



## **CYPRUS FILM SCHEME**

## **CHAPTER 1 - INTRODUCTION**

The Council of Ministers with its decision number 1433/2017 taken on the 27/09/2017 has approved the Scheme for the promotion of the film industry and the promotion of the Republic of Cyprus as a country for filming. The Scheme was then modified with the Decisions of the Council of Ministers dated January 2<sup>nd</sup> and 31<sup>st</sup>, 2019. The said Scheme constitutes the policy framework which is based on development, financial and tax incentives as well as on the Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance. The Scheme shall end in June 2021 and its annual budget is €25 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 within the Republic of Cyprus with the initials (AVC) in its name which is entitled to submit an application.
- 2) **“Props”** is defined as every movable asset, which is intended to be visible in an audiovisual production.
- 3) **“Competent Authority”** means the Ministry of Finance. The Competent Authority makes the final decision and approves or rejects the Committee’s proposal for cash rebate or tax credit and/or tax deduction for investments in infrastructure and equipment to approved Applicants. The Competent Authority grants the relevant payments regarding the cash rebate and issues the certificate of tax credit and/or tax deduction.
- 4) **“Approved Expenditure”** is defined as the data relating to expenses which have arisen from the Approved Company of production, and which are eligible to be

taken into consideration in the calculation of the amount to be returned as a financial incentive in accordance with the Scheme.

- 5) **“Approved Company”** is defined as the Applicant who satisfies the requirements and the directions of the Committee with reference to the minimum expenditure in the Republic of Cyprus. The Approved Company is the entity 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 deduction for investments in infrastructure and equipment, as the case may be.
  
- 6) **“Approved Production”** is defined as the production which has been approved by the Competent Authority for cash rebate or granting of a tax deduction based on the eligibility criteria of the Scheme.
  
- 7) **“Eligible Expenditure for Production (E.E.P.)”** are defined as the expenditures made in the Republic of Cyprus (excluding expenses which are covered by sponsoring of 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 Appendix 3, Form 2, Part I, for the pre-production, production, filming or post-production of an audiovisual project in the Republic of Cyprus.
  
- 8) **“Committee”** refers to the **Assessment Committee for the Film Industry Scheme (A.C.F.S.)**, 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 deduction certificate for investments in infrastructure and equipment. Upon completion of the production following the 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 accountants of the Applicant is full and complete. It delivers an opinion to the Competent Authority

regarding the final grant of the relevant sum of cash rebate or tax credit for the purposes of the Scheme as well as for the issuance of a tax deduction certificate.

9) **“Business”** means the entity which carries out an economic activity.

10) **“Project”** means the Film as designated in paragraph 31 below.

11) **“Production Company”** is defined as a company which carries out the business activity of film production registered in the Republic of Cyprus or in another Member State of the European Union and has activities within the Republic of Cyprus through a permanent branch or office within the Republic of Cyprus.

12) **“Regulation (EU) 651/2014”** means the Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance.

13) **“Capital”** means investments in Audiovisual Films relating to the Scheme.

14) **“Republic of Cyprus” and “Cyprus”**, for the purposes of shooting and realization of eligible expenditures according to this Scheme means the Island of Cyprus, along with the islets on its shores and the geographical areas of the UK Sovereign Base Areas of Akrotiri and Dhekelia, with the exception of the areas over which, due to the Turkish invasion, the Government of the Republic of Cyprus has no effective control.

15) **“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.

16) **“Member”**

1. means a member of the Committee and
2. includes the Chairman of the Committee.

**17)“Member of the EU”** means a Member State of the European Union as defined in the Treaty of the European Union.

“Small and Medium Enterprise (SME)” is every entity, irrespective of its legal form, which carries out an economic activity. It includes self employed persons and family enterprises involved in crafts or other 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**:

1. The category of very small, 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.
2. In the category of SMEs, a small enterprise is defined as the enterprise which employees less than 50 employees and the annual turnover of which and/or the total annual balance sheet does not exceed 10 million euros.
3. In the category of SMEs, a very small enterprise is defined as the enterprise which employees less than 10 employees and the annual turnover of which and/or the total annual balance sheet does not exceed 2 million euros.

**18)“Statutory Audit office”** means a legal person 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 of Cyprus for carrying out obligatory checks.

**19)“Statutory Auditor”** means a natural person who has received, in accordance with the Auditors’ Law of 2017 N53(I)/2017, a professional licence.

**20)“Foreign Production”** is defined as the production in which a foreign legal or physical person or persons participate in the expenses of the production at a percentage of at least 51% in a specific audiovisual film production filmed in the Republic of Cyprus.

**21)“Directions”** means the binding guidelines which the Committee may issue from time to time.

**22)“Financial Incentive”** means the economic benefit provided for pursuant to the Scheme in the form of cash rebate or a tax credit for film production or tax deduction for investments in infrastructure and equipment.

**23)“Completion”** means the approval of the Competent Authority in respect to the Applicant’s **payment applications** accompanied by the Committee’s report and a complete reasoned report by the Applicant’s auditors.

**24)“Producer”** means a natural person belonging to the film’s production team. One or more physical persons with a total experience of at least two (2) productions in the past seven (7) years may belong to the production team.

**25)“Cultural Product”** means an audiovisual production in relation to which the Committee has found that the contents are culturally compliant with the criteria designated in Form 3 of Appendix 4 A of the Scheme.

**26)“Companies Facing Financial Difficulties”** means the business in relation to which at least one of the following conditions applies:

1. in the case of a limited liability company (other than a SME which has not completed three years since its incorporation or, as far as eligibility for venture capital financing is concerned, SMEs 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 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 amounts results which exceeds half of its authorised share capital. With respect to the application of this provision, the term "limited liability company" refers in particular to the types of companies mentioned in Appendix I of directive 2013/34/EU of the European Parliament and Commission (1) and the term "capital" includes, where applicable, every difference arising from an issuance at a premium;

2. in the case of a company where at least some of the members have unlimited liability for the company's debts (other than a SME which has not completed three years since its incorporation or, as far as eligibility for venture capital financing is concerned, SMEs 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 capital, as is evident in the company accounts, has been lost due to cumulative losses. With respect to the application of this provision, the term "company where at least some of the members have unlimited liability for the company's debts" refers in particular to the types of companies mentioned in Appendix II of the Directive 2013/34/EU;
3. 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 following an application made by its creditors;
4. in the case of 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;

5. in the case of another business other than a SME, 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;
  
6. in the case of a company for which a recovery order is pending following a previous decision of the Committee, and with which an aid is declared as illegal and incompatible with the internal market.

