

In case of dispute, the Greek version of the Scheme shall prevail

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CHAPTER 1: INTRODUCTION	3
Objective	3
Duration.....	3
Budget.....	3
Definitions	4
CHAPTER 2: THE INCENTIVES	13
Implementation of the Scheme	14
Incentive I. Cash Rebate.....	18
Incentive II. Tax Credit	19
Incentive III. Tax Deduction – Investments in Infrastructure and Equipment	20
APPENDICES	24
APPENDIX 1	26
PART 1.....	27
PART 2.....	29
PART 3.....	30
PART 4.....	31
APPENDIX 2	32
APPENDIX 3	41
FORM 1 – TYPE 1A.....	42
FORM 1 – TYPE 1B.....	46
FORM 2 – PART I.....	49
FORM 2 – PART II.....	51
APPENDIX 4	53
APPENDIX 6	55
APPENDIX 7	57

CHAPTER 1: INTRODUCTION

With its decision number 83.415, the Council of Ministers approved on 27/09/2017 the Scheme for the promotion of the film industry and the Republic of Cyprus as a country for filming. The Scheme was subsequently modified with the Decisions of the Council of Ministers dated 2 and 31 January 2019, numbered 86.510 and 86.744 respectively, 5.2.2020 numbered 88.863, 3.6.2020 numbered 89.527 and 27.8.2020 numbered 89.952. The Scheme constitutes the policy framework, which is based on development, financial and tax incentives, as well as on “*Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance*” (hereinafter “Regulation EU) 651/2014”).

Objective

The objective of the Scheme is to promote the film industry as well as the Republic of Cyprus as a country for filming, within the framework of the government policy implemented through development, financial and tax incentives. The Measure also aims at promoting Cyprus as a country for filming audiovisual works and as a tourist destination, attracting capital inflows, enhancing the activities of domestic audiovisual production companies and consequently increasing employment in the audiovisual sector.

Duration

The Scheme will end on 31 December 2026. Applications from Beneficiaries must be submitted in the time period to be announced and must not exceed the approved budget of the Scheme. The approval process of all submitted applications must be completed by or before 31 December 2026.

Budget

The annual budget of the Scheme is €25 million.

Definitions

Within the framework of the Scheme:

1. “**Applicant**” is the person submitting the application, as follows:

- 1.1. Either a special purpose legal entity registered in the Republic of Cyprus or in another member state of the European Union and which operates through a branch within the Republic of Cyprus, with the suffix (AVC) in its name; or
- 1.2. a legal or natural person, Cypriot or European citizen who is a tax resident of Cyprus and does not have any outstanding matters with the State, has not been declared bankrupt or entered into liquidation and has a contract for the execution of the production and authorisation to submit the application (the “**Executive Producer**”). Provided that, in the case of a legal person, its constitutional documents must confer upon it the power to operate in the audiovisual industry.

The Applicant must appoint a natural person as tax representative. This person shall be responsible for all legal, tax and insurance issues vis-à-vis the State and must not have any outstanding matters with the State and not have been declared bankrupt.

The Applicant must have relevant activity and experience of at least two (2) productions in the past seven (7) years, i.e. feature-length films, including animation or documentaries for the small or big screen, or television series, including animation or reality shows. Provided that the Applicant and the tax representative may be the same person.

It is clarified that the Applicant must proceed with the opening of a bank account with zero balance in a Cypriot Bank for each production separately, to enable the verification of all transactions and payments relating to the production.

2. “**Props**” is defined as every movable asset which is intended to be visible in a Film.

3. “**Evidence of Financial Resources**”. The evidence of financial resources covers at least 50% of the Eligible Production Expenditure to be incurred in Cyprus for the purpose of establishing the ability of the contributors to fund the production in question. The below are considered as evidence of financial resources.

3.1. Letter of guarantee from a Cypriot Bank, as defined in paragraph 34 of the Scheme.

3.2. Letter of guarantee from a foreign bank whose name does not appear in the Union list of non-cooperative jurisdictions enumerated on the website below:

<https://www.consilium.europa.eu/el/policies/eu-list-of-non-cooperative-jurisdictions/>.

- 3.3. Letter of commitment from the investor/producer, together with a letter from a Bank confirming that the specific amount is deposited in the investor's/producer's account with the Bank and is free of any encumbrance.
- 3.4. Letter of commitment from the investor/producer etc., together with a copy of a recent bank statement in their name showing the balance of the account, free of any encumbrance. The balance of the account shall be subject to verification, either online or by email, throughout the duration of the pre-approval process.
- 3.5. Bond Guarantee from an insurance company in favour of the Applicant covering 100% of the total production cost throughout the entire pre-production, production and post-production periods. Provided that, the ability of the company to offer Bond Guarantee services shall be subject to the Commission's discretion.

The Commission shall have the discretion to request for examination supplementary evidence of financial resources, either in addition to any of the above or in place thereof, in order to verify, to its satisfaction, the ability of the contributors to fund the production in question throughout its entire duration.

4. Proof of payment for eligible expenses includes the following:

- 4.1. evidence of bank transfer
- 4.2. evidence of electronic payment
- 4.3. copy of redeemed cheque
- 4.4. payments via debit and credit cards

The proof of payment must be attached to the invoice. If not, the invoice is considered non-eligible.

- 5. **“Competent Authority”** means the Ministry of Finance. The Competent Authority makes the final decision and approves or rejects the Commission's proposal for cash rebate or tax credit and/or tax deduction for investments in infrastructure and equipment to approved Applicants. The Competent Authority grants the payments related to the cash rebate and issues the tax credit and/or tax deduction certificate.
- 6. **“Approved Expenditure”** is defined as the expense items incurred by the Applicant, as defined in point 1 of the Definitions of this Scheme, and which are eligible for purposes

of calculating the amount to be returned to the Applicant as financial incentive under the Scheme.

7. **“Approved Company or Approved Natural Person”** is defined as the Applicant who satisfies the requirements and the directions of the Commission with reference to the minimum expenditure incurred in the Republic of Cyprus. The Approved Company or the Approved Natural Person is the legal entity or natural person respectively that is responsible for all the activities relating to the execution of an Approved Production and must provide, if required by the Commission, full financial data and evidence for the entire production worldwide, as well as full financial data and evidence in relation to the application for tax deduction for investments in infrastructure and equipment, as the case may be.
8. **“Approved Production”** is defined as the production which has been approved by the Competent Authority for cash rebate or the grant of a tax credit certificate based on the eligibility criteria of the Scheme.
9. **“Eligible Production Expenditure (E.P.E.)”** is defined as the expenditure incurred in the Republic of Cyprus by the Applicant with an Approved Production in relation to the information set out in Appendix 2 – Eligible Expenditure and Appendix 3, Form 2, Part I, for the pre-production, production, filming or post-production of a Film in the Republic of Cyprus. This expenditure includes the expenses incurred for improving accessibility for persons with disabilities.
10. **“Eligible Expenditure Above the Line”** is defined as the expenditure incurred in the Republic of Cyprus and considered eligible under the terms of the Scheme. They exclusively include the following:
 - 10.1. Producer and producer team earnings
 - 10.2. Director and director team earnings
 - 10.3. Up to three (3) leading roles (to be indicated from the beginning of the production)
 - 10.4. Scriptwriter earnings provided it is proven that the script was written in Cyprus.
 - 10.5. Casting director.

The maximum amount of the grant for the above eligible expenditure is 30% of the total budget spent in the Republic of Cyprus. Expenditure amounts beyond the aforesaid 30% shall not be eligible.

- 11. “Eligible Expenditure Below the Line”** is defined as all the remaining eligible expenditure of the Scheme incurred in the Republic of Cyprus and not included in the category of “Eligible Expenditure Above the Line”, as set out in Appendix 3 – Form 2.
- 12. “Commission”** refers to the **Cyprus Film Commission (CFC)** which is the implementing body of the Scheme. The Commission’s activities and responsibilities are described in Chapter 2, in the Section titled “Implementation of the Scheme”.
- 13. “Undertaking”** is defined as an entity that carries out an economic activity.
- 14. “Regulation (EU) 651/2014”** means the Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance.
- 15. “Republic of Cyprus” and “Cyprus”**, for the purposes of filming and the realisation of eligible expenditure under this Scheme, means the island of Cyprus, together with the islets on its shores and the geographical areas of the UK Sovereign Base Areas of Akrotiri and Dhekelia, with the exception of the areas over which, due to the Turkish invasion, the Government of the Republic of Cyprus has no effective control.
- 16. “Maximum Aid”** is set at €7.5 million for each Application (per undertaking and per investment project) in accordance with Article 4c of Regulation (EU) 651/2014.
- 17. “Member”** means a member of the Commission and includes the Chairperson thereof.
- 18. “Small and Medium-Sized Enterprise (SME)”** is any entity, irrespective of its legal form, engaged in an economy activity. It includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity, as defined in Annex I “Definition of SME” of Regulation (EU) 651/2014.
- Number of employees and economic thresholds for **SMEs**:
- 18.1.** The category of very small, small and medium-sized enterprises consists of enterprises which employ less than 250 employees and whose annual turnover does not

exceed 50 million euros and/or their total annual balance sheet does not exceed 43 million euros.

