

LAVECO® since 1991.

NEWSLETTER

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On September 16th 2011 the LAVECO Kft., the Hungarian member of the group, celebrated its 20th anniversary.

From the Managing Director's desk:

Take the money and run



It is fair to say that everybody tries to make the most of what they have got, depending on how the situation develops. In certain segments of business life - adjusting to changes in circumstances - this is totally normal. This is the everyday way of life for the majority of firms in the small and medium-sized category, who are forced to be flexible and to adapt accordingly in the face of the economic changes around them.

All too often we hear the now boring phrase that company X or Y wants to line its pockets or make a quick killing. The peaceful atmosphere we once knew is a thing of the past: you can no longer find a cobbler who spends his whole life stretching shoe leather over the last to earn an honest day's living. Instead, they are now developing trading networks using the MLM system, and importing the shoes from China, because it's more economical this way. Production is cheaper, sales are increased, profit is higher. It's obvious.

However, it looks like the bad example is contagious. It's as if the tax systems of some states have got on to this track, and they won't deviate from it for love nor money. I recently spoke to one of my colleagues from Cyprus,

who left Hungary to work in the island state exactly one year ago. I asked her to report on the situation, asking what news she had. Her reply really surprised me. "Life here is changing, too; the recession has reached the island. The state is trying to make money wherever it can. Parking meters have appeared on the streets of Larnaca for the first time, so motorists are really being hit hard, as petrol is also much more expensive than it used to be. And the fines are brazenly high, so it's not worth the risk of just hoping they won't notice."

They need money. In fact they desperately need money. This could be the best explanation of the philosophy behind the way the state treasuries are trying to refill their purses. And at what price? At any price. Morals, fairness, or rather unfairness, don't count for anything. The motto is lots and quickly, if possible during this financial year, as nobody thinks about the future - it simply doesn't matter; a politician's life may only last for 4 years, then they can try something else, or wait for an eternity to be given a second chance. The best example of this is the tax agreement between Switzerland and the UK. They estimate that the value of bank deposits placed in Switzerland is around 2000 billion dollars. I'm sure you will agree with me when I say that even if you have to share this, there's still more than enough to go round. The British, who 2 years ago passed a law which stated that all tax residents must declare, and pay tax on, all offshore deposits retrospectively for the last 19 (yes, 19) years, or possibly even face jail, can no

longer wait. They need the money now. And what a remarkable solution they came up with. The Swiss take between 19 and 34% from every bank account with a British beneficiary (it's not clear, to me at least, how they decide how much). They then transfer the amount collected to the accounts of the state treasury in several instalments. At the same time, the Swiss do not terminate the banking contracts with their clients, and do not give the British the names of the people the money has come from. Then each year they take a smaller amount from the account of each client and forward that to the UK treasury as well.

Just do some simple sums: just 19% of 2000 billion is almost 400 billion dollars. They didn't have to do much for it, as software can work that out in minutes. All they had to do was set up the software. The bank stays happy, as they are providing a service, and naturally the client will be charged for it. But at the same time, the accounts stay open, as they have not provided the UK tax authorities with the details of the clients. The client can be "happy" as he retains the majority of his fortune and is not hauled over the coals at home on account of the dirty money he has stashed away in a Swiss account. And as for the few honest people who paid the taxes, it serves them right for taking their money to such a "reliable" country.

So let's see just what the UK stands to gain. They get the money straightaway, which was exactly what they wanted: to make lots of money without having to work too hard. They don't have to suspect anybody, or set armies

of police, lawyers and judges on businessmen, where they may have to fight for years against an astute defence lawyer who can drag the case out for years. And finally, they don't have to lock thousands of people up in prisons, where they have to feed and keep them at 100 pounds a day, while also having to defend themselves against the human rights brigade because of the poor conditions. On the contrary, it's better if they are free to go about their business creating money for the Swiss bank, which in turn will send out its annual "royalty."

Let's face it, that is real business. Everybody wins, everybody is smiling. The death of offshore? Whose interests would that serve? Fines? Yes ok, it's that sort of game. But let's not forget that in the middle ages there was an island country in Europe whose kings sent pirates out on to the seven seas to steal for the state. A little bit immoral? Nobody took any notice of that, and some of the pirates were even knighted by the king's sword. Nothing is new, just the method changes a little? As I have said in this forum before, in the university of life only one thing is constant, and that is change. Modern times, modern methods, but the essence is just the same: take the money and run.