**27)“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 the Cyprus Investment Promotion Agency (Invest Cyprus - CIPA) as appointed by the Board of Directors of Invest Cyprus.

**28)“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 Approved Company with respect to incentives (i) and (ii).

**29)“Co-production”** means the Approved Production, which is the result of a co-production agreement between two or more producers.

Provided that:

1. the Financial Incentive granted shall be shared between the co-producers as agreed between them, or, in the absence of such an agreement, *pro rata* according to their participation in the budget of the Approved Production and
  
2. the co-producers shall be jointly and separately liable with respect to the obligations under this Scheme.



**30)“Scheme”** refers to the Scheme for the Promotion of the Film Industry in the Republic of Cyprus, pursuant to the Regulation (EU) 651/2014 approved by the decision of the Council of Ministers on 27/09/2017 (proposal number 1433/2017), and amended by the decisions of the Council of Ministers dated 2.1.2019 and 31.1.2019 within the framework of which the system for cash rebate for Audiovisual Projects or tax credit certificate issuance as well as the tax deduction for investments in infrastructure and equipment and the VAT return is created.

**31)“Film”**

1. means an audiovisual production which is categorised as follows -
  - i. a film, including documentaries 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, where the duration may be not less than 60 minutes.
  - ii. one episode of television drama programme, including animation.
  - iii. one episode of 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 year or six hundred (600) minutes per year.
  - v. reality programmes, live or recorded, which present culture and promote the Republic of Cyprus abroad.
  - vi. other audiovisual projects as developed and approved by the Committee.
2. includes part of an audiovisual production, but
3. 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.

**32) “Final Approval”** means the approval granted in the form available on 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 can also contain specific additional requirements, particularly for the legal person making the production with respect to incentives (i) and (ii).

**33) Bank:** means a body corporate licensed to carry on banking business under the provisions of the “Business of Credit Institutions Law” and its name appears on the Central Bank of Cyprus’s website: <https://www.centralbank.cy/en/licensing-supervision/banks/register-of-credit-institutions-operating-in-cyprus>

**34) Central Bank:** means the Central Bank of Cyprus which was established under section 3 of the Central Bank of Cyprus Laws of 1963 to 2001, in accordance with Articles 118 to 121 of the Constitution of the Republic of Cyprus.

## **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 aids for small and medium-sized enterprises (hereinafter “**SMEs**”), and consists of a combination of grants and tax incentives as follows:

- I. Cash rebate
- II. Tax credit
- III. Tax Deduction for investments 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 he shall take advantage of, given that only one can apply. The cash rebate can be applied together with the tax deduction for investments in infrastructures and equipment as well as with the VAT return. The tax credit can be applied together with the tax deduction for investments in infrastructures and equipment as well as with the VAT return, by completing the relevant applications.

### **Beneficiaries**

Pursuant to the Scheme, Beneficiaries 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 in any other Member State of the European Union, provided that they carry on business in the Republic of Cyprus through a branch or office in the Republic of Cyprus at least after the approval of the application,

- 4) shall be strictly restricted to one and only audiovisual project. The integration of more productions under the same Applicant (slate of films) is expressly prohibited, with the exception of 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 year or six hundred minutes per year, with a single budget.

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

### **Application of the Scheme**

#### **1. The Competent Authority:**

1. is obliged to re-examine the progress and the impact of the Scheme on the general economy at regular intervals and to prepare a report on financial benefits of direct and indirect impact on the economic indicators of the economy;
2. reserves the right to recommend the termination, decrease or increase of the annual available sum according to the progress of the Scheme and the financial ability of the Republic of Cyprus as well as the renewal of the time period of application, three months prior the expiration of the Scheme;
3. with respect to the members of the Committee, has the right to reject the recommendations regarding candidate members, until its full satisfaction;
4. is responsible for the final approval of the recommendation submitted to it by the Committee.

#### **2. The Committee:**

1. assesses producers' proposal for aid based on the economic and/or cultural benefits for the Republic of Cyprus;

2. 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;
3. recommends tax deduction in relation to Eligible Infrastructure and Equipment Expenditure and the investments which satisfy the criteria for the issuance of a tax deduction certificate;
4. determines the relevant requirements and pre-requisites and
5. determines whether an Applicant satisfies the relevant pre-requisites of the initial application and the final application for the cash rebate amount or the issuance of a tax credit certificate upon completion of the production and/or the application for tax deduction for investments in infrastructure and equipment.

#### **2.1. Forming 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 period of three years with the possibility of renewal for a further three year period as follows:

1. Ministry of Education and Culture (Senior Officer)
2. Ministry of Finance (Senior Officer)
3. Cyprus Investment Promotion Agency (Invest Cyprus) (Senior Officer)  
(a representative of Invest Cyprus, which will be appointed by the Board of Directors of Invest Cyprus, shall be the Chairman of the Committee and shall have the responsibility of processing and submitting the final proposal for final approval to the Competent Authority).
4. Cyprus Tourism Organisation (Senior Officer)

2.1.2. The Committee keeps a record of all the 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 that may be required.
3. Keep detailed minutes during the assessment and selection of proposals stage, in order to be able to check the compatibility with paragraph 2 of article 54 of the Regulation (EU) 651/2014, according to which the aid is required to support a cultural product.
4. 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.
5. Require by way of recommendation to the Tax Department that the tax deduction granted to the Applicant pursuant to incentive (III), be cancelled if it finds that the terms of the Scheme have not been complied with.
6. Communicate to the Competent Authority the decisions of its works at the end of each year.

## **2.2. Committee's Website**

All information as well as all forms and relevant guides addressed to parties interested in the Scheme will be available on the Committee's website. The website shall provide information, initially, in at least 2 languages, Greek and English.

The website shall meet the provisions of article 9 of the Regulation (EU) 651/2014 for the publication of the full text of the Scheme as well as for the grant of isolated aids of more than €500.000.

