

# BKMS GROUP

A tax efficient  
EU Intellectual  
Property in  
Cyprus



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# INTELLECTUAL PROPERTY IN CYPRUS

- Intellectual Property (IP) can be one of the most valuable assets of an organisation. Choosing the right location for the centralisation and management of IP is a very important strategic business decision.
- The ideal location to establish an IP structure is one that can serve the organisation's business strategies/model, safeguard and protect its IP and contribute to its tax optimisation.
- Cyprus offers an efficient IP tax regime coupled with the protection afforded by EU Member States and by the signatories of all major IP treaties and protocols.



# INTELLECTUAL PROPERTY TAX REGIME

- The IP tax regime covers a wide range of intangibles including:
  - Copyrights, which may take any of the following forms: literary works, dramatic works, musical works, scientific works, artistic works, sound recordings, films, broadcasts, published editions, databases, publications, software programmes
  - Patented inventions
  - Trademarks (and service marks), designs and models that are used or applied on products
- The above is a non-exhaustive list.
- Registrable IPs need not be registered in Cyprus to benefit from IP regime.



# TAX BENEFITS OF CYPRIOT IP COMPANIES

- The new provisions provide exemptions from tax of income related to IP. More specifically:
  - 80% of worldwide royalty income generated from IP owned by Cypriot resident companies is exempt from income tax
  - 80% of profit generated from the disposal of IP owned by Cypriot resident companies is exempt from income tax
  - any expenditure of a capital nature for the acquisition or development of IP is claimed as a tax deduction in the year in which it was incurred and the immediate four following years on a straight-line
  - All the above exemptions are also available for IPs acquired or developed before January 2012



# TAX BENEFITS OF CYPRIOT IP COMPANIES

- Cyprus' wide double tax treaty network (including with China) and access to the EU Interest and Royalty Directive serve as additional means for the group to achieve tax optimisation when it comes to IP exploitation through Cyprus.
- The EU Directives and Regulations relating to IP protection apply and have been introduced into Cyprus domestic legislation. With a single IP registration process in Cyprus, IP rights owned by Cyprus companies may enjoy full protection in all EU Member States.
- IP-rich organisations can achieve in Cyprus an effective tax rate of lower than 2% from their IP exploitation and at the same time enjoy the protection afforded by the EU and all major international IP treaties and protocols.

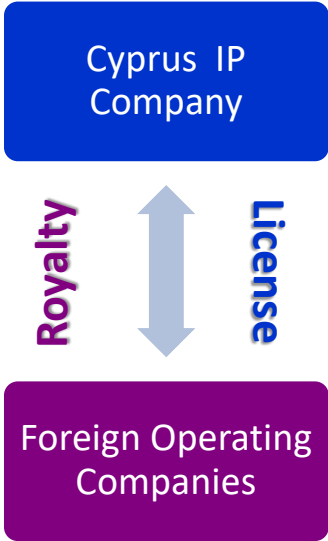


# EXAMPLE OF TAX BENEFIT

Assume that a Cyprus IP company licenses its IP to its operating foreign Companies and in return it receives royalty income of €100.000 per year.

The expected annual tax for the Cyprus IP Company will be as follows:

Annual royalty income	€100.000
Direct expenses (e.g.)	- €20.000
Net income	€80.000
80% deemed deduction	- €64.000
Taxable income	€16.000
<b>@12.5% Income tax</b>	<b>€2.000</b>
<b>Effective tax rate</b>	<b>%2</b>





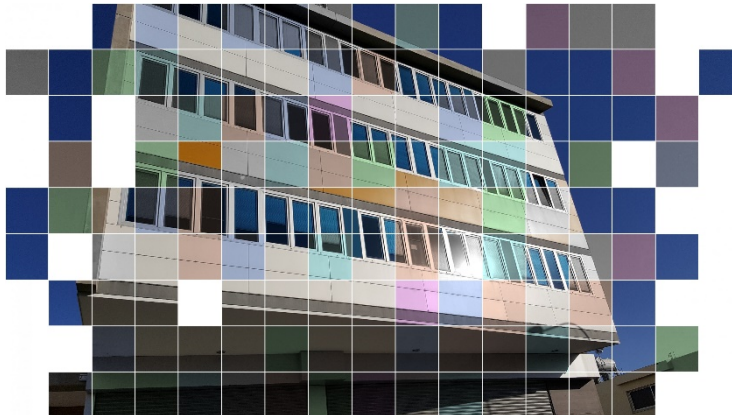
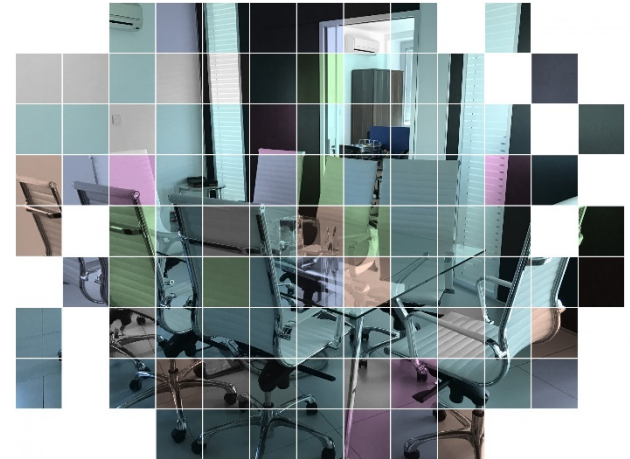
# CYPRUS IS SIGNATORY TO INTERNATIONAL CONVENTIONS RELEVANT TO IP

- European Community Trademarks
- Convention Establishing the World Intellectual Property Organisation (WIPO)
- WIPO
- The Madrid Agreement Concerning the International Registration of Marks (the Madrid Agreement) and Protocol to the Madrid Agreement
- The Patent Cooperation Treaty
- Berne Convention for the Protection of Literary and Artistic Works
- Paris Convention for the Protection of Industrial Property
- Convention for the Protection of Producers of Phonograms Against Unauthorised Duplication of Their Phonograms
- WIPO Performance and Phonograms Treaty
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations
- Trademark Law Treaty
- WIPO Beijing Treaty on Audiovisual Performances



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