18.2. In the category of SMEs, a small enterprise is defined as the enterprise which employs less than 50 employees and whose annual turnover and/or total annual balance sheet does not exceed 10 million euros.

18.3. In the category of SMEs, a very small enterprise is defined as the enterprise which employs less than 10 employees and whose annual turnover and/or total annual balance sheet does not exceed 2 million euros.

19. “Statutory Audit Firm” means a legal person or any other entity irrespective of its legal form, which has obtained:

19.1. a professional licence in accordance with the provisions of the Auditors’ Law of 2017, L53(I)/2017, or

19.2. an approval from a competent authority of a member state other than the Republic to carry out statutory audits in accordance with Directive 2006/43/EC.

20. “Statutory Auditor” means a natural person who has obtained a professional licence in accordance with the Auditors’ Law of 2017, L53(I)/2017.

21. “Foreign Production” is defined as the production in which a foreign legal or natural person or persons participate in the expenses of the production at a percentage of at least 51% in a specific Film that is filmed in the Republic of Cyprus.

22. “Directions” means the binding guidelines which may be issued by the Commission from time to time.

23. “Financial Incentive” is the financial benefit provided for under the Scheme in the form of cash rebate or tax credit for film production, or tax deduction for investments in infrastructure and equipment.

24. “Completion” means the approval by the Competent Authority of an Applicant’s **payment request**, accompanied by a report from the Commission and a fully reasoned report from the Applicant’s auditors.

- 25. “Producer”** means the natural person belonging to the Film’s production team. One or more natural persons with a total experience of at least two (2) productions in the past seven (7) years may belong to the production team.
- 26. “Cultural Product”** means an audiovisual production in respect of which the Commission has found the content to be compliant, from a cultural perspective, with the criteria set out in the Assessment of Cultural Criteria of General Audiovisual Productions.
- 27. “Undertaking in Difficulty”** means an undertaking in respect of which at least one of the following circumstances applies, in accordance with Article 2.18) of Regulation (EU) 651/2014:
- “a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME that fulfills the requirement of Article 21, paragraph 3, item b) and qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, “limited liability company” refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU of the European Parliament and of the Council (*) and “share capital” includes, where relevant, any share premium.*
- b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME that fulfills the requirement of Article 21, paragraph 3, item b and qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, “a company where at least some members have unlimited liability for the debt of the company” refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.*
- c) Where the undertaking is subject to collective insolvency proceedings or fulfills the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.*

d) *Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has received restructuring aid and is still subject to a restructuring plan.*

e) *In the case of an undertaking that is not an SME, where, for the past two years:*

- 1) the undertaking's book debt to equity ratio has been greater than 7.5, and*
- 2) the undertaking's EBITDA interest coverage ratio has been below 1.0."*

28. "Chairperson of the Commission" refers to the person to whom responsibilities have been delegated by the Competent Authority, as specified in the Scheme. The Chairperson is a representative of the Cyprus Investment Promotion Agency (Invest Cyprus – CIPA), appointed by the Board of Directors of Invest Cyprus.

29. "Temporary Approval Certificate" means the Certificate issued by the Commission further to the approval of the Competent Authority in respect of the temporary approval of applications for Incentives (i), (ii) and (iii) of the Scheme, as set out in Chapter 2. Each certificate may also contain specific additional requirements that must be fulfilled in order to take effect.

30. "Co-production" means the Approved Production which is the result of a co-production agreement between two or more producers.

Provided that:

30.1. The Incentive to be granted shall be shared between the co-producers as agreed between them or, in the absence of such agreement, *pro rata* based on their participation in the budget of the Approved Production, and

30.2. the co-producers shall be jointly and severally liable with respect to the obligations under this Scheme.

31. "Scheme" refers to the "Scheme for the Promotion of the Film Industry in the Republic of Cyprus", pursuant to Regulation (EU) 651/2014, approved by a decision of the Council of Ministers on 27/09/2017 (decision number 83.415), and amended by the decisions of the Council of Ministers dated 2.1.2019, 31.1.2019, 5.2.2020, 3.6.2020 and 27.8.2020, under which the system of cash rebate for Audiovisual Works or issuance of a tax credit certificate as well as tax deduction for investments in infrastructure and equipment has been established.

32. “Film or Work”

32.1. means an audiovisual production or part thereof or a Work, classified as follows:

- i. A film, including documentaries for television or cinema broadcast and animation, intended to be broadcast in commercial cinemas, of a duration of not less than 60 minutes, except in the case of a large format (IMAX) film, where the duration may be not less than 60 minutes.
- ii. One episode of a television drama programme, including animation.
- iii. One episode of television or cinema documentary programme, including factual natural history programmes.
- iv. A series of television programmes. With respect to television series or mini-series, the number of episodes must not exceed 15 per year or six hundred (600) minutes per year.
- v. Reality shows, live or recorded.
- vi. Other audiovisual works, as developed and approved by the Commission.

32.2. “Work or Film not Covered by this Scheme”

The following audiovisual productions are not covered by this Scheme:

- i. Short films
- ii. based on sports events
- iii. which are likely to incite racial discrimination or social hatred
- iv. of pornographic nature
- v. based on recent news events
- vi. of educational nature
- vii. advertising productions.

33. “Final Approval Certificate” means the certificate issued by the Commission upon the final approval of the Competent Authority for Incentives (I), (II) and (III) of the Scheme as set out in Chapter 2. Each certificate may contain specific additional requirements that must be fulfilled in order to take effect.

34. “Bank” means a body corporate licensed to carry on banking business under the provisions of the “Business of Credit Institutions Law” and whose name appears on the website of the Central Bank of Cyprus:

<https://www.centralbank.cy/en/licensing-supervision/banks/register-of-credit-institutions-operating-in-cyprus>

35. “Central Bank” means the Central Bank of Cyprus, established under Article 3 of the Central Bank of Cyprus Laws of 1963 to 2001, pursuant to Sections 118 to 121 of the Constitution of the Republic of Cyprus.

CHAPTER 2: THE INCENTIVES

The Scheme is created in accordance with Commission Regulation (EU) 651/2014 on declaring certain categories of aid as compatible with the internal market, and in particular Article 54, “Aid schemes for audiovisual works” aiming to promote European Culture, and Article 17 “Investment aid to SMEs”. It consists of a combination of grants and tax incentives as follows:

- I. Cash rebate (Article 54)
- II. Tax credit (Article 17)
- III. Tax deduction for investments in infrastructure and equipment (Article 17).

Notes:

- 1. With regard to the cash rebate or the tax credit aid, the Applicant must choose which incentive to take advantage of, as they cannot apply simultaneously.
- 2. Cash rebate can apply together with tax deduction for investments in infrastructure and equipment.
- 3. Tax credit can apply together with tax deduction for investments in infrastructure and equipment, provided the appropriate applications are filled in.
- 4. If the Applicant applies for the same eligible expenditure in more than one category of incentives, as stated above, then pursuant to Article 54.6 of Regulation (EU) 651/2014, the maximum percentage to be received shall not exceed 50%.
- 5. The inclusion of more productions under the same Applicant (slate of films) is strictly prohibited. The group production of a documentary for television or cinema under one general single title with a single budget, or of a TV series where the number of episodes does not exceed 15 per year or six hundred (600) minutes per year with a single budget, are exempted from the above prohibition.
- 6. There is no limitation to the Applicants’ foreign ownership holding.

Implementation of the Scheme

1. The Competent Authority:

- 1.1. Is required to review the progress and impact of the Scheme on the broader economy at regular intervals and prepare a report on the financial benefits of direct and indirect impact to the economic indicators of the economy.
- 1.2. Reserves the right to propose the termination, reduction or increase of the annual available amount based on the Scheme's progress and the financial capabilities of the Republic of Cyprus, as well as the renewal of the time period of implementation, three months prior to the expiration of the Scheme.
- 1.3. Approves the members of the Commission.
- 1.4. Is responsible for the final approval of the recommendations submitted to it by the Commission.

2. The Commission:

2.1. Establishment and procedures of the Commission:

- 2.1.1. The Commission consists of four (4) members who are representing Ministries, Deputy Ministries and Organisations, are approved by the Competent Authority and are appointed for a three-year term, as follows:

- Ministry of Finance
- Cyprus Investment Promotion Agency (Invest Cyprus)

(The representative of Invest Cyprus, appointed by the Board of Directors of Invest Cyprus, is the chairperson of the Commission and is responsible for the processing and submission of the final proposal to the Competent Authority for final approval.)

- Deputy Ministry of Tourism
- Deputy Ministry of Culture

In case an appointed member is unable to attend a meeting of the Commission, he or she has the right to appoint a representative from the same Ministry, Deputy Ministry or Organisation, for purposes of:

- i. attending a meeting of the Commission, and
- ii. taking part in its activities, including decision making.