### **Forms of Audiovisual Films compliant with the Scheme**

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

## **1) Cinematograph Films – Long Films**

Including those direct-to-video shot, where the project is a film commonly screened as the main attraction for the public in commercial cinemas with a duration of at least 60 minutes or, in the case of a large format (IMAX) film, of at least 60 minutes. It also includes films that are fully or partially produced with Computer Generated Images (CGI) or with a combination of the above.

## **2) Television films (drama) or Television series or mini-series**

### **1. Television film**

As a drama (i.e. a composition which tells a story through the development of theme and plot, dialogue and action, portrayal of characters, settings of the play and the projection of relevant life situations) of a form like the characteristics of a long film capable of being broadcasted on television. The television movie is not less than one commercial television hour in length, or, in the case of a programme that predominantly uses analogue or digital animation technology and/or stop motion animation, not less than half a commercial television hour and is shot and processed to commercial release standards, for cinema exhibition or international television broadcast.

### **2. Television series or mini-series**

It consists of an episodic television drama, including animation, which is either an extended but self-contained drama made for television, incorporates the main dramatic elements of the character, theme and plot that are 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 tensions of the major plot and is arranged into consecutive episodes for screening purposes, or constitutes an anthology of drama works for television where the main dramatic elements of the characters, 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 short story), but there is no continuity of plot between the episodes (although they may include common elements of the central idea and theme in each episode) and is shot and processed to commercial release standards for international television broadcast.

The number of episodes for the television series or mini series shall not exceed 15 episodes per year or six hundred minutes per year.

**3) Digital and/or analogue animation**

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

**4) Creative documentary**

Where the project is based on an original theme which contains a specific “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 is not limited to the reporting of information through purely reportage.

**5) Reality programmes which directly or indirectly promote the Republic of Cyprus and its culture.**

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

All the above terms include any audiovisual project that falls within the above terms and is available for projection through any online streaming platform, licensed to stream in a number of countries satisfying the criteria of the Scheme’s assessment of cultural elements.

**More specifically the following are not eligible under the Scheme:**

- Any public or special performance(s) organized for filming or other purpose;
- Any sporting event;
- Television game shows other than reality programmes;
- Current affairs programmes or talk shows;
- Educational Programmes presenting/explaining hobbies, projects, etc.;
- Review, Magazine-style or lifestyle programmes.



## Incentive I. Cash Rebate

The aids of Incentive I are based on article 54 of Regulation (EU) 651/2014. The annual available sum for this aid shall not exceed €25,000,000. The aid shall be granted based on the following parameters and pre-requisites:

- 1) The application must be submitted by the Applicant.
- 2) The maximum aid shall represent 35% of the eligible expenditure made in the Republic of Cyprus.
- 3) Minimum expenditure in the Republic of Cyprus which amounts 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 is noted that in any case of minimum expenditure in the Republic of Cyprus, the above amounts should not exceed 50% of the total production budget.
- 4) The minimum level of activity of the production within the Republic of Cyprus is set at 20% for each payment application against the budget's total expenditures and the maximum level at 70% for each payment application.

Provided that the intensity of the aid for the pre-production stage cannot exceed 100% of the eligible expenditures. With the conclusion of the production in cinematographic film, television series etc., the pre-production expenditures are incorporated in the total budget and are taken into consideration in calculating the aid.

- 5) For a production to be eligible for aid, the Applicant must satisfy certain criteria, which will ensure that the aid promotes, amongst other, the Cypriot and/or European and/or world culture. The proposed cultural criteria are defined in Appendix 3 A, Form 3 of the present.

- 6) The aid sum shall be payable as designated in the temporary approval certificate and following an audit of the Eligible Expenditure for Production which will be submitted to the Committee. The sum shall be paid within 90 calendar days following the Applicant's payment application.

- Companies Facing Financial Difficulties are excluded from the Scheme.

### **Incentive II. Tax credit**

This measure constitutes an aid (as a reduction of the applicable corporate tax) for the Applicant. The aids of Incentive II are based on article 54 of Regulation (EU) 651/2014.

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

- 1) The application must be submitted by the Applicant.
- 2) The maximum aid shall represent 35% of the eligible expenditure made in the Republic of Cyprus.
- 3) Minimum expenditure in the Republic of Cyprus which amounts 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 is noted that in any case of minimum expenditure in the Republic of Cyprus, the above amounts should not exceed 50% of the total production budget.
- 4) The Applicant must satisfy certain criteria, which will ensure that the aid promotes, amongst other, the Cypriot and/or European and/or world culture. The proposed cultural criteria are defined in Appendix 3 A, Form 3 of the present.

- 5) The sum to be deducted from the taxable income shall not exceed 50% of the Applicant's taxable income for the tax year within which the production is made. The credit, to the extent that it is not granted due to the above percentage restriction, shall be carried forward and be paid within the next five (5) years, subject to the above percentage restriction.
  - 6) The tax credit is not transferable to any third person. In the event of voluntary or involuntary liquidation or dissolution of the Applicant, the tax credit automatically ceases to have any value in the assets of the legal person to which it was granted.
- Companies Facing Financial Difficulties are excluded from the Scheme.

### Incentive III. Tax Deduction – Investments in Infrastructure and Equipment

According to Article 17 of Regulation 651/2014:

- 1) Every Applicant investing in film production infrastructure and technological equipment such as filming studios, audiovisual processing premises, filming equipment, digital audiovisual means, etc., shall be entitled to have the sum of his investment deducted from his taxable income. The relevant application form for tax deduction can be found on the Committee's website.
- 2) The aid cannot exceed 20% of the Eligible Expenditure in the case of small enterprises and 10% of the Eligible Expenditure in the case of middle-sized enterprises.
- 3) The investment, in the case it relates to equipment, must remain within the Republic of Cyprus for a period of at least 5 years.
- 4) Eligible Expenditure for the particular tax deduction are the investment expenditure in tangible and intangible assets ("**Eligible Infrastructure and Equipment Expenditure**"):
- 5) In order for an investment to qualify for Eligible Infrastructure and Equipment Expenditure, it must consist of:
  1. 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 modification 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
  2. acquisition of assets belonging to a business establishment, when all of the following pre-requisites are satisfied:
    - the business establishment has closed or would have closed if it had not been bought,

- the assets are bought by third parties who are not related to the buyer, (this term does not apply in the event where a family member or an employee of the initial owner takes over a small enterprise)
- the transaction is effected on market terms.

