



Cyprus IP Box regime amended

2 September 2020 - The Cyprus Tax Legislation was recently amended with respect to the tax treatment of intangible assets providing increased flexibility to taxpayers benefiting from the Intellectual Property (IP) Box regime.

The amendments relate to the abolition of the requirement to prepare balancing statements and the tax treatment of capital allowances.

Summary of existing provisions

The capital expenditure of IPs is capitalized and capital allowances (tax depreciation) are claimed over the useful life of the asset, as determined by generally acceptable accounting principles (with a maximum useful life of 20 years).

New provisions

- Preparation of balancing statement in case of disposal of the IPs.

The obligation to prepare a balancing statement on the disposal of an intangible asset is abolished. As such, no balancing addition or balancing deduction would be included in the taxpayer's taxable income in the year of disposal.

- Capital Allowances

The taxpayer has the option not to claim capital allowances in a given year. Moreover, capital allowances that have not been claimed in a year are claimed over the remaining useful life of the asset. Consequently, the tax written down value of the IP at the beginning of each year will be recalculated over the remaining useful life of the IP.

The above amendments are effective as from 1 January 2020.

As always, the Taxation Department of Costas Tsielepis & Co Ltd is at your disposal should you require any further information or clarifications on this or any other tax related issue.