2.2. Activities – Responsibilities

- 2.2.1.** The Commission assesses applications submitted by producers for aid, based on the economic and/or cultural benefits for the Republic of Cyprus, and determines whether an Applicant satisfies the relevant prerequisites of both the initial application and the final application with respect to the cash rebate amount or the issuance of a tax credit certificate upon completion of the production and/or the application for a tax deduction certificate for investments in infrastructure and equipment.
- 2.2.2.** With respect to the applications that satisfy the prerequisites of the Scheme, it makes a recommendation to the Competent Authority, with reference to the type of grant requested in the application, i.e. cash rebate or issuance of a tax credit certificate to the Applicant and/or tax deduction certificate for investments in infrastructure and equipment, as well as on the extent/amount of the grant accordingly.
- 2.2.3.** Upon completion of the production and the submission by the Applicant of the claim for cash rebate or for the issuance of a tax credit certificate, the Commission carries out a final check to verify that the evidence submitted through the Applicant's auditors is full and complete and determines the amount of the grant and/or tax credit and/or tax deduction accordingly.
- 2.2.4.** It thereafter delivers an opinion to the Competent Authority regarding the final grant of the relevant amount of the cash rebate or the tax credit for the purposes of the Scheme and/or for the issuance of a tax deduction certificate.
- 2.2.5.** It determines the relevant requirements and prerequisites.
- 2.2.6.** It keeps a record of all the incentives granted, together with all the supporting evidence of the applications and approvals, for at least ten (10) years, in order to:
- (a)** Be able to verify that the provisions of the Scheme have been complied with.
 - (b)** Provide the Commissioner for State Aid Control with any information that may be requested.
- 2.2.7.** It keeps detailed minutes during the stage of assessment and selection of proposals, in order to be able to verify compatibility with paragraph 2 of Article 54 of Regulation (EU) 651/2014, according to which the aid must support a cultural product.
- 2.2.8. (a)** It may require the Applicant who has been granted an incentive to return all or part of the amount, if it finds that the terms of the Scheme have not been complied with.

(b) It may require, by way of recommendation to the Tax Department, that the tax deduction granted to the Applicant pursuant to Incentive (iii) be cancelled, if it finds that the terms of the Scheme have not been complied with.

2.3 The Commission's website

All the information as well as all the forms and relevant guides addressed to the parties interested in the Scheme will be available on the Commission's website. Initially, the information will be available in at least two languages: Greek and English.

The website will satisfy the provisions of Article 9 of Regulation (EU) 651/2014 on the publication of the full text of the Scheme as well as on each individual aid award exceeding €100,000.

3. Forms of Audiovisual Works or Films compatible with the Scheme

Under the Scheme, proposals which are considered complete in relation to the programme and the eligibility criteria, with an attractive, commercial/entertaining, cultural/social character or any of the above, and with a professional presentation which can be considered as "compliant production" with respect to the financial incentives of the Cash Rebate Scheme or the issuance of a Tax Credit Certificate, will be assessed. Such proposals may include the following:

3.1. Cinematograph films – Feature-length films

Including those shot direct-to-video, where the work is a film commonly screened as the main attraction for the public in commercial cinemas, of a duration of not less than 60 minutes or, in the case of a large format (IMAX) film, of not less than 60 minutes. It also includes films that are fully or partially produced with Computer Generated Images (CGI) or with a combination of the above.

3.2. Television films (drama) or Television series or mini-series

i. Television film

A drama (i.e. a composition that tells a story through the development of the theme and the plot, dialogue and action, portrayal of characters, setting of the work in the surrounding environment and projection of relevant life situations) of a form that resembles the characteristics of a long film capable of being broadcast on television. The television film must not be less than one commercial television hour in length or, in the case of a programme that predominantly uses analogue or digital animation

technology and/or stop motion animation, not less than half a commercial television hour and which is shot and processed to commercial release standards, for cinema exhibition or international television broadcast.

ii. Television series or mini-series

It consists of an episodic television drama, which is either an extended but self-contained drama made for television, incorporates the main dramatic elements of the character, style and plot that are developed and concluded so as to form a narrative structure (similar to that of a novel) and which features a major continuous plot enhanced by minor plots and there is the expectation of an ending that resolves the major tensions of the plot and is arranged into consecutive episodes for screening purposes, or constitutes an anthology of drama works for television, where the main dramatic elements of the characters, theme and plot are introduced, developed and concluded so as to form a narrative structure within each episode (similar to that of a novel or short story), but there is no continuity of plot between the episodes (although each episode may include common elements of the central idea and theme) and is shot and processed to commercial release standards for international television broadcast. The number of episodes for the television series or mini-series must not exceed 15 per year or six hundred (600) minutes per year. It is understood that the Applicant may apply for only one or more television series or mini-series episodes, or part thereof, provided he or she satisfies the criterion of minimum expenditure as well as all other criteria of the Scheme.

3.3. Digital and/or analogue animation

Full feature and television animation and/or television series for international distribution, produced on computer or otherwise, but excluding computer games.

3.4. Creative documentary

The work is based on an original theme which contains a specific “timeless” element, such that there is no loss of interest when the event with which it may be linked has passed, as well as significant original filming, and is not limited to the reporting of information through pure reportage.

3.5. Reality shows which directly or indirectly promote the Republic of Cyprus and its culture.

Reality shows that promote the beauty and culture of the Republic of Cyprus while following, at the same time, how people live under specific circumstances, and which do not degrade the personality of the participants, do not insult the customs and culture of the Republic of Cyprus and are consistent with the general framework of this Scheme, may be permitted by the Competent Authority. It is understood that the Applicant may apply for only one or more reality shows, provided he or she satisfies the criterion of minimum expenditure as well as all other criteria of the Scheme. In case the Applicant applies for more than one episode, he or she will be required to submit an application for all the episodes. Pursuant to Article 4.2 of Regulation 651/2014, artificial splitting up is not permitted.

All of the above definitions include any audiovisual work that falls within the meaning of these definitions and is available for projection through any online streaming platform, licensed to stream in a number of countries, and which satisfies the Scheme's cultural assessment criteria.

More specifically, the following are not eligible under the Scheme:

- Any public or special performance(s) organised for filming or any other purpose;
- Any sporting event;
- Television game shows other than reality shows;
- Current affairs programmes or talk shows;
- Educational programmes presenting/explaining hobbies, projects, etc.;
- Variety shows, magazine-style or lifestyle programmes.

Incentive I. Cash Rebate

The aids of Incentive I are based on article 54 of Regulation (EU) 651/2014. The annual available amount for this aid shall not exceed €25,000,000. The aid shall be granted based on the following parameters and prerequisites:

- 1) The application must be submitted by the Applicant before the start of the filming of the production.
- 2) The maximum aid shall represent 45% of the Eligible Expenditure Below the Line and 25% of the Eligible Expenditure Above the Line, incurred in the Republic of Cyprus.

- 3) Minimum expenditure in the Republic of Cyprus which amounts to at least €200,000 in the case of feature films (long films) and €80,000 for all other audiovisual productions eligible under the Scheme. It is noted that, in all cases of minimum expenditure in the Republic of Cyprus, the above amounts must not exceed 50% of the total production budget.
- 4) The minimum threshold of activity of the production within the Republic of Cyprus is set at twenty per cent (20%) of the Budget's total expenditure.
- 5) For a production to be eligible for aid, the Audiovisual Work or Film must satisfy the cultural criteria set out in APPENDIX 4: APPLICATION AND ASSESSMENT PROCESS – FORM 3 of this document, which ensure that the aid promotes, inter alia, the Cypriot and/or European and/or world culture.
- 6) The amount of the aid will be payable as set out in the temporary expenditure approval certificate. Following the conduct of an audit on the Eligible Production Expenditure (E.P.E.) and its submission to the Commission, the amount shall be paid within 90 calendar days from the date of submission of the Applicant's payment request. Provided that, the final amount of the aid may be adjusted based on the findings of the final report of the Commission's auditors, depending on the accepted eligible expenditure under the Scheme.

The following are exempted/excluded from the Scheme:

- "Undertakings in Difficulty" as described in Articles 1.4.c) and 2.18) of Regulation (EU) 651/2014.
 - Undertakings which are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market, as described in Article 1.4.a) of Regulation (EU) 651/2014.
- 7) Except in case of force majeure, the Commission has the right to grant up to two extensions for each application, upon submission by the Applicant of a request in writing. Requests for extension based, directly or indirectly, on the excuse of lack or failure to raise adequate financial resources will not be accepted.

Incentive II. Tax Credit

This measure constitutes an aid to the Applicant (in the form of reduction of the applicable corporate tax). The aids of Incentive II are based on Article 54 of Regulation (EU) 651/2014.

