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## **NEWSLETTER**

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### **Quiet autumn days in the company world?**



Although the effects of the recession have certainly been evident recently, companies like LAVECO Ltd. who deal with the formation of companies, can definitely not say that the period since the end of the summer has been uneventful. There would be nothing to talk about or analyse,

nothing to reflect on. In many schools of thought, it is not the stupidity or money-grabbing nature of man which has become the main reason behind the worldwide economic recession, but the offshore company and tax haven which might possibly be used for such money-grabbing purposes.

Following the decision of the Swiss courts, the details of concrete American clients will be handed over to the IRS, the American federal tax authority, who will then investigate the clients concerned in the USA. Liechtenstein has also signed an agreement with the UK as a result of which the details of UK tax residents who have opened bank accounts in the principality will be passed on. Newspapers everywhere are focusing on the topic, with the scandal-hungry media devoting far more time and column-space than usual to the question.

It is very difficult to be clever, and this is not the time for prophets. At the beginning of September our colleagues in London attended a seminar in which two former tax authority employees attempted to explain the current situation. The seminar was scheduled for 2 hours, but 5 and a half hours later the participants were still bombarding the "experts" with questions.

There were questions in abundance, but the answers were few and far between, and those too were less than concrete. In the end, the participants left feeling none the wiser, despite the time and money spent on the seminar.

So, does this mean the end for the world of offshore companies? In my opinion, the answer is an emphatic "no". It is simply not possible to eliminate several million offshore companies from the international economic system from one minute to the next. Having said that, it is also an undeniable fact that the "romantic era" of the world of tax havens is visibly over. At the same time, something new is bound to come along, either based on the old system, or completely replacing it and thus bringing about a new world order. As long as in a relationship between two countries one offers more advantageous tax conditions than the other, the capital will always flow, despite any possible restrictions, towards the country with the more favourable conditions. To date, the 27 member states of the European Union have been unable to reach agreement on the question of tax rate unification. It is important to remember, that from the point of view of a company, taxation is a cost, and the company which is able to operate, provide services and invest in the most cost-efficient way will win in the long run. However, you need to be brave here. As they say in Russia: if you don't take any risks, you won't drink champagne.

And we would like to crack open many more bottles with you and celebrate our joint success. I hope you will enjoy reading this and wish you continued success with your business.

László Váradi  
Managing Director  
LAVECO Ltd.

## LAVECO Annual Conference

LAVECO Ltd. held its 3rd Annual Conference in Budapest between September 17th and 19th. At this time, staff from all of the offices of LAVECO Ltd. come together to discuss the events of the previous year and the most significant current changes, and outline the principles to be followed in the coming year, on the basis of which the group will operate until the next conference. The event can be described as a type of corporate training, though it does not take the form of formal lectures, and the interactive format and individual styles of the participants make the three day event much more colourful than just a joint educational meeting.

**László Váradi's opening speech** stated that it was exactly one year since the outbreak of the recession. At the previous year's conference, not a word was



said about any possible recession or its consequences. Today the situation has changed so drastically as to be almost unrecognisable.

The world economy as a whole is showing a downward tendency, and the effect can be felt in the number of companies being incorporated around the world. At the same time, a number of international organisations and bodies (OECD, EU, G20 etc.) are pointing the finger of blame for the recession at the tax havens, claiming that they attract capital with their low tax rates, and, by providing non-transparent structures, provide a hotbed for those wishing to hide from the taxman. They wish to take action at both the national and individual levels, restricting the ability to benefit from the advantages offered by the tax havens.

**Polina Vasilenko spoke about the possibilities offered by the Seychelles.** Polina, who personally took part in the opening of the LAVECO office in the



Seychelles, shared her most recent experiences with her colleagues. In addition to the formation of IBCs, the Seychelles also provide ideal possibilities for, among others, the registration of yachts, the opening of non-EU bank accounts, and the establishment of a special low tax entity known as the Special Licence Company. In recent years the Seychelles

have become one of the most popular jurisdictions for company formation in international investment circles. The liberalism of the islands' legislation and the non-bureaucratic operating requirements mixed with the low maintenance costs continue to attract a significant number of businessmen.

**Dr. Judit Molnár, from LAVECO's London office,** provided information on the changes being introduced in the new UK corporate law, the Companies Act. In future, the establishment of UK companies, which can provide a good alternative to Swiss companies from the point of view of prestige, will be significantly more straightforward. We should emphasise, however, that the opening of corporate bank accounts in the UK and the obtaining of EU VAT numbers are extremely difficult, and the minimum rate of corporation tax is 20%.



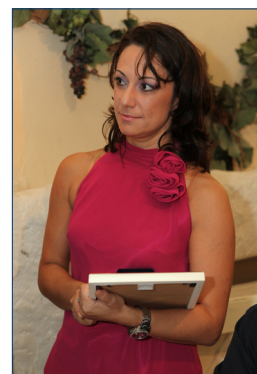
**Andrey Gramenov, the manager of LAVECO's Bulgarian office,** introduced a new competitor into the international "company market".



