



Cyprus introduces Film Tax Scheme

15 January 2019 – Cyprus recently introduced a highly lucrative Film Scheme with the aim of providing tax incentives to film production companies.

The tax incentives encourage international producers to choose Cyprus as their next film destination.

A summary of the incentives is mentioned below:

- Cash rebate up to €650.000 for each production; or
- Tax exemption of income generated from the production of film;
- Tax allowance on investment in cultural infrastructure and equipment;
- VAT refund on expenditure.

(i) Cash rebate

Companies can claim a cash rebate of up to 35% of eligible expenditure incurred in Cyprus. The maximum annual cash rebate cannot exceed €650.000 per production and €1.500.000 for all productions.

For a more effective use of the Scheme, specific cultural criteria have been established, that will serve as a basis for the evaluation of the proposed productions.


The rebate will be given once filming is completed, on receipt of the audit report and its review by the relevant Committee.

(ii) Tax exemption

As an alternative to cash rebate, a company involved in film production can benefit from a tax exemption of up to 50% of its taxable income. The exemption is limited to 35% of the eligible expenses approved by the competent authority implementing the program. Any restriction on the exemption resulting from the limitation to the 35% can be recovered over the next five years.

(iii) Tax deduction

Individuals, small as well as medium sized enterprises investing in film infrastructure and equipment are entitled to deduct the amount of the investment from their taxable income in the year of the investment. The tax deduction cannot exceed 20% of the eligible expenses for individuals and small enterprises and 10% for medium sized enterprises. In



order to be eligible to enjoy the deduction, the investment in equipment would need to remain in Cyprus for at least 5 years.

(iv) VAT refund

Companies and individuals from third countries incurring eligible expenses on film productions, are entitled to a VAT refund in the same way as those from EU Member States in accordance with the relevant EU Directive.

The refund shall arise within 6 months from the end of the last deadline for submitting the VAT declaration for the period during which the expense occurred, or from the date on which the application for the VAT refund is filed.

Qualifying production categories include, amongst others, feature Films (including animation), television Series or mini-series, documentaries for Theatrical or Television release, animation (digital or analogue), television research programs and natural history.

The Scheme for the promotion of the Filming Industry, entered into force with the creation of the online platform 'Film in Cyprus' at film.investcyprus.org.cy.

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