The aid shall be granted based on the following parameters and prerequisites:

- 1) The application must be submitted by the Applicant.
- 2) The maximum aid shall represent 35% and the minimum aid shall represent 25% of the Eligible Expenditure Under and Above the line, incurred in the Republic of Cyprus.
- 3) Minimum expenditure in the Republic of Cyprus which amounts to at least €200,000.00 in the case of feature films (long films) and €80,000.00 for all other audiovisual productions eligible under the Scheme. It is noted that, in all cases of minimum expenditure in the Republic of Cyprus, the above amounts must not exceed 50% of the total production budget.
- 4) For a production to be eligible for aid, the Audiovisual Work or Film must satisfy the cultural criteria set out in Appendix 4 – Form 3 of this document, which ensure that the aid promotes, inter alia, the Cypriot and/or European and/or world culture.
- 5) The amount to be deducted from the Applicant's taxable income shall not exceed 50% of the Applicant's taxable income in the tax year in which the production is made. To the extent that it is not granted due to the above percentage restriction, the credit shall be carried forward and be paid within the next five (5) years, subject to the above percentage restriction.
- 6) The tax credit is not transferable to third persons. In the event of voluntary or involuntary liquidation or dissolution of the Applicant, the tax credit automatically ceases to have any value in the assets of the legal person to which it was granted.

The following are exempted/excluded from the Scheme:

- "Undertakings in Difficulty" as described in Articles 1.4.c) and 2.18) of Regulation (EU) 651/2014.
 - Undertakings which are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market, as described in Article 1.4.a) of Regulation (EU) 651/2014.
- 7) Except in case of force majeure, the Commission has the right to grant up to two extensions for each application, upon submission by the Applicant of a request in writing. Requests for extension based, directly or indirectly, on the excuse of lack or failure to raise adequate financial resources will not be accepted.

Incentive III. Tax Deduction – Investments in Infrastructure and Equipment

According to Article 17 of Regulation (EU) 651/2014:

- 1) Every Applicant investing in film production infrastructure and technological equipment, such as filming studios, audiovisual processing facilities, filming equipment, digital audiovisual means, etc., shall be entitled to have the amount of their investment deducted from their taxable income. Provided that, the technological equipment shall be ordered after the approval of the application. The relevant application form for tax deduction can be found on the Commission's website.
- 2) The aid cannot exceed 20% of the Eligible Expenditure in the case of small enterprises and 10% of the Eligible Expenditure in the case of medium-sized enterprises.
- 3) In case it relates to equipment, the investment must remain within the territory of the Republic of Cyprus for a period of at least 5 years.
- 4) Eligible Expenditure for the particular tax deduction is the investment expenditure in tangible and intangible assets ("**Eligible Infrastructure and Equipment Expenditure**"), as set out in paragraphs 5 and 6 below:
- 5) In order for an investment to qualify for Eligible Infrastructure and Equipment Expenditure, it must consist of:
 - An investment in tangible and/or intangible assets related to the setting up of a new business establishment, the extension of an existing business establishment, the modification of the production of a business facility with new additional products or the fundamental change of the entire production process of an existing business establishment, or
 - the acquisition of the assets belonging to a business establishment provided all of the following conditions are satisfied:
 - the business establishment has closed or would have closed had it not been purchased,
 - the assets are purchased from third parties unrelated to the buyer (this condition does not apply in the event where a family member or an employee of the original owner takes over a small enterprise),
 - the transaction takes place under market conditions.

The sole acquisition of the shares of an undertaking does not constitute an investment.
- 6) The intangible assets must satisfy the following conditions:
 - They are used exclusively in the business establishment receiving the aid,
 - They are considered amortisable assets,

- They are purchased under market conditions from third parties unrelated to the buyer,
- They are included in the assets of the undertaking for at least 3 years.

7) Employment directly created must satisfy the following conditions:

- It shall be created within three years of completion of the investment;
- There shall be a net increase in the number of employees in the business establishment concerned, compared with the average number over the previous 12 months;
- It shall be maintained during a minimum period of three years from the date the post was first filled.

8) The following are excluded/exempted from the Scheme:

- “Undertakings in Difficulty” as described in Articles 1.4.c) and 2.18) of Regulation (EU) 651/2014.
- Undertakings which are subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market, as described in Article 1.4.a) of Regulation (EU) 651/2014.

9) In view of the implementation of the above, the amounts paid by small and medium-sized enterprises (“SMEs**”) shall be deducted from the gross income. To the extent that it is not granted due to the above restriction, the deduction shall be carried forward and be granted within the next five (5) years, subject to the percentage restriction of paragraph (b) above.**

Aid Cumulation Rules with regard to Incentives I, II and III

The following cumulation rules will apply to the Incentives, in accordance with Article 8, “Cumulation”, of Regulation (EU) 651/2014:

In determining the amount of the cash rebate, the tax credit and the tax deduction – Investments in infrastructure and equipment, as the case may be, the Commission shall take into account all potential state aids, including the aids granted by other EU member states, in order to ensure that the state aids do not exceed fifty per cent (50%) of the total production budget for co-productions and sixty per cent (60%) for cross-border productions (financed by more than one member states).

In calculating intensity and eligible expenditure, all figures used should be taken before any deduction of taxes or other charges.

The cumulation of aids from state or other Union resources is permitted, provided they do not relate to the same eligible expenditure or, if they relate to the same eligible expenditure and their total does not exceed the highest intensity or the highest aid percentage pursuant to Article 8 of Regulation (EU) 651/2014.

In this regard, the Applicant shall declare any other sources of aid in the Affidavit submitted to the Competent Authority.

APPENDICES

Titles and description of Appendices

1. APPENDIX 1

Checklists for the Supporting Documents relating to Incentives (I), (II) και (III) – Cash Rebate, Tax Credit and Tax Deduction for Investments in Infrastructure and Equipment

PART 1: Checklist of mandatory documents and evidence for pre-approval in respect of Incentives (I) and (II)

PART 2: Checklist of mandatory documents and evidence for final approval in respect of Incentives (I) and (II)

PART 3: Checklist of mandatory documents for pre-approval in respect of Incentive III

PART 4: Checklist of mandatory documents for final approval in respect of Incentive III

2. APPENDIX 2

Application, Assessment and Expenditure Management Process

3. APPENDIX 3

FORMS: Forms pertaining to the Scheme.

FORM 1 – TYPE 1A: Temporary cash rebate approval certificate

FORM 1 – TYPE 1B: Temporary tax credit approval certificate

FORM 2 – PART I: Expenses included in the Eligible Production Expenditure

FORM 2 – PART II: Expenses not included in the Eligible Production Expenditure

4. APPENDIX 4

Application and Assessment Process: It incorporates the application and assessment process of the cultural criteria

FORM 3: Assessment of Cultural Elements & General Audiovisual Productions

PART A': Cultural Content

PART B': Creative Contribution

PART C': Use of the Cultural Infrastructure of Cyprus

5. APPENDIX 5

Percentage rates applicable to the Scheme's Incentives.

6. APPENDIX 6

Statement signed by the Applicant confirming that the undertaking is not in difficulty.

7. APPENDIX 7

Filming & location licences

APPENDIX 1

***Checklists for the Supporting Documents relating to Incentives (I)
Cash Rebate, (II) Tax Credit and (III) Tax Deduction for Investments in
Infrastructure and Equipment***

PART 1

Checklist of mandatory documents and evidence for pre-approval in respect of Incentives (I), (II).

It is noted that, further to the below, the Commission reserves the right to request additional information or documents which will need to be submitted by the date set by the Commission. The additional information / documents include, without limitation, translations into Greek or English and certified true copies of the originals.

TYPE	YES / NO
<ol style="list-style-type: none"> 1. Application 2. Commission Assessment Form and submission of evidence that supports the rating of the production in a substantiated manner. 3. Specific production dates which must include dates of commencement and completion of the pre-production, production and post-production periods. 4. Report on the beneficial promotion of the Republic of Cyprus and Cypriot / European culture and a report on the accessibility of the audience to which the work is addressed. 5. Synopsis of the production and extended summary (treatment). 6. Production scenario or scenario skeleton for documentaries and reality shows. 7. Submission of production planning in relation to the filming and detailed analysis with regard to the use of locations within the Republic of Cyprus. 8. Filmography of the Producer as well as other documents that may support the assessment in relation to the producer's experience and background. 9. Biographies and full details with photocopies of passports (exclusively for Europeans and third country nationals) or identity cards of all the contributors included in the Above the Line category such as: Producer and producer's team, director and director's team, leading roles, scriptwriter and casting director. 10. List of remaining actors and members of the crew (Cypriots, EU and third country nationals), divided into Cypriots, EU citizens and third country nationals. 11. For proof of residential address: Utility bills (i.e. water supply or electricity or landline telephone bill) – mobile telephone or internet bills are not accepted – or bank statement, or tax return or emoluments certificate for the last six months, as well as social insurance number for individuals who, under the Scheme, must be Cypriot residents. 12. Production execution contract between a Cypriot or a European provider and a producer (beneficiary). 13. All agreements or preliminary agreements relevant to the production including, without limitation, the following (if any): <ol style="list-style-type: none"> 13.1. Letters of commitment with reference to specific amounts 	

