

The Cyprus film Scheme incentives

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Introduction

The film industry has traditionally been associated with a few selected and established places (e.g. Hollywood, Bollywood). Nevertheless, in recent years there has been an increased demand for alternative global destinations, providing a variety of new and interesting locations for filming.

Within this context, Cyprus introduced in 2018 a series of tax and other financial incentives ("the Scheme"), encouraging international film producers to select the island as their film destination, with the aim being to place Cyprus in the filming industry map as a state-of-the-art production hub.

Apart from the international publicity and promotion of the island, there are a number of benefits from attracting big-budgeted film productions, including creation of new job positions, development of infrastructure and small businesses, increased revenue from tourism, etc.

Incentives of the Scheme

In an outline, the Scheme provides the following incentives for the production of films, series and related audio-visual programmes in Cyprus:

1. **Cash rebates***: Up to 35% on eligible expenditures incurred in Cyprus. Maximum amount of aid for each production is €650,000. The minimum expenditure in Cyprus (provided it does not exceed 50% of the production budget) needs to be at least:
 - €200,000 in the case of feature films
 - €100,000 for television drama series or self-contained drama films
 - €50,000 for documentaries
 - €30,000 for other television programmes

In addition, the production must promote culture at a Cypriot, European or international level through a cultural test criterion.

2. **Tax credits***: Production companies may receive a reduced corporate tax rate. The maximum aid is up to 35% of eligible expenditures incurred in Cyprus. Similarly to cash rebates, minimum expenditure criteria apply depending on the type of production, and the production must pass a cultural test criterion. The sum of the tax credit cannot exceed 50% of the total taxable income in the year when the production is made, and any unused tax credit can be carried forward within the next 5 years (as long as it does not exceed the 50% restriction).

() It is not possible to apply for both a cash rebate and a tax credit; only one of the two can be claimed*

3. **Tax allowance**: investments in filmmaking infrastructure and equipment (e.g. premises, studios, film equipment) by small and medium-sized enterprises are eligible to be deducted

from their taxable income. The aid cannot exceed 20% of eligible expenditures for small-sized enterprises and 10% for medium-sized ones. The equipment must remain in Cyprus for at least five years.

4. **Reimbursement of VAT on expenditure:** VAT refunds are granted for qualifying expenditures incurred in Cyprus and relating to the implementation of the production.

The production categories eligible to qualify for the Scheme are:

- Feature films (long films with minimum duration of 1 hour or 45 minutes for IMAX films)
- Television films or television series or mini series
- Digital or analogue animation
- Creative documentaries
- Reality programs which directly or indirectly promote the Republic of Cyprus and its culture

Eligible expenditure

A wide range of investments and expenditure is covered by the Scheme, including but not limited to:

- production services
- labour costs and wages for cast, extras and crew
- accommodation in Cyprus
- audio equipment, camera and lighting rentals
- vehicle (air, ground and sea) rentals
- catering
- scenery constructions
- electricity and generators
- air and ground travel
- professional services (legal, accounting, insurance).

Eligible applicants

To be eligible for the Scheme, applicants must be private sector companies registered in Cyprus or in any other EU Member State, provided that they carry on business in Cyprus following approval of their application to the Scheme. There are no restrictions on foreign ownership in the eligible entities.

Eligible entities are each restricted to one audio-visual production approved under the Scheme, with an exception for certain group productions of documentary or TV series. Non-Resident Cyprus company

NOTES

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.