A simple buy out of the shares of a business does not constitute an investment.

6) The intangible assets must meet all of the following pre-requisites:

1. They are only used in the business establishment to which the aid is granted;
2. They are considered as depreciable assets;
3. They are purchased in accordance with market terms by third parties that are not related to the buyer;
4. They are included in the assets of the enterprise for at least 3 years.

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

1. they are created within three years from the completion of the investment;
2. there is a clear increase in the number of employees in the particular business establishment, compared to the average of the preceding twelve months;
3. they are preserved for a minimum period of three years from the date when the vacancy was filled for the first time.

- Companies Facing Financial Difficulties are excluded from the Scheme.
- For the implementation of the above, the sums paid by small and medium-sized enterprises (“**SMEs**”), shall be deducted from the gross income. The deduction, to the extent that it cannot be granted due to the above restriction, shall be carried forward and be granted during the next five (5) years, subject to the above paragraph (b) of percentage restriction.

**With respect to Incentive I, Incentive II and Incentive III above:**

In determining the amount of cash rebate and tax credit, as the case may be, the Committee shall take into consideration all possible state subsidies, including aid provided by other EU Member States, in order to ensure that state aid does not exceed fifty percent (50%) of the total production budget and sixty percent (60%) for a co-production pursuant to the relevant EU Regulation. To this end, the Producer shall state any other aid.

#### **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 within the Republic of Cyprus and 19% and 5%, on all taxable imports.

The Applicant is entitled to VAT return in relation to any expenditure, as every natural or legal person in 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 that transact with the Applicant, such persons are not 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 interstate agreements.

VAT returns arise within 6 months with respect to the legal person who carries out the foreign filming production in Cyprus from the end of the last deadline for submitting the VAT declaration for the specific VAT period during which the expenditure occurred or from the date on which the application for VAT return is filed.

For VAT returns the relevant provisions of the VAT Law N. 95(I)/2000 apply, as applicable from time to time. In addition the provisions of the Regulatory Administrative Act 316/2001 with respect to exceptions apply.

## **APPENDICES**

### **Explanation of Appendices**

1. Appendix 1 – sets out the checklist for the supporting documents regarding the application process.
2. Appendix 2 – Application and Assessment Process, expenditure management.
3. Appendix 3 – integrates forms relating to the Scheme.
4. Appendix 3A – integrates the application and assessment process of cultural criteria
5. Appendix 4 – provides information on the production in the Republic of Cyprus – film and location licenses
6. Appendix 5 – briefly describes other measures which are applied in the Republic of Cyprus and related to the film industry



**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:**

| <b>Type</b>   | <b>Yes / No</b> |
|---|-----------------|
| <p>Application</p> <p>Committee Assessment Form and provision of facts which thoroughly reinforce the rating of the production.</p> <p>A brief description of the film, including the report on the beneficial promotion of the Republic of Cyprus and the Cypriot / European culture and the report on the accessibility to the audience to which the film is addressed.</p> |                 |
| <p>Filmography of the Producer</p> <p>Biographical data of the basic members of the production team.</p> <p>Suggested date of commencement of the production in the Republic of Cyprus (including the dates of commencement of the preparation of the production).</p>  |                 |
| <p>Expected date of completion of the production in the Republic of Cyprus as well as a date for completion of the post-production in the Republic of Cyprus so long as reasons exist based on the application for cash rebate / tax credit regarding the post-production.</p>  |                 |
| <p>All agreements relevant to the production, including, without limitation, the following:</p>   |                 |

- 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 regarding the expenditure in the Republic of Cyprus, including the dates of submission of the application for cash rebate or tax credit (the budget presentation must be brief as per the table of Eligible Expenditure per category).

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

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

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

List of actors and members of the crew (Cypriots, European and Third Country nationals) with full data, copies of passports

(exclusively for European and Third Country nationals) or identity cards.

Sworn affidavit for possible state aid received/applied 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 the financial resources with which the production shall be made, which will contain reference to the financial recourses that cover 100% of the production cost.

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

**APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVES (I) AND (II) – CASH REBATE AND TAX CREDIT**

PART 2. Check list for supporting documents for **pre-approval**:

|  |                        |
|--|------------------------|
| <p>Certified report from statutory auditors of the Applicant providing detailed statements relating to the production expenditure within the Republic of Cyprus, as well as expenditure made by the Applicant in relation to Eligible Expenditure within the Republic of Cyprus. The report must also provide information regarding any other aid from Member States of the European Union that the Applicant may have received relating to the production.</p> <p>It is noted that cash rebate is made when the submission of the evidence by the statutory auditor of the company proves 100% of the cover of the expenditure in Cyprus.</p> <p>Declaration by the Applicant mentioning the completion date of the whole production upon which the project will be delivered to any third sponsor or distributor of the film.</p> <p>Confirmation that the Applicant as well as its affiliate companies have satisfied all their tax obligations towards the Tax Department and the Social Insurance Services as well as other taxes and debts managed by the said Departments prior to the date of submission of the tax credit certificate. The Committee shall for this purpose determine the minimum requirements.</p> | <p><b>Yes / No</b></p> |
|--|------------------------|

**APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVE (III) – TAX DEDUCTION**

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

| <b>Type</b>  | <b>Yes / No</b> |
|--|-----------------|
| <p>Application</p> <p>Suggested date of commencement of investment activities in infrastructure and/or equipment in the Republic of Cyprus.</p> <p>Expected date of completion of investment activities in infrastructure and/or equipment in the Republic of Cyprus.</p> <p>All Agreements relevant to the investment, including, without limitation, the following:</p> <ul style="list-style-type: none"> <li>- Confirmation of equipment import</li> <li>- Contract on undertaking investment activities in infrastructure</li> </ul> <p>Detailed budget of investment activities in the Republic of Cyprus.</p> <p>Detailed planning of investment activities.</p> <p>Sustainable financial plan of investment activities and details for possible third sponsors including possible letters of interest / commitment from interested parties, where appropriate.</p> <p>Proof of funds which cover at least 70% of the total cost and the required capital (for which the financial plan in the above paragraph provides) for the production (proof of funds).</p> |                 |

Certificate of incorporation of the Applicant or registration certificate of the branch or office in the Republic of Cyprus of the legal person of a special purpose 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 Application or legal person of a special purpose registered in a Member State of the European Union to which the branch or office belongs and through which the legal person of special purpose 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.