And if there is someone out there that I haven't been able to convince, let me give you a

recent example from my own experience. I'll be honest: I was caught speeding. If any of you have never done that and have sufficient evidence to prove it, then I will pay out a significant reward. It happened on Sunday 29th August. On September 2nd the fine was waiting on my desk. They didn't ask who had been driving, whether or not they had a driving licence or had been drinking. They had no intention of dishing out penalty points. They just wanted one thing: my money. And plenty of it. There was a scene in one of Fellini's films - I think it was *Amarcord* - when the slightly deranged old man was sitting in a tree and shouting to the family members below him "I want a woman, I want a woman." Blonde, brunette, black, fat or thin, the details didn't matter. We are probably going through times like that now. It's not unmanageable, we just have to change our outlook, and understand the unscrupulous logic of the other side. As my experienced friend Rogelio said: we just have to replace the chip in our own heads, that's the only way to adjust to the logics of change. That's the way it is... And there is no other way.

Wishing you all thoughts free from naivety.

Kind regards

László Váradi
LAVECO Ltd.



Jurisdiction spotlight:

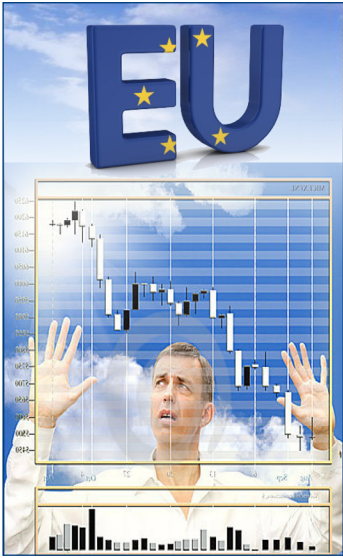
Hongkong

Situation:	Eastern Asia, bordering China and the South China Sea
Dependency status:	Special administrative region of China
Population:	7 122 508 (July 2011)
Area:	1104 km ²
Capital:	Hong Kong
Currency:	Hong Kong dollar (1 USD = 7,8 HKD, July 2011)
Official languages:	Chinese, English
Time zone:	GMT+8

1. <u>Company legal form</u> : Private Limited Company by shares
2. <u>Method of Incorporation</u> : The corporate documents must be signed in paper form by the owners who wish to establish the company
3. <u>Company name</u> : Must end in Limited
4. <u>Time required for incorporation</u> : 5-6 weeks
5. <u>Number of directors</u> : Minimum 1 private individual
6. <u>Number of shareholders</u> : Minimum 1 private individual or company
7. <u>Minimum capital</u> : 1 HKD
8. <u>Accounting / reporting requirements</u> : Preparation of annual audited balance sheet is required by law for companies with annual turnover exceeding 2 000 000 HKD
9. <u>Type of shares</u> : Registered
10. <u>Annual tax and duties</u> : 336 + 80 USD (fixed amount), plus 0% profit tax on profit made outside Hong Kong and 16,5% on profit arising from Hong Kong
11. <u>Annual meeting</u> : Required each calendar year. First meeting to be held within 18 months of incorporation
12. <u>Disclosure of beneficiaries</u> : Not required
13. <u>Registered office</u> : Local registered office is required by law
14. <u>Registered secretary & agent</u> : Resident secretary is required by law
15. <u>Double tax treaty</u> : Hong Kong has signed agreements of the avoidance of double taxation with the following countries: Austria, Belgium, Brunei, , the Czech Republic, Hungary, Indonesia, Ireland, Japan, Kuwait, Liechtenstein, Luxembourg, mainland China, the Netherlands, New Zealand, Portugal, Spain, Switzerland, Thailand, United Kingdom, Vietnam

Short news and ideas:

EU: Union tax number investigations



Each year in the EU some 100 billion Euros is reclaimed unlawfully. The new EU directive aims, in part, to tackle this problem from July 1st 2011. In accordance with the terms of European Council directive 282/2011/EU, the EU company issuing the invoice is required to verify the legal tax status of the company being invoiced, as well as several other circumstances which it was previously not required to do. VAT-free invoices can only be issued, if the company ordering the service enjoys tax-payer status in the EU. At the same time, in the future the

place of economic establishment test will also be required. The official seat and the place of central management, however, need not be the same. In this case, the actual place of management should be considered as the place of establishment. The picture becomes murkier still if the company being invoiced also has a place of business in the country in which the invoice is issued. The issuer is also required to investigate whether the place of business was involved in the given service. If it was, then again a VAT-free invoice can not be issued.

