



REPUBLIC OF CYPRUS

PROGRAMME FOR THE CREATION OF NEW ENTERPRISES
OF HIGH TECHNOLOGY AND INNOVATION THROUGH
THE INSTITUTION OF BUSINESS INCUBATORS

MINISTRY OF COMMERCE, INDUSTRY AND TOURISM
CY-1421 Nicosia, Cyprus

**PROGRAMME FOR THE CREATION OF NEW ENTERPRISES OF
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INSTITUTION OF BUSINESS INCUBATORS**

The Government of the Republic of Cyprus has introduced, under the supervision and responsibility of the Ministry of Commerce, Industry and Tourism, a Programme for the creation of new enterprises of high technology and innovation, the detailed provisions of which are as follows:

1. Beneficiaries / Who can apply

(a) Individuals or small groups of individuals are entitled to participate in the Programme by submitting a business plan meeting the selection criteria specified in Paragraph 3 herebelow and following the procedure in Paragraph 4.

(b) In cases where the applicants are already employed, the consent of their employers for their participation in the Programme should be secured.

2. Certificates Required

The applicants have to submit the following:

(a) The Cypriot applicants

(i) A recent criminal record certificate, issued within the last six months, which should state that the applicant/s have not been convicted for an offence in relation to their business/professional activity.

(ii) A certificate by the competent judiciary Authority or the Registrar of Companies and Official Receiver, which should certify that no receiving was issued against the applicant and that he/she is not adjudged bankrupt, or he/she is under compulsory administration or scheme of arrangement, or other similar situation and that no bankruptcy proceedings or compulsory administration or bankruptcy arrangements have been instituted against him/her or under similar proceedings.

(iii) A certificate issued by the local Chamber or other professional organisations, with which their membership and their profession is certified.

(b) The foreign applicants

(i) A criminal record certificate or any other equivalent certificate of a competent administration or judiciary Authority of the country of their residence, issued within the last six months, which shows that they have not been convicted for an offence in relation to their business/professional activity.

(ii) A certificate from a competent judiciary or administrative Authority of the country of their residence, which shows that they meet the requirements stated in paragraph (a)(ii) above.

- (iii) A certificate of any relevant Chamber or professional body of the country of their residence, which certifies that they are registered with these organizations.

3. Evaluation and Acceptance Criteria for Admission

(a) Applications may be accepted for non-polluting activities which lead to the development of a product, which can be classified in any of the sectors of the manufacturing industry, information technology, software development and other sectors, provided that the following elements, which will constitute the basic criteria in the applications evaluation, are satisfied:

- Innovation
- Technological viability
- Marketability of the idea
- The possibility to develop the idea within the budget and time framework described in the project proposal
- The suitability and adequacy of the team with regard to the scientific and business requirements of the project

(b) The marketability of the idea in the global market and the possibility to secure a patent for the product that will be developed, will be taken into serious consideration and applications which have these elements will be given priority.

(c) If the applicants have already secured a patent, this will constitute an element of preference provided that the criteria set out in (a) above concur.

Where a licence or permit by any competent authority is required, this should be secured prior to the submission of the application.

4. Procedure for the submission and evaluation of applications

(a) The applications shall be submitted to any of the Incubator Companies having a contract with the Government, which shall make a first evaluation and, if necessary, shall assist the inventor to prepare a full business plan, to form a team for the execution of the plan and to fill in the application form prepared by the competent Government Committee. The evaluation by the Incubator Company is expected to be detailed and it is desirable that the Incubator Company co-operates for this purpose with scientists.

(b) The procedure for the evaluation of the application will include, inter alia, a patent search and for the innovativeness of the product that will be conducted by the Incubator in co-operation with the Office of the Registrar of Companies and Official Receiver and/or patent agents from abroad.

(c) The applications, which are initially approved by the Incubator Company, will be submitted for further evaluation and approval by the Programme Committee, which has been established for this purpose and which is composed of representatives of the Ministry of Commerce, Industry and

Tourism (Chairman and one member), the Planning Bureau, the Cyprus International Institute of Management, the Institute of Technology and the Research Promotion Foundation.

(d) This Committee may require the views of expert scientists from Cyprus or abroad regarding the technological and commercial viability of the proposed project.

5. Status of Establishment

The individual or team that will be selected shall be obliged to create a private company of limited liability. The object of the formed Company shall be the development of an innovative idea in accordance with the provisions of the "Programme for the Creation of New Enterprises of High Technology and Innovation" and on the basis of the description of the proposed activity and the business plan of the Company.

Where the Programme Committee approves an application, a contract shall be signed between the Ministry of Commerce, Industry and Tourism, the Incubator Company and each approved applicant, in which the rights and obligations of each party shall be prescribed in detail.

The Company is obliged to be housed and operate in the designated premises, within two months from the date of its establishment. Where this time limit expires without this being achieved, the Ministry is entitled to suggest to the Incubator the cancellation of the contract agreement or the extension of the time limit for a further period of two months, upon the expiry of which the contract will be considered as terminated without any further act.

