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**INTELLECTUAL  
PROPERTY**

 **ELIAS**  
NEOCLEOUS  
& Co LLC

## CYPRUS “INTELLECTUAL PROPERTY BOX”

Our firm has pioneered the use of Cyprus as a jurisdiction to hold intellectual property rights in order to optimise their cross-border exploitation. The Cyprus IP Box regime offers tax benefits in relation to qualified expenses arising from R&D of a Cyprus company conducted in Cyprus.

In selecting a desirable R&D location, key considerations include cost of facilities, IP security, regulation, immigration policy and infrastructure. The quality of educational and research institutions may also influence the selection process as well as employment related incentives for both the employer and employee, among others.

Cyprus as a jurisdiction provides a stable legal framework, corporate governance rules, asset protection and tax incentives.

### Cyprus Corporate Tax Rate is 12.5% on income accrued or derived in Cyprus and abroad

#### TAX ADVANTAGES AND BENEFITS OF THE IP BOX

There is a 80% tax deduction under the nexus approach on the qualifying profits earned from the qualifying assets, allowing for a potential effective tax rate of as low as 2.5%.

#### QUALIFYING ASSETS

Qualifying assets are assets acquired, developed or exploited by a taxpayer in the course of its business which relate to IP, result from research and development expenditure, and of which the taxpayer is the economic owner. Qualifying assets for IP purposes generally fall under three categories: computer software, patents and any IP that satisfies the Cyprus Inland Revenue Commissioner of their 'innovative' nature.

#### QUALIFYING PROFIT

The extent of any tax relief depends on the extent of the Qualifying Profits (QP) as determined and calculated by the following formula, which was a key change in the new regime compared to the old IP Box regime as it determines the proportion of the qualifying net income entitled to the benefits as dependent on the ratio of qualifying expenditures and overall expenditures:



$$QP = OI \times \frac{QE + UE}{OE}$$

Where:

- OI is the overall income derived from the QA;
- OE is the overall expenditure
- QE is the qualifying expenditure on the QA;
- UE is the uplift expenditure on the QA; and

## ROYALTIES

10% withholding tax will be deducted and paid by the royalty paying company to the authorities, if the payment is for the use of the IP in Cyprus.

No withholding tax by the Cyprus tax resident to the non-resident licensor if the use of the IP is abroad.

## INTELLECTUAL PROPERTY

IP is an evolving field that affects the functioning of the world at large. Its range of influence is immense, since it dominates areas of technology, social development and economic growth. It encapsulates a number of separate areas of creation.

Cyprus is a signatory to a number of treaties and Cyprus IP law is fully aligned with the Acquis Communautaire, international IP laws and OECD principles.

## ABOUT US

Our firm distinguishes itself by providing high level advice to major multinational corporations on the protection and licensing of their intellectual property.

Our IP department has a long and successful record in the fields of trademarks, patents, business names, copyright, computer software, designs and domain names.

## OUR SERVICES

- Registration, renewal and assignment of national, European and international trademarks, patents and industrial designs
- Copyright advice and protection on software programs, literary works, artistic works and scientific works
- Search and investigation services
- Trademark monitoring and infringement services, including counterfeiting actions
- Validation of IP
- IP transfer agreements
- Licensing and franchising agreements
- Litigation



CYPRUS IP LAW is fully aligned  
with EU and INTERNATIONAL IP LAWS



Elias Neocleous & Co LLC is the largest law firm in Cyprus and is internationally recognised as a leading law firm in the South-East Mediterranean region.

We are the only Cyprus firm selected for Legal Business magazine's "Euro Elite" top 100 firms in Europe. We have more than 140 fee-earners and management team whose skills we leverage to assist clients. We serve clients out of three offices in Cyprus and out of an international network of offices in the main destinations for investment via Cyprus.

Our staff have unmatched experience in assisting clients in cross-border investment projects in Europe, Asia, Africa and the Americas. Our attention to client service is what sets us apart. For us the client comes first.

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