TYPE	YES / NO
<p>13.2. Pre-sale agreements or preliminary pre-sale agreements</p> <p>13.3. Distribution agreements or preliminary distribution agreements</p> <p>13.4. Distribution plan or draft distribution plan, as the case may be</p> <p>The Commission has power to request a final agreement before the commencement or the completion of the Production.</p> <p>14. Detailed expenses budget in euros regarding expenditure in the Republic of Cyprus, including the dates of submission of the application for cash rebate or tax credit. The table must contain the correctly structured financial plan with allocation of expenses in Cyprus and abroad, separation of VAT from expenses, a column of Eligible Expenditure and the percentage for which coverage of Eligible Expenditure is claimed. It must also include a breakdown of Eligible Expenditure Above the Line and Below the Line and further breakdown into pre-production, production and post-production and other costs (the budget presentation must be summarised as per the table of Eligible Production Expenditure per category).</p> <p>15. Certificate of Incorporation of the Applicant and a currently dated Certificate of Good Standing.</p> <p>16. Certificate of Directors and Shareholders of the Applicant.</p> <p>17. Memorandum / Articles of Association (constitutional documents) of the Applicant in the case of a legal person that falls under definition 1.2 of the Scheme (where there is no AVC suffix).</p> <p>18. Sworn affidavit for any state aid received / applied for by the Applicant, either from the Republic of Cyprus or any other EU member state, also stating that in the event where cash rebate is applied for, the Applicant has not used the tax credit aid and vice versa.</p> <p>19. Complete financial plan for the entire production and the financial resources with which the production shall be made, including reference to the financial resources that cover 100% of the production cost. Reference should also be made to the financial plan of the Cypriot production (where necessary). The purpose of providing a financial plan is to demonstrate the feasibility of the production. It is therefore deemed necessary to present details and receipts from any third sponsors, including letters of interest/commitment from interested parties, where appropriate.</p> <p>20. Proof of funds covering at least 50% of the total expenditure to be incurred in Cyprus.</p> <p>21. Declaration signed by the Applicant confirming that it not an undertaking in difficulty and that it is not subject to an outstanding recovery order, in accordance with the definition in this Scheme and the definitions set out in Regulation (EU) 651/2014, Articles: 1.4. a) and c) and 2.18). Attached as Appendix 7.</p>	

PART 2

Checklist of mandatory documents and evidence for final approval in respect of Incentives (I), (II)

It is noted that, further to the below, the Commission reserves the right to request additional information or documents which will need to be submitted by the date set by the Commission. The additional information / documents include, without limitation, translations into Greek or English and certified true copies of the originals.

TYPE	YES / NO
<p>1. Report from the Applicant's Statutory Auditors providing detailed statements relating to the production expenditure within the Republic of Cyprus, as well as the expenditure incurred by the Applicant in relation to Eligible Expenditure within the Republic of Cyprus. The report must also provide information regarding any other aid from EU member states that the Applicant may have received in connection with the production.</p> <p>It is noted that cash rebate is granted when the submission of the evidence by the company's Statutory Auditor proves 100% of the coverage of the expenditure in Cyprus.</p> <p>2. Declaration by the Applicant stating the date of completion of the production in its entirety, upon which the work shall be delivered to any third sponsor or distributor thereof.</p> <p>3. Confirmation that the Applicant, as well as its affiliate companies, have satisfied all their tax obligations towards the Tax Department and the Social Insurance Services, as well as other taxes and debts managed by the said Departments prior to the date of submission of the tax credit certificate. The Commission shall determine the relevant minimum requirements.</p>	

PART 3

Checklist of mandatory documents for pre-approval in respect of Incentive III

It is noted that, further to the below, the Commission reserves the right to request additional information or documents which will need to be submitted by the date set by the Commission. The additional information / documents include, without limitation, translations into Greek or English and certified true copies of the originals.

TYPE	YES / NO
<ol style="list-style-type: none"> 1. Application 2. Proposed date of commencement of the investment activities in infrastructure and/or equipment in the Republic of Cyprus. 3. Expected date of completion of the investment activities in infrastructure and/or equipment in the Republic of Cyprus. 4. All Agreements relevant to the investment, including, without limitation, the following: <ul style="list-style-type: none"> - Confirmation of equipment import - Contract relating to the undertaking of investment activities in infrastructure. 5. Detailed budget of the investment activities in the Republic of Cyprus. 6. Detailed planning of the investment activities. 7. Sustainable financing and financial plan of the investment activities and details on any third sponsors, including letters of interest/commitment from interested parties, where appropriate. 8. Proof of funds covering at least 50% of the total cost and the required capital (as per the provisions of the financial plan referred to in the preceding paragraph) for the investment to be made in Cyprus. 9. Certificate of Incorporation of the Applicant. 10. Certificate of Directors and Shareholders of the Applicant. 11. Memorandum / Articles of Association (constitutional documents) of the Applicant in the case of a legal person that falls under definition 1.2 of the Scheme. 12. Sworn affidavit for any state aid received / applied for by the Applicant, either from the Republic of Cyprus or any other EU member state. 13. Other documents in support of the assessment of the application. 	

PART 4**Checklist of mandatory documents for final approval in respect of Incentive III**

It is noted that, further to the below, the Commission reserves the right to request additional information or documents which will need to be submitted by the date set by the Commission. The additional information / documents include, without limitation, translations into Greek or English and certified true copies of the originals.

TYPE	YES / NO
<ol style="list-style-type: none">1. Confirmation from statutory auditors providing detailed statements on the investments within the Republic of Cyprus and including a report on the job vacancies that have been created and which must accompany the Applicant's tax returns.2. Declaration by the Applicant stating the date of completion of the investment activities in their entirety.3. Confirmation that the Applicant, as well as its affiliate companies, have satisfied all their tax obligations towards the Tax Department and the Social Insurance Services, as well as other taxes and debts managed by the said Departments prior to the date of submission of the tax deduction certificate. The Commission shall determine the relevant minimum requirements.	

APPENDIX 2

Application, Assessment and Expenditure Management Process

Application and Assessment Process

1. Application for pre-approval

Under the incentive for cash rebate or tax credit, the Applicant is required to commence filming and the relevant activities in the Republic of Cyprus in relation to the Approved Production within twenty-four (24) weeks from the date of issuance of the temporary approval certificate. Based on the criteria of this Scheme, expenditure incurred prior to the approval of the application will not be accepted.

1.1. The Application must be submitted online via the Commission's website, taking into consideration the assessment criteria, together with the supporting documents. The above time commitments may vary upon justified request of the Applicant and the approval of the Commission.

1.2. The Application is reviewed by Invest Cyprus with respect to its completeness and is thereafter assessed by the Commission, which makes recommendations, based on the Scheme's criteria and its consultants' report, on the percentage of the cash rebate or the rate of the tax credit, to be approved by the Competent Authority.

1.3. In case of approval by the Competent Authority, the Commission shall issue a **Temporary Approval Certificate** within 60 calendar days from the date of submission of the Application. Provided that, in case the Commission requests additional and/or clarification documents, the time period fixed by the Commission for receiving the above will not be taken into account. The **Temporary Approval Certificate** states the percentage of cash rebate or the rate of the tax credit, determined based on the performance of the audiovisual work or film in the cultural test.

1.4. In case of rejection of the Application, the Applicant is notified in writing by the Commission and is also informed of the reason(s) for the rejection.

1.5. Prior to the commencement of filming in the Republic of Cyprus, the Applicant undertakes to employ local staff in the production, as follows:

- At least 1 Cypriot or European citizen residing in Cyprus in the production team Above the Line.

- At least 2 Cypriot or European citizens residing in Cyprus Above the Line
- At least 4 Cypriot or European citizens residing in Cyprus (beyond extras) Below the Line.

1.6. For the purposes of the Scheme, the Chairperson of the Commission shall assist the Applicant in obtaining the relevant licences or approvals for the approved works.

2. Final approval

2.1. The Applicant submits an application for cash rebate or the issuance of a tax credit certificate to the Commission, which must be accompanied by a Statutory Auditor's Report and provide details on the amount of the Eligible Production Expenditure incurred and paid within the Republic of Cyprus.

2.2. Invest Cyprus reviews the completeness of the data provided and the Application is assessed by the Commission, which prepares a recommendation to the Competent Authority on the final, substantiated amount to be returned or the tax credit. The Competent Authority issues the final approval within 60 calendar days from the date of submission of the Statutory Auditor's Report that accompanies the application for cash rebate or for the issuance of tax credit. In case the Commission requires additional documents from the Applicant during the assessment, the Applicant shall be granted reasonable time to produce these documents. The time required to produce the additional documents to the Commission is not included in the period of 60 calendar days.

2.3. Successful Applicants shall receive the Final Approval Certificate issued by the Ministry of Finance through Invest Cyprus within 60 calendar days from the date of submission of the Statutory Auditor's Report that accompanies the application for cash rebate or for the issuance of tax credit. With respect to the Final Approval Certificate for tax deduction for investments in infrastructure and equipment, this shall be issued within 60 calendar days from the date of submission of the Report. Provided that, in case the submitted Application is found to be incomplete during the relevant review by Invest Cyprus or during the assessment by the Commission and the Applicant is required to provide additional evidence, the 60-calendar day period is interrupted until the Applicant provides such evidence. The cash rebate shall be disbursed by the Competent Authority by transfer to the Applicant's account within

90 calendar days from the submission and acceptance by the Commission of the payment request.

