



**K. TREPPIDES  
& CO LTD**

**Direct Taxation**

**April Newsletter - Issue 2/2022**



**Extension of the tax incentives granted for investment  
in innovative SMEs until 30 June 2024**

We would like to inform you that on 10 March 2022 the Cyprus Parliament voted for an extension of the tax incentives for investing in innovative enterprises until 30 June 2024. The amendment was published in the Official Gazette on 18 March 2022.

According to article 9A of the Cyprus Income Tax Law (ITL), qualifying independent personal investors making a risk-finance investment in an innovative small and medium-sized enterprise (SME), are allowed to deduct the costs of the investment from their taxable income. The deduction is subject to the following:

- (i) The tax deduction may not exceed 50% of the taxable income of the investor in the tax year in which the investment is made, as calculated before deducting the costs of the investment but after deducting any

life insurance premiums and contributions to provident and other approved funds as per Article 14 of the ITL;

- (ii) The tax deduction may not exceed EUR150.000 per year;
- (iii) The cost of the investment not allowed as a tax deduction may be carried forward and deducted in the next five years, subject to the above limitations;
- (iv) An individual is considered to be an independent investor provided he/she is not an existing shareholder of the SME in which he/she will invest, unless the investor is one of the founders upon the SME's establishment;
- (v) The Commissioner of Taxation may disallow the deduction if a qualifying investor does not retain the investment in the SME for a minimum period of three years.

Qualifying investors can make a risk-finance investment in an innovative SME either directly or indirectly through an investment fund or through an alternative trading platform.

#### Innovative SME:

According to Article 9A of the ITL, an innovative SME must meet the following requirements:

- a) It operates in the Republic of Cyprus; and
- b) At the time of the investment, it is not listed in a stock exchange (except for alternative trading platforms) and has a business plan for its risk-finance investment and fulfils at least one of the following conditions:
  - i) It has not been operating in any market; or

- ii) It has been operating in any market for less than seven years following its first commercial sale (does not apply for follow-on investments, provided that the risk-finance investment received does not exceed EUR 15 million and was included in the initial business plan that was submitted with the application); or
  - iii) It requires an initial risk-finance investment which, based on a business plan prepared in advance of a new product offering or the entering of a new geographical market, is higher than 50% of its average annual turnover in the preceding five years; and
- c) It has been approved by the Cyprus Ministry of Finance or other authority as a qualifying innovative SME following application, along with a statement from an independent auditor confirming that its research and development (R&D) expenses (which may also include any capitalised R&D expenses) represent at least 10% of the total operating expenses of the enterprise:
- i) in at least one of the three tax years preceding the tax year in which the investment was made; or,
  - ii) in the case of a start-up enterprise without any financial history, based on the audited financial statements or in the absence of audited financial statements, based on a business plan.

An enterprise shall cease to be considered an innovative SME if at any time the total amount of its risk-finance investment exceeds EUR 15 million.

Risk-finance investment:

A risk – finance investment includes equity and quasi-equity investments, loans, including leases, guarantees or a combination thereof and follow-on investments, in eligible companies for new investments.

For any further information and/or clarifications required please do not hesitate to contact us.

**Nicosia**

Treppides Tower  
9 Kafkasou Street  
Aglantzia, Nicosia, CY 2112  
Cyprus  
P.O.Box 27142, CY1642

Tel: +357 22 678944  
Fax: +357 22 681887  
Web: [www.treppides.com](http://www.treppides.com)

**Limassol**

38 Andrea Kariolou Street  
Ayios Athanasios  
Limassol, CY 4102  
Cyprus

Tel: +357 25 822722  
Fax: +357 25 822723  
Web: [www.treppides.com](http://www.treppides.com)

**London**

Treppides Advisers Ltd  
Knightsbridge  
7 Milner Street  
London, SW3 2QA  
United Kingdom

**Malta**

Finanz Audit Ltd  
Level 1, Somnium  
Tower Road, Swatar  
Birkirkara, BKR 4012  
Malta

Tel: +44 20 584 9136

Web:

[www.treppidesadvisers.co.uk](http://www.treppidesadvisers.co.uk)

Email:

[info@treppidesadvisers.co.uk](mailto:info@treppidesadvisers.co.uk)

Tel: +356 2010 8061

Web: [www.finanz-audit.com](http://www.finanz-audit.com)

Email: [info@finanz-audit.com](mailto:info@finanz-audit.com)

## Preferences

[Archive](#)

[Unsubscribe](#)

## About Us

[Facebook](#)

[Linkedin](#)

For more information about how we process your personal data please click [here](#).

[Email Us](#)

Copyright © [K. Treppides & Co Ltd](#), All rights reserved.

*Copyright © 2021 K.Treppides & Co Ltd, All rights reserved.*

K. Treppides & Co Limited - Client List

### Our mailing address is:

K.Treppides & Co Ltd

Treppides Tower 9 Kafkasou Aglatzia

Nicosia 2112

Cyprus

[Add us to your address book](#)

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).

