



**LAVECO® since 1991.**

## **NEWSLETTER**

### ***The world of offshore companies in 2010, or the most interesting questions put to LAVECO in 2009.***



At the start of the year, I generally use the articles of the LAVECO Newsletter to outline the typical trends and tendencies present in the world offshore market. I try to "predict" the future, guiding interested readers through the changes which can be expected in the coming year. It is certainly not my wish to become a prophet, and today it is all but impossible as a result of the changes which come hot on one another's heels.

To avoid repeating what I have written in earlier editions, I start by getting out all of the previous year's compositions and reading through them again. That is what I did now too, and I came to the conclusion that there is nothing startlingly new that I can say. Dating back to my student days, I have never liked it when an author slightly adapts the chapters of his previous 9 books in order to write the tenth, so I don't want to do that now with you. There are, however, a number of interesting and useful questions which our clients put to us during 2009. I hope that the questions, and the answers proposed by LAVECO, will be of help to everyone in shaping the most suitable corporate structures for this year, and that you will enjoy reading this edition of the LAVECO Newsletter.

László Váradi  
Managing Director  
LAVECO Ltd.

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- ***Is it possible that all offshore companies worldwide will be done away with as a result of pressure from international organisations?***

Naturally, it is quite common today to hear that companies from tax havens will be abolished by 2015(?). If they really want to achieve this, then international cooperation on a scale never seen before will be necessary, requiring the unified participation of every single country. Is this really conceivable when, for example, even the EU is unable to achieve a unified energy policy with the Russians? The abolition of offshore companies would entail some 40-50 tiny states having to repeal the laws regulating the formation of offshore companies from their legislation, thus removing the possibility of establishing such companies. But this would still not be enough, as this would only deal with the future. There is no legal solution for the abolition of the several million offshore companies which already exist, and no-one can be forced to give up their property.

- ***Are offshore companies actually economic "performance-enhancing drugs" in tax matters?***

This is an interesting conception, not without some truth. If an "onshore" company subject to high rates of tax comes up against an offshore company, then the advantageous tax regime undoubtedly provides benefits which will mean greater profits for the offshore company, which can either be used for dividend payments or for further development. During a recession, an enterprise with greater liquid assets, either from its own sources or from bank loans, will certainly be more efficient and successful. If, therefore, as a result of favourable tax conditions, a company has been able for years or even decades to re-invest more in production or development, then it can enjoy significant advantages over competitors who may not have been employing efficient tax solutions.

- ***Can I sleep peacefully if I have an offshore company?***

Yes. Ownership of an offshore company itself is neither a crime nor tax fraud. However, it is very important to examine very thoroughly what tax obligations may arise, intentionally or otherwise – as defined by the laws, for the beneficiaries behind such a company in the country or countries in which they are resident for tax purposes, after the income or profits generated by such a company.

- ***Why should I turn to a professional corporate service provider in the formation of an offshore company, when all the information is readily available over the internet?***

While this is definitely true, an awful lot of time can be wasted searching for the information. Using the services of a professional is justified because the knowledge which he has acquired over the years can save you a significant amount of time and money. No internet portal, forum or manual can replace the specialist's knowledge, which has been acquired through the experience of thousands of individual cases.

- ***Why should I choose LAVECO instead of my own lawyer or tax advisor, who I trust more because I have been working with them for years?***



Within the financial field, this is a serious question of trust. Without a doubt, a lawyer who has worked with a client for a number of years may have a closer relationship, but lawyers, accountants and auditors are not specialists in the formation of offshore companies and they do not deal with this full time; in most cases, the formation of offshore companies is just a type of sideline. LAVECO Ltd., on the other hand, with its 19 years of experience and the infrastructure offered by its 6 offices, concentrates purely on the provision of these services, and as a result is able to provide its clients with a higher level of service.

- ***When opening a bank account, why do the banks ask me, the beneficial owner of the company, for so many documents, the majority of which are pointless (here the client actually used a much more colourful expression, which, unfortunately, we are not able to repeat, L.V.)?***

The anti-money laundering laws of the given country force the banks to identify their clients when a new client relationship is established, and also to monitor continuously the transactions performed on the account while it is active. Although in international practice the identification documents required vary from bank to bank, the tendency is for the banks to request more and more documentation when opening accounts.



- ***Do entrepreneurs from Central and Eastern Europe use offshore companies differently from their western counterparts?***

Yes, practices are totally different. In Western Europe and North America, companies are primarily established for asset protection purposes, while in Central and Eastern Europe offshore companies are more typically used for activities relating to trade, services and investments. Over recent years, however, it has been noticeable that eastern European practice is following the western trend, and here too asset protection will become the major purpose.

- ***Tax regulations are becoming stricter all over the world in the fight against tax migration. Is it still worth even considering offshore companies?***

In addition to the advantages of the offshore company in direct taxation, there can be numerous other benefits. These include simpler and cheaper administration, the possibility to use and move funds more freely, anonymity, and asset protection. If, therefore, it is possible legally to operate and use offshore companies, then it is definitely worth choosing this format, as the benefits are not restricted to those associated with taxation.

