

# Intellectual Property Structuring in 2026



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## The Cyprus IP Box Regime After the Tax Reform

The location of intellectual property has become a structural decision rather than a purely fiscal one.

For technology companies, pharmaceutical innovators and patent holders, intellectual property frequently represents the core source of enterprise value. Where it is held influences taxation, governance, investor perception and long-term regulatory exposure.

Cyprus has, for several years, offered a competitive intellectual property regime aligned with OECD standards. Following the recent tax reform, the effective tax rate on qualifying intellectual property profits has increased from approximately 2.5% to around 3%.

The adjustment is numerical rather than structural. The mechanism of the regime remains unchanged.

Understanding how it operates in practice is essential before making strategic decisions.

## How the Cyprus IP Box Operates

Under the Cyprus IP Box regime, 80% of qualifying profits derived from qualifying intellectual property are treated as tax-deductible.

Following the reform, assuming a corporate tax rate of 15%, only the remaining 20% of qualifying profits are subject to taxation. The effective outcome is therefore approximately 3% taxation on qualifying profits, provided the Nexus requirements are satisfied.

A simple illustration clarifies the mechanism.

If a Cyprus company generates €1,000,000 in qualifying IP profit, 80% — €800,000 — is deducted. The taxable base is reduced to €200,000. At a 15% corporate tax rate, the tax payable is €30,000. The effective tax burden on the original €1,000,000 profit is therefore 3%.

The regime does not reduce gross revenue. It reduces qualifying profits through a statutory deduction. The benefit depends entirely on eligibility.

## Qualification and the Nexus Requirement

The Cyprus IP Box is built around the OECD-approved Nexus approach. The level of tax benefit is proportionate to the extent of qualifying research and development expenditure undertaken by the taxpayer.

Qualifying assets include patents, software and certain protected technical innovations. Marketing-related intellectual property, including trademarks and trade names, is excluded.

In practical terms, the regime rewards innovation that is genuinely developed, enhanced or controlled by the Cyprus entity. Passive ownership of acquired intellectual property is unlikely to produce full benefit unless supported by qualifying development activity.

For international groups, this typically requires a review of where research functions are performed, how costs are allocated and where strategic control is exercised.

## Substance and Governance Considerations

The tax reform did not alter the underlying substance requirements. To benefit from the regime, management and control must be exercised in Cyprus. The company should maintain appropriate governance structures and ensure accurate tracking of income and expenditure relevant to the Nexus calculation.

This is not a passive holding regime. It presupposes real oversight, documented R&D activity and disciplined financial reporting.

For businesses considering relocating intellectual property to Cyprus, governance alignment is often as important as the effective rate itself.

## Assessing the Strategic Impact of the 3% Rate

The increase from approximately 2.5% to 3% does not materially alter Cyprus' competitive position within the European Union.

The regime continues to combine:

- A competitive effective rate
- Alignment with OECD standards
- An EU legal framework
- A codified and transparent calculation mechanism

In a regulatory environment shaped by BEPS implementation and cross-border disclosure requirements, structural legitimacy carries increasing importance.

For technology-driven businesses generating material IP income, the effective 3% rate remains competitive when assessed against other compliant European alternatives.

## When the Cyprus IP Box May Be Appropriate

The regime is typically relevant where intellectual property generates recurring and substantial income and where development activity can be aligned with the Cyprus entity.

This may include software companies centralising IP ownership, pharmaceutical businesses managing patent portfolios, international groups consolidating R&D oversight or individuals receiving structured patent royalties.

Each case requires technical assessment. The 3% effective rate is achievable only where the Nexus criteria and governance requirements are properly satisfied.

## Concluding Perspective

Intellectual property structuring in 2026 should be approached as a question of alignment rather than optimisation.

The central considerations are not limited to the effective rate. They concern:

- Where innovation is genuinely performed.
- Where strategic control is exercised.
- Where income recognition is defensible.

Cyprus continues to offer a coherent framework for addressing these questions within a compliant EU environment.

Before implementing or relocating an intellectual property structure, a structured eligibility and governance review remains advisable. The numerical outcome is mechanical. The structural design is not.

## How Oneworld Can Assist

At Oneworld, we approach intellectual property structuring as a matter of alignment and long-term sustainability.

We assist clients in assessing eligibility under the Cyprus IP Box regime, modelling the practical impact of the Nexus calculation and designing governance structures that meet substance requirements. Where implementation is appropriate, we coordinate the structuring, compliance and ongoing support necessary to maintain a defensible position.

The objective is not merely to access the regime, but to implement it correctly.