



LAVECO® since 1991.

NEWSLETTER

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Dear Readers,

From 2011 we would like to send you the somewhat refreshed LAVECO Newsletter each quarter. Our aim is to avoid long-winded theoretical discussions, and provide our faithful readers with practical information which they will be able to use in the everyday running of their companies. In this way we hope to contribute to the continued success of our readers in the increasingly difficult business world.

From the Managing Director's desk:

Have you protected what is yours?



It's now more than 15 years since I read a similar headline in an advert in the columns of a Russian weekly business magazine. The advert was for a company in Moscow with a similar profile to that of LAVECO, i.e. company formation agent (I should look for their advert in my archives, and see if they are still operating). At that time, I didn't pay too much attention to the contents of the advert. Why, and from whom, should I or my clients have to protect anything anyway? Those were different times in central and eastern Europe, at the beginning of the original period of capital accumulation, when most of us could see no further than the limitless growth before us, and, as trailblazers, we had no time for certain technical details.

15 years down the line, it is time to ask the question again: is it necessary to establish corporate structures to provide the maximum security to the owners and their surroundings? This time, my answer is an emphatic "Yes!" The main reason is that there is now something there worth protecting. We can state quite categorically that over the past two decades huge private and corporate fortunes have been amassed all over the world. And I'm not talking about some kind of virtual sum on a stock exchange somewhere, but rather very real medium-sized firms which are now the owners of serious movable and immovable property and whose asset accumulation process has fallen right in the middle of the recession.

But just who is it that we have to protect the assets from? Here everybody's first reaction is the state. The state which through its own legislation tries to finance its national duties through the taxation of its residents. Although it may sound strange, my experience of the last 20 years shows that it is not the state which provides the greatest threat to the assets of an enterprise, even if it

does possess the necessary enforcement tools and power to seize at least a part of the fortune. But the state is remote and doesn't know about everything. It is those with the information who are capable of acting. A malicious employee, a jealous relative, an angry former spouse or a lavish child potentially pose a far greater threat than the state with all its power, but which has to adhere to procedural regulations and deadlines. In many cases you have to wait 30 or even 60 days for an official body to send out a letter. Making off with the key to the safe, on the other hand, may only be a matter of a few minutes. The story always springs to mind of the chauffeur who was sent by his employer to take some cash out of one of his safes. The money duly arrived, but at the same time the chauffeur also stole all of the bearer shares of an offshore company registered in Panama. A very inconvenient situation, even if a professional service provider can handle such an accident.

And then there is also me, myself. Sometimes the very owner of the fortune can pose the biggest threat. The young

partner of a talented businessman enjoying his second or third "bloom" doesn't always enter the alliance purely out of blind love! The pre-nuptial agreements so common now in north America have not come about by chance, and even these do not offer 100% protection against the attacks of a partner entering a marriage with an ulterior motive.

Of course this list could go on and on. The 20 years that I have spent in the world of offshore companies have shown me many things; things that the average person may not get to see, as I come into contact with the type of events listed above on a daily basis. I have to say that from the point of view of asset protection, 95% of corporate structures are not set up thoroughly enough. Naturally, nobody likes thinking about their own death and the arrangements that need to be made, but like it or not, it is waiting for us all at the end of our lives. Who could imagine, for example, that as a result of a simple skiing accident the person involved endures such serious head injuries that all he can do is nod his head and is incapable of any actions. In such cases, who decides the fate of his business empire, and how?

Before anybody starts to panic, seeing their own vulner-

ability, let me reassure you: the corporate world has established and further developed over hundreds of years the asset protection vehicles which provide secure solutions for many of the cases listed above. Whether we choose the Trust favoured in common law jurisdictions or the Foundation developed for civil law legislation, our assets can be securely protected. Naturally, it is necessary to find not only the right structure, but also the right people to administer it. A professional service provider, who works on the establishment of such structures day after day, can provide significant help, with tips which might make the assets more secure, but which the client, acting alone, may overlook.

Nobody wants to lose what they have earned, and today security is not a luxury. The solutions which we provide at LAVECO are more than affordable for the average enterprise, and their establishment does not require specific legal knowledge.

In the hope that these words will inspire some interesting thoughts.

Kind regards

László Váradi
Managing Director
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Jurisdiction spotlight:

Singapore – Private company limited by shares

Location:	South East Asia, on the southern tip of the Malay Peninsula + 63 islands
Form of government:	Parliamentary republic
Population:	4 701 069 (July, 2010)
Area:	697 km ²
Capital:	Singapore
Currency:	Singapore Dollar, SGD (1 SGD = 0.79 USD)
Official languages:	Mandarin, English
Time zone:	GMT + 8

1. <u>Company legal form</u> : Private company limited by shares
2. <u>Method of incorporation</u> : The company documents are filed for registration electronically, and the local registered secretary also receives confirmation of incorporation electronically. Hard copies can also be ordered.
3. <u>Possible suffixes to company name</u> : Private Limited or "Pte Ltd."
4. <u>Time required for incorporation</u> : 2-3 weeks
5. <u>Number of directors</u> : minimum 1 private individual. One local director is required by law
6. <u>Number of shareholders</u> : minimum 1, maximum 50, private individual(s) or company(ies)
7. <u>Capitalisation</u> : 100 Singapore Dollars, must be actually paid up
8. <u>Accounting / reporting requirements</u> : filing of annual audited balance required
9. <u>Type of shares</u> : Registered
10. <u>Annual tax and duties</u> : 17% profit tax, 0% dividend tax
11. <u>Annual meeting</u> : Required each calendar year. First meeting within 18 months of establishment
12. <u>Disclosure of beneficiaries</u> : Not required
13. <u>Registered office</u> : Local registered office required by law
14. <u>Registered secretary / agent</u> : Local resident secretary required by law
15. <u>Double tax treaty</u> : Singapore has entered numerous agreements for the avoidance of double taxation.

