyprus
4. Airline tickets for companions of cast and crew members
5. Accommodation for escorts of the actors and the crew members
6. Cost related to the distribution or promotion of a film
7. Cost arising at the distribution or television broadcasting level e.g. audiovisual copies, dubbing and subtitles other than the master requirements
8. Consultants compensation
9. Legal advice other than:
 - Cost of registering the legal person/applicant
 - Employment contracts for staff working in the Republic of Cyprus
 - Contracts securing services in the Republic of Cyprus for eligible expenditure
 - Staff contracts relating to cast, extras, dancers, singers and musicians who will be employed exclusively in the Republic of Cyprus

The maximum cash rebate for the above eligible expenditure must not exceed €6,000 irrespective of the budget of the production relating to expenditure within the Republic of Cyprus

10. Every payment made to a local company where contracting services are outside the Republic of Cyprus
11. Additional payments to main characters, gifts and entertainment allowances
12. Organisational expenses or provision of cash for the creation of conditions and activity relating to pre-sales of the film
13. Expenses relating to the acquisition of rights other than those necessary for the film production and which relate exclusively to filming in the Republic of Cyprus
14. Cost of financing the production
15. Referrals of staff payments on incomings or profits of the production
16. Profit participation and possible obligations arising towards actors for repeats and other related residual rights of cast and other staff in the production
17. Cost of acquisition of depreciating assets.

APPENDIX 4: PRODUCTION IN CYPRUS

Filming /Location licences

For productions approved within the framework of the Scheme, the Chairman of the Committee shall facilitate the acquisition of all relevant licenses for filming from the authorities, public bodies or natural persons, where required, with respect to the use of Public and private spaces.

For productions subject to the Scheme the applications for filming shall be submitted to the Antiquities Department three (3) weeks prior to the commencement of the filming in the Republic of Cyprus.

For further information, please contact the Cyprus Tourist Organisation (CTO) at the following link: cytour@visitcyprus.com

In the event of photoshoot or filming within the Republic of Cyprus, it is important to examine whether the location is in public or private space, so that all required approvals and licences can be secured in advance. There are rules, regulations and restrictions applicable in relation to shooting in areas of high security such as airports or ports, or close to adjacent premises of military installations, and due to this, additional time will be required to obtain the relevant licence. The same applies with respect to obtaining a shooting licence through aerial means, including conventional means (helicopter or airplane), as well as through radio-controlled aerial means.

APPENDIX 5: OTHER APPLICABLE MEASURES IN THE REPUBLIC OF CYPRUS

Regulation of Financing Programmes for the reinforcement of Film Productions

Special measures of immediate production reinforcement through the Regulation for Financing Programmes (the ‘Regulation’) of the Ministry of Education and Culture and the Cyprus Cinema Advisory Committee.

The aim of the Regulation is the reinforcement and promotion of the art of filming and culture.

The budget for the film production is provided in the annual budget of the Ministry of Education and Culture.

Basic Targets

The Regulation was drawn up taking into consideration the following principles:

- 1) Encouraging cultural diversity
- 2) Support and dissemination of creative film
- 3) Reinforcement of creation and freedom of expression
- 4) Meeting the needs of professionals in the field
- 5) Encouraging co-productions
- 6) Reinforcing new creations
- 7) Providing the ability for development or modern technology
- 8) Configuring a framework which will strengthen aspects of the economy generally and provide a boost for new job vacancies and professional skills, through the provision of incentives and financing, for the purpose of developing a robust film industry in the country
- 9) Creating a useful, practical and productive tool for professionals in the field of filming and cinema, so as to broaden the transparency in the selection process.

The Regulation provides for the reinforcement and development of producing Long Films, Short Films, Documentaries and Animation at all stages of the creation/production, as well as supporting Cypriot productions to enter into co-production agreements with foreign producers. The Regulation was approved by the European Film Commission and the European Commission for Public Aid for the period 2017-2020 (31.12.2020), with the possibility of a 6-month extension.