Other documents which reinforce the assessment of the application.

**APPENDIX 1: DOCUMENT CHECK LIST FOR INCENTIVE (III) – TAX REDUCTION**

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

| Type  | Yes / No |
|---|----------|
| <p>Certificate from statutory auditors providing detailed statements relating to the investments within the Republic of Cyprus, and containing a report in relation to the job vacancies that have been created and which shall accompany the Applicant’s tax forms.</p>  |          |
| <p>Declaration by the Applicant mentioning the completion date of the investment activities in their entirety.</p>  |          |
| <p>Confirmation that the Applicant as well as its affiliate companies have satisfied all their tax obligations towards the Tax Department and the Social Insurance Services as well as other taxes and debts managed by the said Departments prior to the date of submission of the tax deduction certificate. The Committee shall for this purpose determine the minimum requirements.</p> |          |

## APPENDIX 2: APPLICATION AND ASSESSMENT PROCESS AND EXPENDITURE MANAGEMENT

### Application and Assessment Process

#### 1. Pre-approval Application

1. The Applicant, pursuant to the incentive 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 twelve (12) weeks from the date of issuance of the temporary approval certificate. 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. The above time commitments may vary upon justified request of the Applicant and the approval of the Committee.
2. The application is examined by Invest Cyprus with respect to its completeness and is then 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.
3. In the case of approval by the Competent Authority, the Committee shall issue an **Approval Certificate** within 60 calendar days from the expiration date of the period for submission of applications, which determines the percentage of cash rebate or the rate of tax credit, taking into consideration the performance of the Applicant in the cultural assessment, which is available in Appendix 3 A, Form 3.
4. In the event of rejection of the application, the Applicant is notified within 60 calendar days from the expiration date of the period for submission of applications as well as of the reason(s) of rejection.
5. Prior to the commencement of the filming in the Republic of Cyprus, the Applicant is committed to employ local staff in the production as follows:



1. at least 1 Cypriot or European citizen living in Cyprus in the production team above the line
  2. at least 2 Cypriots ή or European citizens living in Cyprus above the line
  3. at least 3 Cypriots ή or European citizens living in Cyprus (beyond extras) below the line
6. The Chairman of the Committee, for the purposes of the Scheme, shall provide support to the Applicant for the granting of the relevant licenses or approvals. For approved films, the Antiquities Department and/or any other authority, shall issue the relevant licenses for filming in locations and archaeological monuments where appropriate under terms and conditions in cooperation with Invest Cyprus and the Deputy Ministry of Tourism as the case may be.

## **2. Final Approval**

1. The Applicant submits an application for cash rebate or tax credit certificate to the Committee periodically and not sooner than 90 calendar days from each previous payment application or application for tax credit and in any case not later than September 30<sup>th</sup> of each calendar year which shall be accompanied by a certified Statutory Auditor's report providing details in relation to the sum of Eligible Expenditure for Production made and paid within the Republic of Cyprus.
2. Invest Cyprus examines the completeness of the data provided and the application is assessed by the Committee which prepares recommendations as to the cash rebate sum or the tax credit to the Competent Authority. The Competent Authority issues the final approval within 60 calendar days from the date of submission of the certified Statutory Auditors' Report which accompanies the application for cash rebate or issuance of tax credit.
3. Successful Applicants shall receive the Final Approval Certificate issued by the Ministry of Finance through Invest Cyprus within 60 calendar days from the date of submission of the certified Statutory Auditor's Report which accompanies the application for cash rebate or issuance of tax credit. With respect to the Final Approval Certificate for tax deduction for investments in infrastructure and

equipment, this shall be issued within 60 calendar days from the date of submission of the certified 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 60 calendar day period is interrupted until the Applicant provides the required data. The payment of the cash rebate amount by the Competent Authority shall be made by transfer to the Applicant's bank account within 90 calendar days from the issuance of the Final Approval Certificate.

4. In the case of any change in the information provided in the application, the Applicant must immediately inform Invest Cyprus. Failing to do so may 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 the initially approved amount of cash rebate if the proposed changes differ significantly from the initial submission of the application.
5. In the case of cash rebate, each payment is made in euro and where the payment 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.
6. Each Applicant must 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 for Production, and for making this directly available to the Committee.
7. Each file kept by the Applicant as well as relevant data, must be kept for at least ten (10) years after the completion of the works in the Republic of Cyprus and be directly available to the Committee.

3. **Supporting documents that must accompany the pre-approval application pursuant to Incentives (I) and (II) – Cash Rebate and Tax Credit:** Appendix 1 Part 1 contains a documents checklist with a list of the supporting documents.
4. **Supporting documents that must accompany the final approval application pursuant to Incentives (I) and (II) – Cash Rebate and Tax Credit:** Appendix 1 Part 2 contains a documents checklist with a list of the supporting documents.
5. **Supporting documents that must accompany the pre-approval application pursuant to Incentive (III) – Tax Deduction:** Appendix 1 Part 3 contains a documents checklist with a list of the supporting documents.
6. **Supporting documents that must accompany the final approval application pursuant to Incentive (III) – Tax Deduction:** Appendix 1 Part 4 contains a documents checklist with a list of the supporting documents.

## **Eligible Expenditure for Production**

1. The Eligible Expenditure for Production refer to expenditure occurred **by the Applicant locally** in relation to the categories of production expenditure, which satisfy the pre-requisites of approval, a list of which can be found in Appendix 3 – FORMS, Form 2, PART I and PART II.

### **2. Basis of Expenditure**

In order to be considered Eligible Expenditure for Production, the expense element must be created during the production of the audiovisual project 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 for Production as mentioned in Appendix 3 – FORMS, Form 2, PART I and PART II.

#### **1. Accommodation**

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

#### **2. Travels**

Travel expenses relating to the production activities undertaken in the Republic of Cyprus are considered to be Eligible Expenditure for Production when the travel relates to incoming and outgoing flights of the cast and crew whose stay in the Republic of Cyprus as well as their travels to and from Cyprus is necessary for the undertaking of activities 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 of the airline company in the Republic of Cyprus.