2.4. The Applicant must immediately notify the Commission of any change in the information provided in the Application. Failing to do so may lead to the cancellation of the approval of the work. The Commission reserves the right to cancel the approval of the work or amend the terms and conditions accordingly, as well as the initially approved amount of cash rebate, if the proposed changes differ significantly from the initial Application.

2.5. In the case of cash rebate, payment is made in euros and where payment must be made in a freely convertible foreign currency, the exchange rate to be applied is the exchange rate in force at the time of submission of the application for cash rebate.

2.6. Each Applicant must keep a full and accurate record of all transactions and other actions relating to the Application, for the purpose of ensuring that accounting evidence on the E.P.E. is readily available to the Commission.

2.7. The Commission reserves the right to inspect anew all the documents relating to the production and request from the Applicant any other additional information.

2.8. The Applicant is required to keep a record and all evidence related to the Production for at least ten (10) years after the completion of the works in the Republic of Cyprus. Such evidence must be readily available to the Commission.

3. Supporting documents that must accompany the application for pre-approval under Incentives (I) and (II)- Cash Rebate and Tax Credit:

Appendix 1 Part 1 contains a checklist of documents with a list of the required supporting documents.

4. Supporting documents that must accompany the application for final approval under Incentives (I) and (II)- Cash Rebate and Tax Credit:

Appendix 1 Part 2 contains a checklist of documents with a list of the required supporting documents.

5. Supporting documents that must accompany the application for pre-approval under Incentive (III) – Tax Deduction:

Appendix 1 Part 3 contains a checklist of documents with a list of the required supporting documents.

6. Supporting documents that must accompany the application for final approval under Incentive (III) – Tax Deduction:

Appendix 1 Part 4 contains a checklist of documents with a list of the required supporting documents.

Eligible Production Expenditure (E.P.E.)

1. E.P.E. refers to expenditure incurred **by the Applicant locally** in relation to the categories of production expenditure that satisfy the conditions for approval, a list of which can be found in Appendix 3, Form 2, PART I and PART II.

2. Basis of the expenditure

In order to be considered E.P.E., the expense item must have been essentially incurred during the production of the audiovisual work within the Republic of Cyprus. Expenditure incurred before and after the production is not calculated as E.P.E. Additionally, at the time of claiming the cash rebate or the tax credit under the Scheme, the Applicant must have been discharged of any other obligations towards the Government and other creditors.

3. Expenditure management

All receipts and invoices must be categorised correctly based on the E.P.E., as set out in Appendix 3, Form 2, PART I and PART II.

3.1. Accommodation

Accommodation expenses relating to the cast and the crew working for the production in the Republic of Cyprus are considered E.P.E. All accommodation bills must be issued as invoices by Hotels or Tourist Accommodation clearly identifying the names of the visitors staying there as well as their check-in and check-out dates.

3.2. Travels

Travel expenses relating to the production activities undertaken in the Republic of Cyprus shall be considered E.P.E. when the travel relates to incoming and outgoing flights of cast and crew whose stay in the Republic of Cyprus, as well as their travels to and from Cyprus, are necessary for the activities relating to the production in the Republic of Cyprus.

The Applicant must keep a detailed record of all expenses, to be submitted with the application.

3.3. Meals

The cost of meals is considered E.P.E. so long as the meals are consumed by the cast and crew members during the production in the Republic of Cyprus.

All invoices and receipts relating to meals must be issued by catering businesses / restaurants / hotels and must clearly specify the dates of the orders. No payment shall be made for tobacco and alcohol products.

3.4. Equipment and grip rental

The cost associated with the rental of equipment is considered E.P.E., including the cost for grip rental, provided the equipment is rented for the purposes of the production within the Republic of Cyprus. All payments made to equipment service providers must be accompanied by the provider's receipts and invoices, clearly specifying the date on which the relevant services are provided.

3.5. Purchase of props

Only the cost associated with commonly used props is considered E.P.E. When the Applicant purchases props for use in the production and thereafter sells or disposes of such items upon completion of the production, the sale proceeds are deducted from the initial purchase price. Only the remaining net amount can be claimed as E.P.E.

All purchases of props claimed must be accompanied by the Applicant's / purchaser's receipts.

3.6. Acquisition of land and buildings

The acquisition of land or buildings or the erection of buildings of substantial cost related to the production within the Republic of Cyprus are excluded from E.P.E. as such type of expenditure should not be considered as expenditure that reasonably occurs in the making of the production.

3.7. Construction and investment / interior design

Scenery construction is considered E.P.E. as long as the materials used for the construction are purchased and the scenery is constructed in the Republic of Cyprus.

3.8. Transport and transport service vehicles

The cost of transport services and of the vehicles used exclusively for the purpose of transporting the cast, crew members, trucks for the transport of equipment/containers,

is considered E.P.E., provided these costs are reasonable and in line with the production's requirements.

Payments made for transportation must be accompanied by receipts and invoices of the transportation company and/or of the owner and must specify the dates and the purpose for which the vehicle was used.

3.9. Insurance and accounting services

Expenditure for insurance and accounting services incurred for the realisation of the production are considered E.P.E. and can be claimed as such on condition that the insurance companies and the accounting firms are based in the Republic of Cyprus and are duly licensed for this purpose by the Republic of Cyprus.

Insurance that can be claimed is limited to insuring employees during filming within the Republic of Cyprus, to props, scenery, costumes, equipment insurance and to civil liability insurance.

The audit costs of the Statutory Auditors as well as the administrative expenses shall burden the Applicant and are not considered E.P.E.

3.10. Per diem

Only per diem allowances given to the cast and crew members relating to the meals, accommodation and transport expenses during the production in the Republic of Cyprus are considered E.P.E. The Applicant must provide the relevant receipts of the daily expenses together with the application, as set out in paragraphs 1, 3 and 8 above. The maximum daily allowance shall be 100 euros per person.

3.11. Fees for location use licenses

Fees payable to the owners of locations and/or the State for a licence to film in the Republic of Cyprus are considered E.P.E. Refund claims must be accompanied by payment receipts and invoices from the owners of the locations and/or the State clearly indicating the date and location of the filming.

3.12. Post-production services (image and sound)

Post-production services which relate to the creation, management, change and modification of the sound and image relevant to the purpose of the production in the Republic of Cyprus are considered E.P.E.

3.13. Compensation for cast and crew

The amount that could be claimed as E.P.E. is based on the number of days during which the cast and crew members provided their services to the production carried out in the Republic of Cyprus, as a percentage of the total number of their working days under their employment contract for the entire production.

The Applicant must attach true copies of the contracts of these individuals for purposes of verifying that a reasonable allocation has been made and that their time / working hours have been calculated correctly.

3.14. Dispatch and transport costs

Dispatch costs for the equipment and other materials relating to the production in the Republic of Cyprus are considered E.P.E. when paid in the Republic of Cyprus via a local shipping or airline company in the Republic of Cyprus.

3.15. Value Added Tax

Payment claims for E.P.E. must not include VAT.

3.16. Arm's length pricing principle

For purposes of ensuring that the amounts charged between the Applicant and any affiliated companies thereof for the provision of goods or services are commercially reasonable, the following principle is adopted:

In case the Applicant undertakes expenditure that increases the cost of provision of particular services and/or goods within the framework of the production, then the cost shall be calculated based on the commercial cost in the market for the said products and/or services and shall be counted as E.P.E. on this basis.

The cost which shall be taken into consideration for the purpose of this provision shall be the amount that would have been charged between them for the services had they not been affiliated, at arm's length, at normal rates as unrelated parties.

3.17. Aid intensity for the pre-production and the post-production stage shall not exceed 20% of the eligible expenditure.

APPENDIX 3

Forms

FORM 1 – TYPE 1A

Temporary cash rebate approval certificate

In accordance with the financial incentives and the Directions of the Scheme for the Promotion of the Film Industry of the Republic of Cyprus (the “**Scheme**”).....

and,

in relation to the application received by the Commission on **[date]** from **[company name]** (the “**Applicant**”)

The Commission certifies that, with respect to the audiovisual work **[title of the work as per the application for cash rebate]**, the said audiovisual production is considered an Approved Production for the purposes of the Scheme and shall receive cash rebate of a percentage equal to **[percentage to be granted against the total eligible expenditure approved in the Republic of Cyprus]** and which is presently calculated at **[total amount of estimated eligible expenditure]**, subject to the following conditions:

1. This certificate is issued strictly based on the information provided by the Applicant during the application submission process.
2. Any material change in the information initially provided to the Commission which may occur during the progress of the work must be immediately notified to the Commission in writing before the expected time of its implementation or the earliest possible after it has come to the Applicant’s attention.
3. Failure to notify the Commission accordingly is considered a breach of the terms of this certificate.
4. The Applicant is entitled, under this certificate, to submit to the Competent Authority the payment request, once filming and post-production have been completed, (the “Payment Request”). The Payment Request shall be satisfied once all the procedures provided for in the Scheme and the Law have been complied with.
5. The Payment Request shall be submitted as follows:

(a) The Applicant may submit the Payment Request provided the Commission is satisfied that the minimum expenditure has been incurred in the Republic of Cyprus as provided for in point 3 under the heading “Incentive I. Cash Rebate”, included in Chapter 2 (The Incentives) of the Scheme.

