
CTA Circular on embedded IP income for the Cyprus IP Boxes

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In brief

The Cyprus Tax Authorities (CTA) have recently issued a circular that clarifies that Transfer Pricing (TP) studies based on the methodologies of the latest OECD TP Guidelines are required to support the level of embedded Intellectual Property (IP) income for the application of both the 'old' and the 'new' Cyprus IP boxes.

In detail

Following the latest IP related amendments to the Cyprus Income Tax Law (refer to our newsletters [N-12-2016](#) and [N-13-2016](#)), the CTA recently issued a circular concerning how to determine the level of embedded IP income arising from qualifying IP assets for the application of both the 'old' and the 'new' Cyprus IP boxes.

The CTA circular informs that for the purposes of

submission of a taxpayer's income tax return where the taxpayer claims the benefits of the Cyprus IP boxes on embedded IP income (e.g. IP income embedded in the income from sale of goods or services) the level of the embedded IP income will have to be supported by a TP study. Such TP study should be based on the methodologies of the OECD's TP Guidelines as approved by the OECD on 23 May 2016. The TP study will have to be submitted to the CTA only upon request.

Taxpayers should ensure that such TP study is readily available for submission if requested.

The takeaway

This development clarifies how to determine the level of embedded IP income for the purposes of claiming the 80% deemed deduction under either the 'old' or the 'new' Cyprus IP box. PwC are available to assist you in the preparation of the required TP studies.

Let's talk

For a deeper discussion of how this development might affect you or your business, please contact:

Theo C Parperis
Partner
Head of Tax & Legal
theo.parperis@cy.pwc.com

Marios S Andreou
Partner
In charge of Tax Advisory
marios.andreou@cy.pwc.com

Nicos P Chimarides
Partner
In charge of Corporate Compliance
nicos.chimarides@cy.pwc.com

Eftychios G Eftychiou
Partner
Head of Tax Technical Committee
eftychios.eftychiou@cy.pwc.com

Or your usual PwC contact

PwC Cyprus
PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612
CY-1591 Nicosia, Cyprus
www.pwc.com.cy