Short news and ideas:

Hungarian holding company with foreign owners

Numerous foreign businessmen have targeted Hungary as the place to register their companies following January 1st 2011. The reduction in corporate tax to 10% is very attractive to foreigners wishing to relocate here, although many people overlook the local industrial tax which is charged at between 0 and 2%. However, those who establish companies tend to do so

using an offshore parent company. In this way, the owner of the Hungarian company is typically a company from Belize, the Seychelles, Cyprus or the USA. It can be assumed that the reason behind this is that dividends paid from Hungary to a foreign owner are not subject to dividend tax, whereas Hungarian private individuals are required to pay 16% tax on dividends received.



Cyprus: watch out, they've started fining people

Many people who operate companies registered in Cyprus overlook the fact that every Limited Company by Shares is required to file a financial report with the island's tax authorities every year. In accordance with EU directives and International Accounting Standards the appropriate report for the financial year, which in Cyprus generally tends to coincide with the calendar year, must be filed within 12 months of the end of the subject year. Up until now the authorities have acted relatively liberally towards those who, either by accident or design, have failed to file such reports, even in cases where this has gone on for many years. In the second half of 2010, however, the situation changed significantly – as a result, according to some experts, of the recession – with the authorities imposing fines on a significant number of companies and their directors. There are also more and more cases now of penalties being imposed by the courts.

10 000 EUR in your pocket

10 000 EUR, or the equivalent in other currencies or exchangeable bearer bonds, is the maximum amount of cash which can be taken out of or brought in to the EU without a special declaration. Individual member states may also apply regulations stricter than the EU directive. Accordingly, there may even be checks on cash being carried when travelling between EU countries. In the UK, for example, the airport police may consider amounts much smaller than 10 000 EUR to be suspicious from the point of view of money-laundering. The security gates can

detect the metal strips if several bank notes are placed together, and in the case of large amounts of cash, the police and customs officials are then notified. Our clients have also reported cases in Austria where combined controls including customs, po-

lice and immigration officials are regularly carried out on the motorway, in the course of which they may also ask about amounts being carried in cash. Beware! Undeclared amounts over 10 000 euros may be confiscated on the spot!



Topic:

Trust vs Foundation

Trust		Foundation
1.	an agreement, without separate legal entity, between the person establishing the trust (Settlor) and the person entrusted with protecting the assets (Trustee)	has separate legal entity
2.	generally not registered by the state, no information about its establishment can usually be obtained from public records	operation usually becomes official when registered by the state, and information on its existence can generally be requested throughout its lifetime
3.	asset protection form favoured primarily in common law jurisdictions	roots can more usually be found in countries with civil law legal systems
4.	the Trust agreement can typically be signed for a maximum of 99 years	may be established for a definite or indefinite period
5.	Trust: based on 800 years of English tradition	evolved in the 20th century in its current form as the private asset protection foundation.

Interesting

Bomb-proof servers in Switzerland



The enterprise, located close to Gstaad in Switzerland, takes its name from Fort Knox in the state of Kentucky, USA, and can justifiably be described as the world's most secure guarder of secrets. While the original American Fort Knox guards the country's gold reserves, the Swiss version is used for the safe-keeping of information storage units, in either digital or physical form.

The company was launched in 1994 in conjunction with the Swiss army. A bunker system was developed deep in the heart of the Swiss Alps, where the possible loss of information could be reduced to the minimum. The



storage areas are protected by 1-metre thick armoured doors which are capable of withstanding an atomic explosion. The underground chambers move with the mountain, so the information stored here is even safe from potential earthquake damage. They have even thought of protection against water damage and survival in the event of the outbreak of war, with their own generators to provide power sources, ventilation, stocks of drinking water and food, and numerous other special details which have not been brought into the public domain.

In the beginning, the enterprise was not particularly successful in the 90s. Since 2000, however, the company has seen a spectacular growth in turnover and profits. The risk of terrorism has increased, and industrial espionage has become more

widespread, but even the activity of the sun is capable of causing digital storage units to lose information. The Swiss company's clients can be either individuals or companies. In theory, nations may not order the services of the company, but according to the experts there is nothing to stop a given state from concealing its secrets in the fortified bunker system hidden behind some company name. The service fees vary greatly, with rental of internet storage space starting at just a few euros, but it is not

rare for the annual fees to reach 1-2 million Swiss francs, depending on the complexity of the services ordered. Details stored here are placed on the servers in 128- or 448-byte encryption. The codes are only known to the client, so even the service provider is unable to gain access to the information being held. The information has to be revealed in the case of a court order, but even in this case, the authorities only receive a jumbled string of meaningless characters.

LAVECO life:

LAVECO Website

The development team behind the LAVECO website are constantly working on refreshing the web page and updating information. It is well worth keeping track of the information and material published here. In keeping with the times, you can also now find the Facebook and Twitter icons on our pages. Over the next few months we plan to

share plenty of new information with our visitors via these two social networking sites. We are not trying to compete with the LAVECO Newsletter, which we will continue to issue on a quarterly basis, but there are always lots of short pieces of news or information which we would like to share with our readers as soon as we hear about them.

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