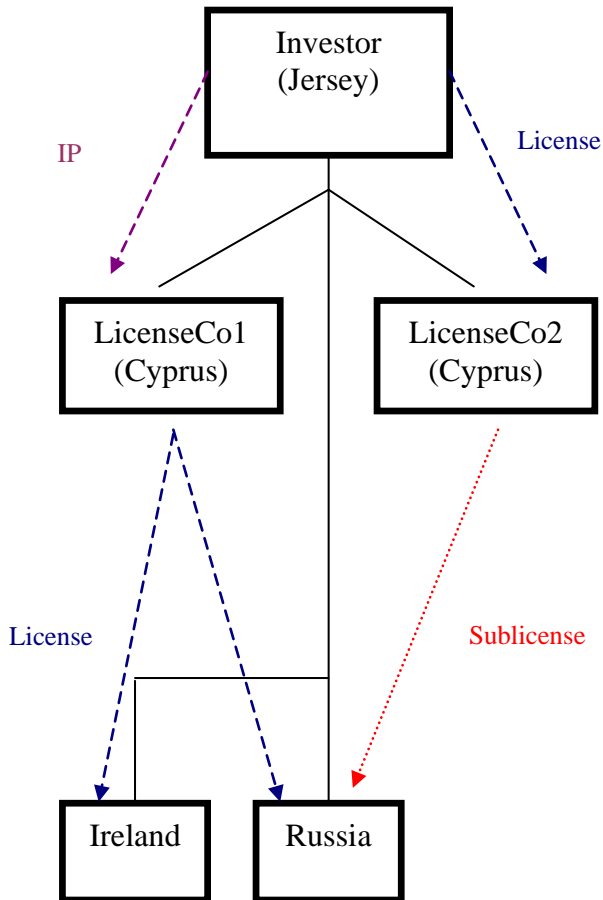


LICENCING COMPANY STRUCTURE

Licensing company planning - Example



- Investor:
 - ✓ No tax on income and gains

- LicenseCo1:
 - ✓ 80% of royalty income (net of any direct expenses*) is exempt from income tax
 - ✓ 80% of profit generated from the disposal of IP (net of any direct expenses*) is exempt from income tax

- LicenseCo2:
 - ✓ 12.50% tax on net licensing income (margin)
 - ✓ No withholding tax on royalty payments

- Ireland/Russia:
 - ✓ No withholding tax on royalty payments (EU/treaty)
 - ✓ License payments deductible

*Direct expenses include finance costs to acquire/develop IP and annual tax amortization.

Example:

Assume that a Cyprus IP company (LicenseCo1) licenses its IP to its operating foreign Companies and in return it receives royalty income of say €100.000 per annum. Structure is depicted above.

The expected annual tax for the Cyprus IP Company (LicenseCo1) will be as follows:

	€
Annual royalty income	100.000
Direct expenses (say)	(20.000)
Net income	80.000
80% deemed deduction	(64.000)
<i>Taxable income</i>	<i>16.000</i>
at 12.5% Income tax	2.000
Effective Tax Rate	2.0%