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

#### **3. Food**

The cost connected to food is considered Eligible Expenditure for Production, so long as it is consumed by the cast and the crew members during the production in the Republic of Cyprus.

All invoices and receipts relating to food must be issued by catering businesses / restaurants / hotels and must specify clearly the dates of order. No payment will be made for tobacco and alcohol products.

#### **4. Equipment and Grip Rental**

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

#### **5. Purchase of Props**

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

All purchases of Props claimed must be accompanied by receipts by the Applicant/Purchaser.

#### **6. Acquisition of land and buildings**

Each 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 for Production as such type of expenditure should not be considered as expenditure that logically occurs from the making of the production.

#### **7. Construction and investment/interior design**

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

#### **8. Transport and transport service vehicles**

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

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

#### **9. Insurance and accounting services**

Insurance and accounting services expenditure for the realisation of the production are considered Eligible Expenditure for Production and can be claimed as such under the condition that the insurance companies and the accounting firms are based in the Republic of Cyprus and are duly licensed for this purpose by the Republic of Cyprus.

Insurances which can be claimed are limited to insuring employees during filming within the Republic of Cyprus, props, scenery, costumes, equipment insurance and civil liability insurance.

The cost of the audit of certified accountants as well as the administrative expenses shall burden the Applicant and are not considered Eligible Expenditure for Production.

#### **10. Per diem**

Only per diem allowances given to the cast and crew members relating to the food, accommodation and transport expenses during the production in the Republic of Cyprus are considered Eligible Expenditure for Production. The Applicant must provide the relevant receipts against the daily expenses with the application. The maximum daily allowance shall be 100 euro per person.

#### **11. Fees for location use licenses**

Fees payable to the owners of locations and/or the Public body for a license to film in the Republic of Cyprus are considered Eligible Expenditure for Production. The claim for their return must be accompanied by payment receipts and invoices from the owners of the locations and/or the Public body indicating clearly the date and location of filming.

## **12. Post-production services (image and sound)**

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

## **13. Compensation for cast and crew**

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

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

## **14. Dispatch and transfer costs**

Dispatch costs for the equipment and other materials relating to the production in the Republic of Cyprus are considered Eligible Expenditure for Production when paid in the Republic of Cyprus via a local shipping or airline company in the Republic of Cyprus.

## **15. Value Added Tax**

Eligible Expenditure for Production claimed for payment shall not include VAT.

## **16. Arm' s length**

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

In the case the Applicant undertakes expenditure that increase the cost of provision of particular services and/or goods within the framework of the production then the cost shall be calculated based on the commercial cost in the market for the said products and/or services and on this basis shall be counted as Eligible Expenditure for Production.

The cost which shall be taken into consideration for the purpose of this 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.

**17.** The aid intensity for pre-production shall not exceed 100% of the eligible costs. If the resulting script or project is made into an audiovisual work such as a film, the pre-production costs shall be incorporated in the overall budget and taken into account when calculating the aid intensity. The aid intensity for distribution shall be the same as the aid intensity for production.



## APPENDIX 3: FORMS

### FORM 1

#### Type 1A

#### Temporary Cash Rebate Certificate

In accordance with the financial incentives and the Directions of the Scheme for the Promotion of the Film Industry of the Republic of Cyprus (the “**Scheme**”).....

And,

In relation to,

the application received by the Committee on the [date] from [company name] (the “**Applicant**”)

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

1. This certificate is issued strictly based on the information provided by the Applicant during the submission of application process.
2. Any significant change in the information provided initially to the Committee which may occur during the progress of the project, must be immediately 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. The Applicant may submit applications to the Competent Authority for payment under this certificate (collective “Payment applications” and separately the “Payment Application” as follows:

- (a) The Applicant may submit Payment Applications provided that the Committee has been satisfied that the minimum expenditure has been realized in the Republic of Cyprus as provided in paragraph 3 under the title “Incentive I. Cash Rebate” included in Chapter 2 (The Scheme’s Incentives) of the Scheme.
- (b) Each Payment Application shall designate the period within which the relevant expenditures have been made for which the Payment Application is submitted (the “**Payment Application Period**”), shall be submitted not sooner than 90 calendar days from each previous Payment Application and in any case not later than September 30<sup>th</sup> of each year which and be accompanied by the following for the period in respect to the payment application:
- (i) full data for the beneficiary of the cash rebate through the Scheme;
  - (ii) accounts stating the amounts used for each particular expense element of the project against which cash rebate occurs, including expenses relating to the immediate employment of Cypriot nationals and EU / EEC nationals and the eligible goods and services incorporated into the production;
  - (iii) complete list of final cast and crew members (distinguishing between the local actors and crew members) with the following information:
    - i. Nationality / Country of permanent residence
    - ii. ID / passport number
    - iii. Duration of contract
    - iv. Role in the production
  - (iv) list of locations used and dates on which they were used (with address where possible).

5. The accounts mentioned above (par. 4) must include the following in respect to the payment application period:
  - (a) a synopsis of the «top sheet» production expenditure covering all expenses in the Republic of Cyprus and the total of the production expenses for the film;
  - (b) detailed analysis of the relevant labour cost (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 the 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);
  - (c) copies of receipts from the competent tax authorities and the companies, evidencing that the amounts have already been paid to the said authorities and companies during the Payment Application Period;
  - (d) all accounts must be presented before Value Added Tax and all recordings in the accounts must be confirmed by official receipts which enable the identification of the issuer who has received payment from the production;
  - (e) the accounts must be certified by a statutory audit firm registered in the Republic of Cyprus and be submitted together with the Factual Findings report
6. The Applicant shall provide to the satisfaction of the Committee details relating to the Eligible Expenditure for Production in respect to each payment application including invoices and receipts in relation to the Approved Production.
7. Following the submission of the final audited accounts mentioned above, invoices, receipts and final production expenditure in the Republic of Cyprus, the Approved Company must provide access to representatives of the Committee for the audit of the accounts relating to the audiovisual production for which cash rebate is being applied for, through relevant payment application.