6. Provision of Services to the Enterprises under Incubation

The Incubator Company undertakes to offer to the companies under incubation, which will be approved to participate in the Programme by the Programme Committee, the following services either directly or through third parties, a fee for which will be charged:

- Central reception, during working hours.
- Central telephone service during working hours.
- Central waiting room
- Basic furniture.
- Provision of telephone, access to internet and telefax.
- Use of conference rooms upon reservation.
- Library and information centre.
- Use of the audio-visual equipment upon reservation.
- Security of the building.
- Central heating and air-conditioning.
- Assistance for the registration of a limited liability company in accordance with the provisions of the Programme.
- Assistance in assessing the feasibility of the idea from technological and commercial point of view.

- Assistance in the implementation of the business plan and the research and development plan.
- Secretarial, accounting and legal support.
- Organisation of seminars for general matters relating to the educational needs of the enterprises under incubation.
- Scientific and advisory support (as in management issues, marketing etc), facilitating access to research and laboratory infrastructure and assistance in finding associates.
- Assistance in securing the required financing.
- Assistance in finding strategic investors.
- Use of a photocopy machine.

The cost of the provision of the above services and of the external services, resulting in additional cost for the Incubator, will be borne by the company under incubation on the basis of predetermined maximum charges that will be defined with an agreement between the two parties.

7. **Receipt of Fees for Services Offered**

The Incubator Company is entitled to charge the enterprises under incubation with fees for the use of the premises and for the services offered.

8. **Participation in the Company to be Established**

The final distribution of the share capital, which shall be agreed between the inventor, the Incubator and the associate/investor, shall be clearly stated in the application that will be submitted to the competent Committee for the provision of the government grant and, where the above application is approved, it shall be so stated in the relevant contracts that will be signed between the various parties. It is noted that at least 50% plus 1 share shall belong to the inventor or inventors.

9. **Financing**

The Government shall provide the following grants, provided that the total amount of which will not exceed the sum of CY£120.000¹.

(a) **Grant towards operating expenses and purchase of equipment (aid covered by the *de minimis* rule)**

A *de minimis*² aid will be granted to cover 100% of the following eligible costs:

- personnel salaries and wages
- equipment
- consumables
- rent and services

¹ The total annual grant will not exceed the amount of £60.000 unless, after a substantiated request by the applicants, the Committee considers it justified.

² As defined in the Commission Regulation (EC) 69/2001 dated January 12 2001.

provided that the total *de minimis* aid granted or will be granted to the Company under Incubation as a cash grant or as a cash grant equivalent will not exceed the ceiling of £57.000³ over a period of three years.

(b) Grant for research and technological development

For this activity, according to the type of research, and considering in particular how far away it is from the market, the grant that will be provided can be:

- for industrial research⁴ 50%
- for pre-competitive development⁵ 25%

The above figures can be increased by 10% for aid given to small⁶ and medium⁷ enterprises.

In cases of R&D activity spanning industrial research and pre-competitive development activities, the permissible aid intensity will not normally exceed, except in especially justified cases, of the weighted average of the permissible aid intensities applicable to the two types of research.

The aid intensity may be raised by 10% if the project involves effective cross-border cooperation between at least two independent partners in two Member States, particularly in the context of coordinating national R&D policies; no single company in the Member State granting the aid may bear more than 70 % of the eligible costs. In the same context, subcontracting is not considered to be effective cooperation.

Eligible costs will include the amount for the operating expenses and the investment on equipment that have not been covered in (a) above. It is noted that costs are considered as eligible only if they are directly incurred as a result of the research project.

It is noted that eligible are costs of instruments and equipment to the extent and for the duration used for the research project. If such instruments and equipment are not used for their full life for the research project, only the

³ The method of providing this amount will be defined in the Contract to be signed between the Government and the company under incubation.

⁴ Industrial research, means the planned research of critical investigation aimed at the acquisition of new knowledge, the objective being that such knowledge may be useful in developing new products, processes or services or in bringing about a significant improvement in existing products, processes or services.

⁵ Pre-competitive development, means the activity for the shaping of the results of industrial research into a plan, arrangement of design for new, altered or improved products, processes or services, whether they are intended to be sold or used, including the creation of an initial prototype which could not be used commercially. This may also include the conceptual formulation and design of other products, processes or services and initial demonstration projects or pilot projects, provided that such projects cannot be converted or used for industrial applications or commercial exploitation. It does not include the routine or periodic changes made to products, production lines, manufacturing processes, existing services and other operations in progress, even if such changes may represent improvements.

⁶ Please see definitions in the Appendix

⁷ Please see definitions in the Appendix

depreciation costs corresponding to the life of the research project, as calculated on the basis of good accounting practice, are considered as eligible.

Furthermore, technical feasibility studies preceding industrial research activities may receive an aid amounting of up to 75% of study costs, while such studies preceding pre-competitive development activities will receive an aid of up to 50% of study costs

(c) Grant for small and medium enterprises – Investment aid

In the case of small enterprises, a grant of 15% will be given on the following eligible costs, provided that the specific cost is not included in the eligible costs covered by the grants referred to in (a) or (b) above:

- Initial investment⁸ expenses on equipment
- Expenses for acquisition of know-how

In the case of medium enterprises, a grant of 7,5% will be given on the above eligible costs, provided that the specific cost is not included in the eligible costs covered by the grants referred to in (a) and (b) above.

