

## **Announcement by the Ministry of Finance**

### **Tax regime on royalties from Intellectual Property in accordance with the Action Plan of OECD for the Base Erosion and Profit Shifting (BEPS)**

The Administration of the Ministry of Finance announces the upcoming amendment of the Intellectual Property tax regime. The said amendment will incorporate the recommendations of Action 5 of the Organisation for Economic Co-operation and Development (OECD), which were issued on October 5<sup>th</sup> 2015 for the Action Plan against 'Base Erosion and Profit Shifting' (BEPS) as well as the Conclusions of the ECOFIN Council adopted on December 8<sup>th</sup> 2015.

Action 5 deals with favourable tax regimes among which the Intellectual Property regime (IP regime). The approach of the Action 5 (nexus approach) requires the existence of material activity which includes the clear interconnection between the rights which create the income and the activity which contributes to that income.

Having regard the above, the Cyprus Authorities will proceed with the amendment of the Intellectual Property tax regime in order for it to be aligned to the parameters of Action 5 for the Intellectual Property tax regime and for the inclusion of persons to be possible who acquire or already acquired Intellectual Property in a competitive tax regime fully aligned as from July 1<sup>st</sup> 2016 with the Action Plan against the Base Erosion and Profit Shifting of the OECD and the applicable framework at the European Union level.

The intention of the Cyprus Authorities is for the amendment of the Intellectual Property legal framework in line with the provisions of Action 5 to provide for the maximum transitional arrangements that are included within the revised framework.