8. Should there be deemed, following the submission of the payment application to the Committee, to be a significant difference where the final overall budget exceeds the estimated overall budget indicated in the application by more than fifteen percent (15%) based on which the total amount of eligible expenditures has been calculated (and on which the rebate was calculated according to the temporary and final certificates), additional returns may be made against the initial estimated amount, stated in this certificate, upon suggestion of the Committee and the approval of the Competent Authority, without a right of counterclaim by the Applicant. Difference of more than fifteen percent (15%) from the initial budget shall not be examined.
9. The cost of the audit by the auditors together with the administrative expenses burdens the Applicant and are not considered Eligible Expenditure for Production.
10. After the receipt of the certified report by the auditors and following the final re-examination by the Committee and the approval of the competent authority, the cash rebate shall be transferred to the Applicant within 90 calendar days at the latest from the date of submission of the payment application for Cash Rebate by the Applicant by crediting the following account.....
11. In the event where additional information is required with respect to the audit of any payment application, the processing of the audit of such application shall not proceed until all relevant information is collected.
12. The Applicant who has received a Temporary Approval Certificate, has the right to assign the Certificate to a Cyprus Bank that is supervised by the Central Bank of Cyprus and its name appears on the official website of the Central Bank on the following link: <https://www.centralbank.cy/en/licensing-supervision/banks/register-of-credit-institutions-operating-in-cyprus>, as guaranteed funds concerning exclusively the Approved Production.
13. The Applicant shall inform the Committee in writing of the intention to assign the Certificate to a Bank.

14. When the Committee is informed in writing by the Applicant, all the possible terms, conditions and supporting documents that may be requested in advance in relation to the assignment of the Certificate will have to be met and presented to the Committee from the Applicant and the Bank. It is understood that the request for completion of the assignment of the Certificate shall be brought before the Competent Authority as a suggestion by the Committee for approval or rejection.
15. The Applicant shall not assign the certificate, or part of it, to more than one Bank. The Bank and the Applicant remain bound by the terms and conditions of the assigned certificate and no other assignment is allowed.

## **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 for any dispute that may arise.
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:
  - 2.1. at least 1 Cypriot or European citizen living in Cyprus in the production team above the line
  - 2.2. at least 2 Cypriots or European citizens living in Cyprus above the line
  - 2.3. at least 3 Cypriots or European 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: "The Production is made with the support of financial incentives granted by the government of the Republic of Cyprus" and "The filming was made

in locations in Cyprus” or “Part of the filming was made in locations 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 crew members. The logo of the Committee must also be shown.

4. An amount equal to 5% of the Approved Expenditures regarding the relevant Payment Application shall be withheld from each payment made by virtue of the provisions of the Scheme up until the inclusion and integration of the above titles as provided above. The withheld amount may be released in favor of the Approved Company provided that the Committee is satisfied in respect to the compliance of the Scheme’s obligation to supply a video of the production in a form allowing its safekeeping for a period of ten (10) years.
5. Upon completion of the production, the Production Company shall supply the Committee with a high definition video of the main contributors, that is the director and the producers, describing their experience in Cyprus. The Committee and other Government Authorities have full rights to use such clips for publicity purposes after the distribution of the film.
6. An amount equal to 5% of the Approved Expenditures regarding the relevant Payment Application, with a maximum total amount of €250,000, shall be withheld from each payment made by virtue of the provisions of term 10 above, up until the completion of the production and the supply from the Production Company to the Committee of the video mentioned above. The withheld amount may be released in favor of the Approved Company with the supply to the Committee of the aforementioned video upon completion of the production.

**FORM 1**  
**Type 1B**

Temporary Tax Credit Approval Certificate

In accordance with the financial incentives and Directions of the Scheme for the Promotion of the Film Industry of the Republic of Cyprus (the “**Scheme**”)

And,

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

The Committee certifies that, with respect to the audiovisual project [title of the film as in the application for cash rebate], the said audiovisual production is considered as 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 against the total eligible expenditure approved in the Republic of Cyprus and which is calculated at present at [total amount of estimated eligible expenditure], subject to the following conditions:

1. This certificate is issued strictly based on information provided by the Applicant during the submission of the application process.
2. Any significant change in the information provided initially to the Committee which may occur during the progress of the project, must be immediately 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. (1) Upon completion of the Approved Production in the Republic of Cyprus, the Approved Company must submit the following documents to the Committee:
  1. immediate written notification that the filming activity in the Republic of Cyprus with respect to the audiovisual production for which the financial incentive has been applied has been completed;

2. full data for the beneficiary of the tax credit certificate through the Scheme;
  3. accounts stating the amounts used for each particular expense element of the project against which cash rebate occurs, including expenses relating to the immediate employment of Cypriot nationals and EU / EEC nationals and the eligible goods and services incorporated into the production;
  4. complete list of final cast and crew members (distinguishing between the local actors and crew members) with the following information:
    - i. Nationality / Country of permanent residence
    - ii. ID / passport number
    - iii. Duration of contract
    - iv. Role in the production
  5. Final list of locations used and dates on which they were used (with address where possible).
5. After the receipt of the certified audit report of the chartered accountants and following final re-examination by the Committee, the tax credit certificate shall be issued to the Applicant within 60 calendar days at the latest from the date of submission of the Certified Statutory Auditor's Report which accompanies the claim for the Issuance of the Tax Credit Certificate by the Applicant.

## **Obligations**

6. The Approved Company 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 that may arise.
7. 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 Commissioner as follows:



1. at least 1 Cypriot or European citizen living in Cyprus in the production team above the line
  2. at least 2 Cypriots or European citizens living in Cyprus above the line
  3. at least 3 Cypriots or European citizens living in Cyprus (beyond extras) below the line.
8. The Production Company shall include in the titles of the film in the language of the production: “The Production is made with the support of financial incentives granted by the government of the Republic of Cyprus” and “The filming was made in locations in Cyprus” or “Part of the filming was made in locations 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 crew members. The logo of the Committee must also be shown.
9. Prior to the payment of the cash rebate and after the completion of the production, the Production Company shall supply the Committee with a high definition video of the main contributors, that is the director and the producers, describing their experience in Cyprus. The Committee and other Government Authorities have full rights to use such clips for publicity purposes after the distribution of the film.