(b) The Payment Request must be accompanied by the following:

- (i)** Full details of the beneficiary of the cash rebate through the Scheme;
- (ii)** Accounts stating the amounts spent for each particular expense item of the work against which the cash rebate applies, including expenses relating to the immediate employment of Cypriot and EU / EEA nationals and the eligible goods and services incorporated into the production;
- (iii)** Complete list of final cast and crew members (distinguishing between local actors and crew members) with the following information:
 - Nationality / country of permanent residence
 - ID / passport number
 - Social Insurance number for residents of Cyprus
 - Duration of contract
 - Role in the production
 - List of locations used and relevant dates (with address where possible).

The Payment Request must satisfy all the conditions of the Scheme and the Applicant must produce all necessary documents. The Applicant is also required to produce all the evidence and provide all necessary clarifications to the Commission when so required, within thirty (30) calendar days or any other deadline fixed by the Commission. In case the above are not satisfied, the payment process shall be interrupted and there shall be no right of claim or counterclaim.

6. The accounts referred to in the immediately preceding point (paragraph 5(b)(ii)) must include the following in respect of the period of the relevant payment request:

- (a)** A synopsis of the “top sheet” production expenditure covering all expenses in the Republic of Cyprus and the total production expenditure of the film.
- (b)** Detailed analysis of the relevant labour cost, including the gross salaries of full and part time employees, withholding taxes, social insurance contributions and other funds (cohesion and industrial training, etc.) in accordance with the labour laws of the Republic of Cyprus as applicable to the Scheme, and amounts paid to employees directly employed under a service provision agreement.

- (c) Copies of receipts from the competent tax authorities and the companies, evidencing that the amounts have already been paid to the said authorities and companies during the Payment Request Period.
 - (d) All accounts must be presented before Value Added Tax and all entries in the accounts must be backed by official receipts that enable the identification of the issuer who has received payment from the production.
 - (e) The accounts must be audited by Statutory Auditors of a Statutory Audit Firm registered in the Republic of Cyprus and be submitted together with the Factual Findings Report.
-
- 7. The Applicant must provide, to the satisfaction of the Commission, details relating to the E.P.E. in respect of each Payment Request, including the invoices and receipts in relation to the Approved Production.
 - 8. Following the submission of the Statutory Auditor's Report and the accounts, information and receipts of the production in the Republic of Cyprus, the Applicant and its Statutory Auditors must grant representatives of the Commission access to all the documents and clarifications, in order to audit the relevant accounts. In case additional information is required for the audit of a Payment Request, the processing of such request shall not proceed until all relevant information has been obtained.
 - 9. The Commission cannot approve a cash rebate exceeding the amount included in this certificate.
 - 10. The cost of the audit by the auditors together with the administrative expenses burden the Applicant and are not considered E.P.E.
 - 11. Upon receiving the Statutory Auditor's Report and after the final re-examination by the Commission and the approval of the Competent Authority, the cash rebate shall be transferred to the Applicant within 90 calendar days at the latest from the date of submission of the Payment Request, by crediting the following account:
.....

Obligations

1. The Applicant is required to ensure that the filming activity and all other activities related to the film are carried out in accordance with the Laws of the Republic of Cyprus. The Courts of the Republic of Cyprus shall have competence over any dispute that may arise.
2. Prior to the commencement of filming in the Republic of Cyprus, the Applicant undertakes to employ local staff in the production and provide the names of such staff to the Commission as follows:
 - 2.1. At least 1 Cypriot or European citizen residing in Cyprus in the production team Above the Line.
 - 2.2. At least 2 Cypriot or European citizens residing in Cyprus Above the Line.
 - 2.3. At least 4 Cypriot or European citizens residing in Cyprus (beyond extras) Below the Line.

The Applicant shall include in the credits of the work, in the language of the cinema production, the following: “The Production is made with the support of financial incentives granted by the Government of the Republic of Cyprus” and “Filming has taken place in locations in Cyprus” or “Part of the filming has taken place in locations in Cyprus”, accordingly. These credits shall appear in a prominent position in the ending credits, immediately after the credits of the cast and crew members. The logo of the Commission and the coat of arms of the Republic of Cyprus must also appear.
3. Upon completion of the production, the Applicant shall supply to the Commission, together with the film, high definition material depending on the medium used to shoot the film, with the main contributors, i.e. the director and the producers, describing their experience in Cyprus. The Commission and other Government authorities have full rights to use such clips for publicity purposes after the distribution of the film.
4. The Commission reserves the right to add terms, conditions and obligations to each temporary cash rebate approval certificate that is issued.

FORM 1 – TYPE 1B

Temporary tax credit approval certificate

In accordance with the financial incentives and the Directions of the Scheme for the Promotion of the Film Industry of the Republic of Cyprus (the “**Scheme**”) and, in relation to the application received by the Commission on **[date]** from **[company name]** (the “**Applicant**”)

The Commission certifies that, with respect to the audiovisual work **[title of the work as per the application for the issuance of a tax credit certificate]**, the said audiovisual production is considered an Approved Production for the purposes of the Scheme and shall receive the tax credit certificate at a percentage equal to **[percentage to be granted against the total eligible expenditure approved in the Republic of Cyprus]** and which is presently calculated at **[total amount of estimated eligible expenditure]**, subject to the following conditions:

1. This certificate is issued strictly based on the information provided by the Applicant during the application submission process.
2. Any material change in the information initially provided to the Commission which may occur during the progress of the work must be immediately notified to the Commission in writing before the expected time of its implementation or the earliest possible after it has come to the Applicant’s attention.
3. Failure to notify the Commission accordingly is considered a breach of the terms of this certificate.
4. Upon completion of the Approved Production in the Republic of Cyprus, the Applicant must produce to the Commission the following documents:
 - i. Immediate written notification that the filming activity in the Republic of Cyprus with respect to the audiovisual production for which it has applied for a financial incentive has been completed.
 - ii. Full details of the beneficiary of the tax credit certificate under the Scheme.
 - iii. Accounts stating the amounts spent for each particular expense item of the work against which tax credit applies, including expenses relating to the immediate

employment of Cypriot and EU / EEA nationals and the eligible goods and services incorporated into the production.

iv. Complete list of final cast and crew members (distinguishing between local actors and crew members) with the following information:

- Nationality / country of permanent residence
- ID / passport number
- Duration of contract
- Social Insurance number for residents of Cyprus
- Role in the production
- Final list of locations used and relevant dates (with address where possible).

5. Upon receiving the Statutory Auditor's Report and the final re-examination by the Commission and the approval of the Competent Authority, the issuance of the tax credit certificate shall be forwarded to the Applicant at the latest in 60 calendar days from the date of receipt by the Applicant of the aforesaid Report and all evidence accompanying the claim for the issuance of a Tax Credit Certificate, as required under the Scheme or by the Commission.

Obligations

6. The Applicant is required to ensure that the filming activity and all other activities related to the film are carried out in accordance with the Laws of the Republic of Cyprus. The Courts of the Republic of Cyprus shall have competence over any dispute that may arise.

7. Prior to the commencement of filming in the Republic of Cyprus, the Approved Company undertakes to employ local staff in the production and provide the names of such staff to the Commission as follows:

7.1 At least 1 Cypriot or European citizen residing in Cyprus in the production team
Above the Line

7.2 At least 2 Cypriot or European citizens residing in Cyprus (beyond extras) Above the Line

7.3 At least 4 Cypriot or European citizens residing in Cyprus (beyond extras) Below the Line.

- 8.** The Applicant shall include in the credits of the work, in the language of the production, the following: “The Production is made with the support of financial incentives granted by the Government of the Republic of Cyprus” and “Filming has taken place in locations in Cyprus” or “Part of the filming has taken place in locations in Cyprus”, accordingly. These credits shall appear in a prominent position in the ending credits, immediately after the credits of the cast and crew members. The logo of the Commission must also appear.
- 9.** Before payment of the cash rebate and upon completion of the production, the Applicant shall supply to the Commission high definition video material with the main contributors, i.e. the director and the producers, describing their experience in Cyprus. The Commission and other Government authorities have full rights to use such clips for publicity purposes after the distribution of the film.
- 10.** The Commission reserves the right to add terms, conditions and obligations to each Temporary tax credit approval certificate that is issued.