The above grants will be provided subject to the condition that the inventor and/or his associate will deposit an amount of at least £10.000 as own capital. In case that the specific project has duration of two years, the amount of £10.000 can be deposited in two annual instalments of £5.000 each.

10. Disbursement and Management of the Government Grant allocated to the Enterprises under Incubation

(a) The Incubator Company shall be responsible for the disbursement and proper use of the Government Grant, as referred to in Paragraph 9, provided to the enterprises under incubation and housed in the Programme's Incubators.

(b) For each enterprise under incubation, the hosting Incubator Company must submit to the Ministry of Commerce, Industry and Tourism an annual report for the first year and two six monthly reports for the second year, in which an analysis shall be made of the implementation progress of the business plan and of the use made by the enterprise under incubation of the approved Government grant.

(c) The Ministry reserves the right to ask for any additional information or clarifications it may deem necessary and the enterprise under incubation shall be obliged to provide them either directly or through the Incubator Company.

(d) The Incubator Company shall be obliged to submit to the Ministry of Commerce, Industry and Tourism annual audited accounts of the enterprises under incubation within three months from the end of each company's financial year.

⁸ The program will not cover expenses for substitution of existing equipment.

11. Duration of stay in the Incubator

The Company under incubation shall stay in the Incubator for up to two years. The competent Committee, however, may give an extension of stay, without any additional grant.

The Company under incubation may remain in the Incubator for a longer period, provided that the space is not needed for a new company, the participation of which in the Programme has been approved, and provided that it will pay the corresponding fees for the use of the premises and services offered.

12. Country for the design/manufacture of the product

The companies graduating from the Incubator shall be bound to design and manufacture in Cyprus the product or products which they have developed during their stay in the incubator, unless they get an approval by the Committee of the Programme to conduct any activity abroad.

13. Criterion of success of the Programme

The criterion of success of the Programme is whether or not the Company under incubation, upon graduation from the Incubator, has secured the required external financing, which will allow its operation as a company for the further promotion of the innovative idea for which it was originally established.

14. Programme Duration

The current programme may be discontinued and replaced by a new one, which will be based on the new R&D framework under evaluation by the European Commission. In such case, the Ministry of Commerce, Industry and Tourism may stop accepting applications during the transition period.

Definition of small and medium-sized enterprises

(Extract from Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of small and medium sized enterprises, OJ L 124, 20.5.2003, p. 36)

DEFINITION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES ADOPTED BY THE COMMISSION

Article 1

Enterprise

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This 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.

Article 2

Staff headcount and financial ceilings determining enterprise categories

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Article 3

Types of enterprise taken into consideration in calculating staff numbers and financial amounts

1. An “autonomous enterprise” is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. “Partner enterprises” are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise). However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not

linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:

- (a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
 - (b) universities or non-profit research centres;
 - (c) institutional investors, including regional development funds;
 - (d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.
3. “Linked enterprises” are enterprises which have any of the following relationships with each other:
- (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
 - (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
 - (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
 - (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as stakeholders.

Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An “adjacent market” is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

4. Except in the cases set out in paragraph 2, second subparagraph an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.
5. Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the ceilings set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Community rules.

Article 4

Data used for the staff headcount and the financial amounts and reference period

1. The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.
2. Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial ceilings stated in Article 2, this will not result in the loss or acquisition of the status of medium-sized, small or micro-enterprise unless those ceilings are exceeded over two consecutive accounting periods.
3. In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a *bona fide* estimate made in the course of the financial year.

Article 5

Staff headcount

The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU. The staff consists of:

- (a) employees;
- (b) persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- (c) owner-managers;

- (d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

Article 6

Establishing the data of an enterprise

1. In the case of an autonomous enterprise, the data, including the number of staff, are determined exclusively on the basis of the accounts of that enterprise.
2. The data, including the headcount, of an enterprise having partner enterprises or linked enterprises are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation.

To the data referred to in the first subparagraph are added the data of any partner enterprise of the enterprise in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights (whichever is greater). In the case of cross-holdings, the greater percentage applies.

To the data referred to in the first and second subparagraph are added 100 % of the data of any enterprise, which is linked directly or indirectly to the enterprise in question, where the data were not already included through consolidation in the accounts.

3. For the application of paragraph 2, the data of the partner enterprises of the enterprise in question are derived from their accounts and their other data, consolidated if they exist. To these are added 100 % of the data of enterprises which are linked to these partner enterprises, unless their accounts data are already included through consolidation.

For the application of the same paragraph 2, the data of the enterprises which are linked to the enterprise in question are to be derived from their accounts and their other data, consolidated if they exist. To these are added, pro rata, the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under the second subparagraph of paragraph 2.

4. Where in the consolidated accounts no staff data appear for a given enterprise, staff figures are calculated by aggregating proportionally the data from its partner enterprises and by adding the data from the enterprises to which the enterprise in question is linked.'

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