## FORM 2

### **PART I – DATA ON EXPENSES INCLUDED IN ELIGIBLE EXPENDITURE**

1. Provision of production company services
2. Labour costs (including foreign employees)
3. Wages for cast, extras and crew
4. Accommodation in the Republic of Cyprus
5. Per diems of staff
6. Audio equipment rental
7. Food expenses
8. Scenery constructions
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 archaeological monuments
16. Post-production services (image and sound)
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 offices, office furniture and equipment
22. Rental of helicopters and airplanes
23. Rental of production studios, warehouses and workshop and storage space facilities
24. Rental of external production workshop with or without staff
25. Rental or purchase of props
26. Rental of water tanks and related marine services
27. Repairs and restorations
28. Security services (police, fire brigade, army, ambulances and medical services)
29. Pyrotechnic services
30. Scenery investments
31. Special effects services

32. Shipping
33. Stunt services
34. Telecommunications
35. Travel from and to the Republic of Cyprus (flights and sea travel)
36. Visual effects services
37. Costume rental
38. Cost of registration of the applicant company up to 1,000 euro plus expenses payable to the Registrar of Companies in Cyprus in relation to the registration of the applicant company
39. Animal services

## **PART II – EXPENSES NOT INCLUDED IN THE ELIGIBLE EXPENDITURE FOR PRODUCTION**

1. Catering for entertainment of the cast and crew.
2. Leasing of equipment outside the Republic of Cyprus except for special cases as described herein.
3. Airline tickets, commercial transportation and shipping or airline transportation costs paid outside the Republic of Cyprus.
4. Airline tickets for escorts of the cast and crew members.
5. Accommodation for escorts of the cast and 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 the registration of the legal person of the application
  - Employment contracts for the 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, signers and musicians who will be employed exclusively in the Republic of Cyprus

*The maximum cash rebate for the above eligible expenditure must not exceed €6000 irrespective of the production budget 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 condition and/or activity regarding the pre-sales of the film.
13. Expenses relating to the acquisition of rights other than those necessary for the production of the film and which relate exclusively to filming in the Republic of Cyprus.
14. Cost of financing the project.
15. Referrals of staff payment on the incomings or profits of the film.
16. Profit participation and possible obligations arising towards the actors for repeats and other related residual rights of the cast and other staff in the production.
17. Cost of acquisition of depreciating assets.

## **APPENDIX 4: PRODUCTION IN CYPRUS**

### **Filming & Location licenses**

For production approved within the framework of the Scheme, the Chairman of the Committee for the Promotion of the Film Industry shall facilitate the acquisition of all relevant licenses for filming from the authorities, 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 weeks prior to the commencement of the filming in the Republic of Cyprus.

For further information, please contact the Deputy Ministry of Tourism via the email **[cytour@visitcyprus.com](mailto: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 a public or private area, so that all the necessary approvals and licenses 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 therefore, additional time will be required in order to obtain the relevant license. The same applies with respect to obtaining a shooting license through aerial means, including conventional means (helicopter or airplane) as well as radio-controlled aerial means.

## **APPENDIX 5: OTHER MEASURES APPLICABLE 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 work.
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 of modern technology.
8. Configuring a framework which will strengthen aspects of the economy in general and which will provide a boost for new job vacancies and professional skills, with the provision of incentives and financing in order to develop a robust film and industry in the country.
9. Creating a useful, practical and productive tool for the professionals in the field of cinema, so as to broaden the transparency in the selection process.

The Regulation provides for the reinforcement and development of 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, recording and processing equipment and all related or 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.
2. Film equipment of all types, analogue or digital, negative or positive filming film, as well as raw material for recording and reproduction of image and sound, exported by Cypriot companies with a Cypriot producer or co-producer, for repairing 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**

3. Entry of professional equipment in the country by air or sea from other EU Member States is exempt from customs formalities and taxes.
4. 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.
5. Company losses are transferred and set off against other company income for the next five tax years, whereas they can be set off against income of companies of the same group in order to set off losses in the same tax year.
6. 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.

Furthermore, a person may be considered as a tax resident of the Republic even when:

- does not stay in any state for more than 183 days within the financial year and
- is not a tax resident in any other state for the same financial year, if he meets the following three conditions:

- (1) stays in the Republic for at least 60 days in the financial year,
- (2) carries out a business or is employed in the Republic,
- (3) possesses an office in a person who is a tax resident of the Republic at any time during the financial year and has a permanent residence in the Republic either as an owner or as a lessee.

7. Furthermore, in cases where the taxpayer is or is considered a non domicile, he is discharged from special defence contribution tax which is imposed on dividends, interest and rental income.
8. 20% of the income relating to employment in the Republic which started in and after the year 2012 with a maximum duration of five years of the tax payer who is non domicile until 2020, is tax free. The exemption refers to a maximum amount of €8.550, from the compensation of a person who was a non-domicile in the Republic of Cyprus before the commencement of his employment.
9. Alternatively, 50% of the compensation of the person who was a non domicile in the Republic prior to his employment in the Republic and for the three (3) years prior to the last five (5) years prior to his employment when the income exceeds €100.000 annually and provided that it exceeded the €100.000 during the first year of his employment. This exemption is granted for 10 years from the date of the commencement of the employment.
10. All businesses irrespective of their nature and place of activity are entitled to a tax deduction on new capital coming into the business as from 1/1/2015. The tax deduction is calculated based on the new capital multiplied by the notional interest<sup>1</sup>, provided that this new capital shall be used for carrying out the activities of the business.

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



The tax deduction cannot exceed 80% of the taxable income arising from the capitals.

11. VAT for business expenses is returned to all companies registered in EU Member States as well as to companies registered in Israel, Switzerland and Norway.

12. The transfer of immovable property or other assets and liabilities between legal persons carried out within the framework of an approved reorganisation is exempt of taxes and other duties. Taxes and Duties include Transfer Fees, Capital Gains Tax, Special Defence Contribution, and Income Tax.

13. Investors may also take advantage of the naturalisation of alien investors/businessmen by exception pursuant to subsection (2) of article 111A of the Civil Registry Law 2002-2013 and the criteria set in accordance with the Decision of the Council of Ministers dated: 19.3.2014 as amended from time to time.

\*In case of dispute the Greek version of the Scheme shall prevail

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