- ***What should I do with my existing offshore company now, if the tax laws in the country in which I am resident for tax purposes have changed?***

Basically, this is a very difficult question to answer. It is absolutely essential that you consult a tax specialist in the country in which you are resident for tax purposes, in order to avoid any possible disagreeable tax consequences.

- ***Is the offshore company a good vehicle for asset protection, or is there a more developed type available?***

In international tax planning practice, the offshore company is one of the most effective tools for asset protection. There are, however, two vehicles in the offshore world which have been developed specifically for this purpose. These are the offshore trust and the offshore private foundation. There is a significant difference between the two: while the trust is a civil law agreement between two parties, the foundation is a legal entity which manages the assets entrusted to it.

- ***I have received a letter from Parex Bank in which they offer to change my current offshore service provider for a cheaper and better one, free of charge, if I am not satisfied with the current one. Is this worth considering?***

We would not like to comment on the correctness of the bank's actions. In our opinion, it should not be possible for such details to be leaked from the bank, or rather they should not be using client details for marketing purposes. If the bank itself wants to serve the clients, then it certainly isn't well enough prepared to offer a high level of service. If they are offering the services through an outside company, then on what grounds are they using the details of the bank's clients?

- ***I would like to transfer my company to the administration of LAVECO Ltd. Can I do this, and under what conditions?***

Yes, this is possible, but we have to examine each case on an individual basis before we can say yes or no to the client. Our decision will be based on consultations with the client and an investigation of the company.

- ***I would like to order the opening of a bank account from LAVECO, but I did not buy my company from you. What documents do you need from me to open an account?***

LAVECO's policy is only to open accounts for companies ordered through LAVECO, or for which LAVECO provides the annual administration. We have no problem with the documentation provided by other offshore company formation agents, but our experience over the last 19 years has shown us that when we try to open accounts with papers from other agents, generally there is always something missing, and it is difficult to get the client to obtain these.

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MARFIN LAIKI Bank, one of LAVECO's oldest banking partners, has just updated its ebanking system and introduced a number of new services. LAVECO Ltd. has been cooperating with the bank for more than 10 years, and in addition to the business relationship, we have also developed very good personal relationships with the bank's management and staff. So it is a pleasure to recommend the article on the last page of this newsletter about MARFIN LAIKI Bank to our readers.





## MARFIN LAIKI eBANK

Marfin Laiki eBank, the first electronic bank in Cyprus, is the electronic banking arm of Marfin Laiki Bank. It offers a comprehensive range of Banking and Trading services through its electronic channels:

- [www.marfinlaikiebank.com](http://www.marfinlaikiebank.com) (Greek, English and Russian)
- Mobile Phone: mBanking and SMS Banking
- Telebank at 8000 2000 (free call) or +357 22887766 (from abroad)
- The ATM network

You can choose to be serviced from wherever it suits you and at a time convenient to you, 24 hours a day, 7 days a week. You can execute your banking and trading transactions, easily, securely and at a lower cost, from the comfort of your home or office.

### „Straight Through Processing“

From a fully upgraded and automated payments system, you can perform your payments and fund transfers to any part of the world, quickly, easily and cheaper. With the press of a button, your payment instructions are processed instantly! Customers have the ability to store the bank and account details of their suppliers or associates, so that this piece of information can be retrieved for any repeat payments and thus minimize errors and save time. The “straight-through-processing” and a number of other services cost the bank less, as they are literally processed by the customers themselves. **The Bank returns this saving to the customer, in the form of lower charges and processing fees.**

### „Alerts“

Marfin Laiki eBank also offers its customers the award winning “Alerts” service. The “Alerts” service informs the customers via text message to their mobile phone or email address, about a large number of financial events, which are of importance to the customer. There are different kinds of Alerts a customer can choose to receive:

- Banking alerts: offering information about credits and debits in an account, e.g. arrival of a payment from a debtor, the use of a card, the drop of a balance below or rise above a certain limit, etc.
- Stock Alerts: for stock prices, closing prices etc., of the Athens and Cyprus Stock Exchanges
- Trading Alerts: for notification on the execution of trading orders, portfolio value etc.
- Exchange Alerts: for the currency rates against the Euro

### „Autoemail“

Our „Automatic email Notification for **OUTWARD AND INWARD swift payments**“ service allows you to get a copy of your outward and inward payments immediately upon processing. This has proven to be not only practical, but also **a strong instrument for fraud prevention**. And the best part is that the service is offered FREE of charge.

Marfin Laiki eBank offers a variety of products and services, which complement each other and offer customers the potential to exclusively enjoy being serviced through the electronic channels, and enjoy preferential pricing.

Learn more about Marfin Laiki eBank’s products and services by clicking on [www.marfinlaikiebank.com](http://www.marfinlaikiebank.com)



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