FORM 2 – PART I

Expenses included in the Eligible Production Expenditure

1. Producer and Producer team earnings
2. Director and Director team earnings
3. Up to 3 leading roles
4. Scriptwriter earnings provided it is proven that the script has been written in Cyprus
5. Casting Director
6. Provision of production company services
7. Labour costs (including foreign employees)
8. Salaries for cast, extras and crew
9. Accommodation in the Republic of Cyprus
10. Per diems of staff
11. Audio equipment rental
12. Food expenses
13. Scenery constructions
14. Artistic construction costs
15. Diving services
16. Electricity and other utility services
17. Generators
18. Transport and vehicle rental services
19. Laundry and cleaning services
20. Licences for use of locations and archaeological museums
21. Post-production services (image and sound)
22. Professional services (such as insurance, legal and accounting services)
23. Camera and lighting rental
24. Rental of marine vehicles
25. Rental of mobile toilets
26. Rental of offices, office furniture and equipment
27. Rental of helicopters and airplanes
28. Rental of production studios, warehouses and storage space facilities and workshops
29. Rental of external production crews with or without staff
30. Rental or purchase of props
31. Rental of water tanks and related marine services

- 32. Repairs and restorations
- 33. Security services (police, fire brigade, army, ambulances and medical services)
- 34. Pyrotechnic services
- 35. Scenery investments
- 36. Special effects services
- 37. Shipping
- 38. Stunt services
- 39. Telecommunications
- 40. Travel from and to the Republic of Cyprus (flights and sea travel)
- 41. Visual effects services
- 42. Costume rental
- 43. Cost of registration of the applicant company up to 1,000 euro plus expenses payable to the Registrar of Companies in Cyprus in relation to the registration of the applicant company
- 44. Animal services
- 45. Purchase of consumables (costumes, make-up, equipment, disposable items).

FORM 2 – PART II

Expenses **not** included in the Eligible Production Expenditure

1. Catering for the entertainment of the cast and crew members
2. Airline tickets, commercial transportation and shipping or airline transportation costs paid outside the Republic of Cyprus
3. Airline tickets for escorts of the cast and crew members
4. Accommodation for escorts of the cast and crew members
5. Cost related to the distribution or promotion of a film
6. Cost arising at the distribution or television broadcasting level, e.g. audiovisual copies, dubbing and subtitles other than the master requirements
7. Compensation of consultants
8. Legal advice other than:
 - Cost of registration of the legal person of the application
 - Employment contracts for staff that will work in the Republic of Cyprus
 - Contracts for securing services in the Republic of Cyprus for eligible expenditure
 - Staff contracts relating to cast, extras, dancers, singers and musicians who will be employed exclusively in the Republic of Cyprus.

The maximum cash rebate for the above eligible expenditure must not exceed €6,000.00 irrespective of the production budget relating to expenditure within the Republic of Cyprus.

9. All payments made to a local company where contracting services are located outside the Republic of Cyprus
10. Additional payments to main characters, gifts and entertainment allowances
11. Organisational expenses or provision of cash for the creation of conditions and/or activities regarding the pre-sales of the work
12. Expenses relating to the acquisition of rights other than those necessary for the production of the film and which relate exclusively to filming in the Republic of Cyprus
13. The cost of finance of the work
14. Referrals of staff payments on the proceeds or profits of the work
15. Profit participation and potential obligations arising towards the actors for repeats and other related residual rights of the cast and other staff in relation to the production
16. The cost of acquisition of amortisable assets
17. Script rights

18. Transport fuel for motor vehicles, except fuel for vehicles which have been demonstrably leased for filming purposes during the period of the production. The pre-production and post-production periods are not considered eligible in this case.
19. Fines and parking tickets
20. Depreciation cost of equipment used during the production
21. Customs duties, VAT and taxes
22. Procedural costs for the financing of the production
23. Completion bond costs for the production
24. Bank interest
25. Any legal receipt for expenses of less than €50
26. Lunch and dinner allowances not covered by the daily allowances
27. Any works and expenses related to Animation/VFX/Post-production in the Republic of Cyprus that took place before the date of submission of the application
28. Final costs that do not include proof of payment. Proof of payment can be presented either with a bank receipt, a copy of a redeemed cheque or a supplier's tax receipt. The proof of payment must be attached to the invoice. If not attached, the expenditure is considered ineligible.
29. Office supplies and stationery.

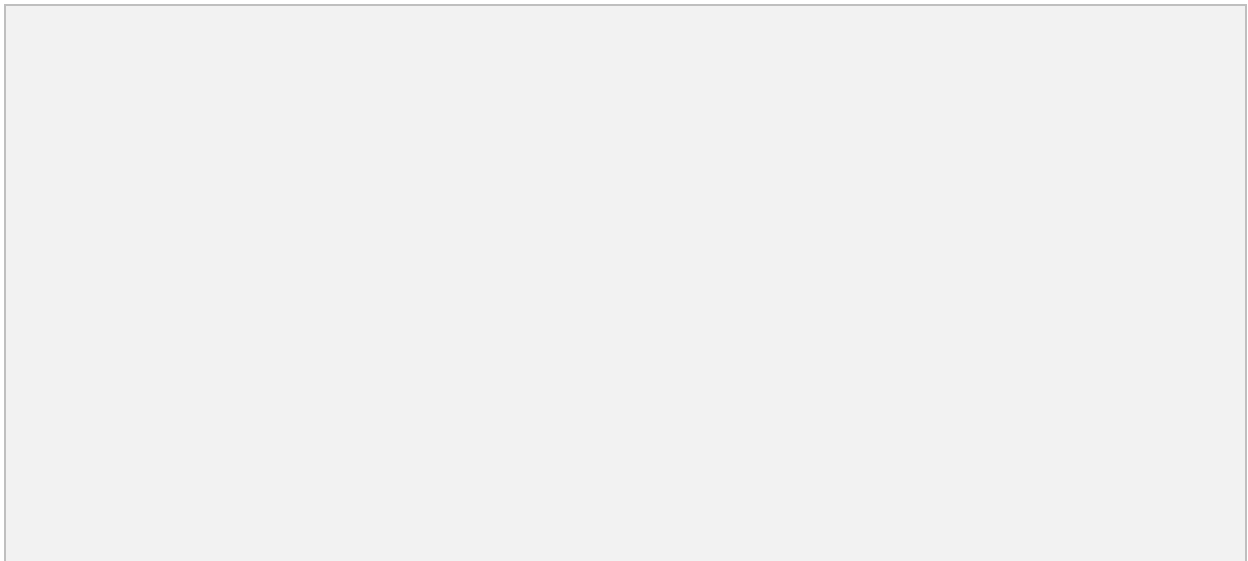
APPENDIX 4

Application and Assessment Process

Note 1: The persons that shall be declared for this purpose and are Cypriot or European citizens must submit a copy of their identity card or passport, their social insurance number, as well as a utility bill not older than six months (i.e. water supply, electricity or landline telephone bill). Mobile telephone or internet bills will not be accepted.)

Note 2: The staff that shall be declared for this purpose is not taken into account in calculating the staff that the company undertakes to recruit under the Scheme.

Additional notes, if any



APPENDIX 6

Statement confirming that the undertaking is not in difficulty

Statement by independent Statutory Auditors for purposes of award of aid to undertakings not in difficulty under the Cyprus Film Scheme

We hereby certify that the company/undertaking

.....,
with registration number....., does not fall within the meaning of the term “Undertaking in Difficulty” as defined in Article 1, point 4, item c (1.4.c.) and Article 2, point 18 (2.18) of “COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance”.

In addition, there is no outstanding recovery order in respect of this undertaking, issued pursuant to a previous Commission decision declaring an aid illegal and incompatible with the internal market pursuant to Article 1, point 4, item a (1.4.a) of Regulation (EU) 651/2014.

The audit was based on the audited financial statements of the above company/undertaking for the year ended 31 December, in respect of which we have expressed an unqualified opinion / with the following qualified opinion on

.....

(Qualified opinion in the auditors’ report, if any)

.....
.....
.....

.....
(Auditor’s name)

.....
(Auditor’s signature)

.....
(Seal of the audit firm)

.....
(Date)

APPENDIX 7

Filming & location licences

For productions approved within the framework of the Scheme, the Chairperson of the Cyprus Film Commission shall facilitate the acquisition of all relevant licences for filming from the authorities, bodies or natural persons, where required, with respect to the use of public and/or private areas. For productions under the Scheme, applications for filming must be submitted to the Antiquities Department three weeks prior to the commencement of filming in the Republic of Cyprus.

For further information, please contact the Deputy Ministry of Tourism of the Republic of Cyprus or Invest Cyprus.

In case of photoshoot or filming within the Republic of Cyprus, it is important to verify whether the location is in a public or a private area, so that all necessary approvals and licences can be obtained in advance. Shooting in high-security areas, such as airports or ports, or close to adjacent military facilities, is subject to rules, regulations and restrictions. Additional time will therefore be required in order to obtain the relevant licence. The same applies with respect to obtaining a shooting licence through aerial means, including both conventional (helicopter or airplane) and remote-controlled aerial means.