Other Measures relating to the audiovisual industry

- 1) Film and television shooting, broadcasting, processing and recording equipment and all related and supporting tools are exempt from any duties, fees or tax usually paid on import/export thereof from/to EU Member States. For third countries the completion of a relevant form (IN5) is required without the need for payment of any duty/fee or tax.

APPENDIX 5: OTHER APPLICABLE MEASURES IN THE REPUBLIC OF CYPRUS

Regulation of Financing Programmes for the reinforcement of Film Productions

- 2) Film equipment of all types, analogue or digital, negative or positive filming film, as well as raw materials for recording and reproduction of sound and image, exported by local companies with a Cypriot producer or co-producer for repair or processing, are exempt of any duty, fee or tax during their re-importation from EU Member States. For re-importation from third countries the completion of a relevant form (IN5) is required without the need for payment of any duty/fee or tax.

Measures of General Nature

- 1) Entry of professional equipment in the country by air or sea from other EU Member States is exempt from customs formalities and taxes.
- 2) Registration of tax free reserves which may reach up to 100% of the production budget in the case where the resources come from financing and sponsoring.
- 3) Company losses are transferred and set off against other income of the company for the next five (5) tax years, whereas they can be set off against income of companies of the same group, in the same tax year.
- 4) For non residents of the Republic of Cyprus who stay in the Republic for less than 183 days, only their income acquired from work in the Republic of Cyprus is taxed, whereas interest income and dividend income from sources within or outside the Republic of Cyprus are exempt of tax.
- 5) Also, in cases where the tax payer is not a non resident or is considered as a non permanent resident (non domicile), he is discharged from special defence contribution tax which is imposed on dividends, interest and rental income.
- 6) Twenty percent (20%) of the income relating to employment which started in and after the year 2012 with a maximum duration of five (5) years of the tax payer who is non domicile until 2020, is tax free. The exemption relates to a maximum amount of €8,550, from the compensation of a person who was non domicile in the Republic of Cyprus before the commencement of his employment.
- 7) Alternatively fifty percent (50%) of the compensation of a person who was non domicile in the Republic of Cyprus prior to his employment when the income exceeds €100,000 annually. This exemption is granted for 10 years from the date of employment commencement.
- 8) All businesses irrespective of their nature and place of business activity are entitled to a tax credit on new capital coming into the business as from 1/1/2015. The tax credit is calculated based on the new capital multiplied by the notional interest¹, provided that this new capital shall be used for carrying out of the activities of the business.
- 9) VAT for business expenses is returned to all companies which are registered in EU Member States as well as to companies registered in Israel, Switzerland and Norway.

¹ The performance interest rate of the ten (10) year government bond of the Republic of Cyprus as at 31/12 of each preceding year or the performance interest rate of the ten (10) year government bond of the Republic of Cyprus into which the capital is invested increased by three percent (3%) whichever is the highest.

APPENDIX 5: OTHER APPLICABLE MEASURES IN THE REPUBLIC OF CYPRUS

Regulation of Financing Programmes for the reinforcement of Film Productions

- 10) The Republic of Cyprus has a special tax regime relating to intellectual property rights, where eighty percent (80%) of the profit from the use or sale of intellectual property rights is deducted as deemed output. It is noted that the tax regime for intellectual property rights has been amended so as to comply with the directions of the OECD (Organisation for Economic Co-operation and Development) (Action 5) and so that the maximum possible transitional period is provided to tax payers who take advantage of this framework. Within the revised framework, eighty percent (80%) of the profit is deducted as deemed output but the profit to be selected for the application of the eighty percent (80%) deemed output shall be restricted.
- 11) The transfer of immovable property or other assets and liabilities between legal persons carried out within the framework of a reorganisation is exempt of tax and other duties. Taxes and Duties include Transfer fees, Capital Gains Tax, Special Defence Contribution, Income Tax.



REPUBLIC OF CYPRUS