Bulgaria became a full member of the European Union on January 1st 2007, and, like Cyprus, applies a 10% rate of corporate tax, with an extra 5% payable on dividends. Bulgaria has entered agreements for the avoidance of double taxation with numerous countries, which means it will be very difficult to discriminate against Bulgarian companies.

The Balkan country also has the advantage of being virtually unknown in the international offshore market.

**Adelina Santis, the manager of LAVECO's office in Cyprus,** who herself happens to be Bulgarian, summarised the changes which have taken place in the registration of Cyprus companies, a system which has been developing continuously for the last 35 years. Cyprus has not escaped the recession, and since January 54% fewer companies have been registered than in the same period the previous year. The VAT office will now only issue EU VAT numbers to companies with local directors, as otherwise even though a



company is registered in Cyprus, it is not considered to be resident for tax purposes. A further change is that from January 1st 2010 statistical reports must be prepared monthly, not quarterly.

On the second day of the conference, we also enjoyed an **introductory presentation from Eurobank**. The manager of the bank's Larnaca branch, Niki Sian-

dou and her colleague, Sotiris Mesaritis provided details of the bank group, which offers excellent possibilities not only for these corporate clients, but also for the employees, owners and managers of such companies.



## Philip Kotler in Europe



Philip Kotler, the world famous 78 year-old university professor and living marketing legend, was in Europe in September, giving lectures in a number of major cities on how marketing can be used as a tool in recession

management. Professor Kotler gave lectures in cities including Warsaw, Odessa, Skopje, Sofia, Zagreb, Belgrade and Budapest.

The largest audience was attracted by the Bulgarian lecture, where some 1300 business managers and 500 students were eager to hear the marketing guru's wise words. LAVECO Ltd.'s Bulgarian subsidiary was one of the sponsors of the event, and our colleagues were on hand to provide information on the services our company provides.

## LAVECO Ltd. – opening of new office in the Seychelles



LAVECO Ltd. has reached another important milestone in its development with the opening of the 6th LAVECO office in the Seychelles. After almost a whole year

of preparation, and having undergone numerous tests and quality controls, LAVECO Ltd. was granted a licence by the Seychelles International Business Authority (SIBA), the official government body, to officially open its office and begin its operations on August 26th 2009.

As numerous LAVECO clients have an interest in Seychelles companies, we hope to be able to provide an even better and faster service in the future. The extra possibilities offered in the area of bank account opening will prove particularly interesting, and we are currently in negotiations with 3 banks in the islands. We will soon be offering our clients this excellent new possibility to open bank accounts outside the EU.



## The Seychelles – new regulations regarding bearer shares

As we have now stated a number of times in the columns of the LAVECO Newsletter, one of the main problems of the international organisations such as the OECD with certain countries is that based on their legislature company structures



can remain non-transparent, as the possibility to issue so-called bearer shares is still available. It is particularly true in the case of small countries that in the face of this constant pressure, they give up the fight and make amendments to the legislation in this area. This is exactly what happened in the case of the Seychelles, who have come up with an interesting new regulation on the issue of bearer



shares in the future for both new and existing companies. The essence of the regulation is as follows:

1. From July 1st 2009, it will still be possible for IBCs registered in the Seychelles to issue bearer shares. At the same time, it is compulsory for the name and address of the person or entity holding the bearer share to be included in the share book (the register of the shares issued by the company). The share register, or a copy of it, must be kept in the registered office of the company, but, as before, this is not public



information, and the Registrar of Companies will not keep records of shareholders. It is important to note, though, that the shares of such companies can not be sold by simply handing over the bearer share certificates. The sale of shares must be set down in writing, and the company director(s) must be aware of any such transactions. Any change must be registered in the share register, and the copy kept in the registered office must be up-to-date at all times.

2. Companies formed before July 1st 2009 have been given until December 31st 2009 to update their share registers to include the names and addresses of the people or companies holding their bearer shares.

## LAVECO birthday in Budapest

LAVECO Kft., the Hungarian branch of LAVECO Ltd., celebrated its 18th birthday. The event was celebrated with dinner at the Dionysos restaurant in Budapest, attended by all the staff from the Budapest office and the visiting colleagues from the other LAVECO offices. During the meal special mention was made of those colleagues who this year celebrated their 10th year with the company. László Váradi, the company's managing director, presented each of them with a



"Loyalty" certificate and a commemorative gift.

Everyone was very pleasantly surprised when the representatives from Eurobank, Niki Siandou and Sotiris Mesaritis, who had also been invited, presented the "Birthday Boy" with a picture to celebrate the occasion. We would like to thank the bankers once again for this kind and thoughtful gesture.



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