Topic:

Holding companies: why are they necessary?

The holding company, whose primary activities are not active trade, service provision or production, is one of the most important tools in offshore asset protection. If we are speaking about a pure holding company, then the enterprise's sole purpose and profile is the ownership and administration of asset elements entrusted to it. These assets can be of a very broad nature. In general, the most common company assets are money in bank accounts, stocks, shares and interests in other companies or subsidiaries, legal rights (copyright, know-how) and real estate. Since the whole aim of the company is to safeguard assets, it is not advisable to become involved in risky trading or activities which may end in court cases. Such active operations can be performed, for example, by one of the subsidiaries held by the holding company. As the basic purpose of holding companies is the safeguarding and accumulation of assets, as well as legal tax planning and the avoidance of inheritance problems, in certain cases it may be important for the country in which the holding company is registered to have the necessary agreements for the avoidance of double taxation.

Cyprus: 350 Euro annual super-tax

The Cyprus government is trying to ease the financial problems caused by the recession and the explosion in the power station with the introduction of some rather extravagant measures.

One of these is the 350 euro super-tax which the Cyprus Registrar of Companies is supposed to collect. According to the new law, existing companies must pay the tax for 2011 by December 31st 2011, then from 2012 must pay by June 30th each year. If the tax for 2011 is not paid, then fines will be imposed as follows: for payment made between January 1st and February 29th 2012, 10% (35 Euros); between March 1st and

May 31st 2012, 30% (105 Euros). If the company does not pay by June 1st 2012, it will automatically be struck off the company register. For the next two years it will be possible to have the company reinstated upon payment of the outstanding tax and fines, as well as a 500-euro restoration fee.

In order to have the company restored after 2 years, the fee will rise to 750 Euros. Owners of companies registered in Cyprus, therefore, should make sure they meet the deadlines for payment, as even a small delay can result in significant fines, which until now was not the case in Cyprus.



Hungary: relief in the stamp duties payable by real estate companies.

Under certain circumstances, it is no longer necessary for companies registered in Hungary and holding real estate to pay the stamp duty applicable on the sale of shares. In accordance with points (1) and (2) of paragraph 18 of Law XCIII of 1990 (the Hungarian law on stamp duties), it is only necessary to pay

stamp duty if, in the company's foundation documents, real estate development, construction, renting or buying and selling are listed as the main activities of the company.

This will certainly provide some relief in an already stagnating market for company owners in a position to sell.



Interesting

A true Hungarian speciality – the Benkó Dixieland Band



Over 54 years together, 10 600 concerts and performances, 90 records and CDs. If we only look at these three statistics, then the figures are breathtaking. If we then add that we are talking about a Hungarian group who have been playing together since 1957, then it is even more surprising. Anyone who doesn't know them probably thinks I'm talking about some folk-dancing troupe.

not played. Two US presidents, Ronald Reagan and George W. Bush have acknowledged their professionalism, and they also played for Chancellor Helmut Kohl at the reunification of Germany.

And don't think that after all these years the band members have had enough and are thinking of retiring. Speaking with Sándor Benkó, the bandleader who gave his name to the group, it becomes clear that there are no plans for this in the near future. And if you're still not convinced, go and see one of their concerts in



That couldn't be further from the truth, as the Benkó Dixieland Band play, and always have played, real American music, the music of New Orleans. It would be difficult to list places in the world that they haven't been to and people with, or for, whom they have

whatever corner of the world they happen to be playing in. Or if you want an even more unforgettable experience, then visit the band's club in Budapest. I can guarantee you'll be impressed. Have a great evening!

www.benko-dixie.hu

LAVECO life:

LAVECO Ltd.: the first 20 years!



It's true, 20 years have now passed since the company founders, Jekatyerina and László Váradi, signed the formation documents. Although in the early 90s they themselves never thought that the company would live for 20 years, that time has now come, and the company can

boast offices in 6 countries, as LAVECO established subsidiaries in Romania in 1998, in Cyprus in 1999, in the UK in 2000, in Bulgaria in 2004 and in the Seychelles in 2008, none of which operate as franchise enterprises. On September 16th 2011 the LAVECO staff, together with friends and acquaintances of the founders, and a number of business partners celebrated this significant anniversary with a fun and family-orientated event to reflect upon the events and successes of the past two decades. The highlight of the evening was a concert by the Benkó Dixieland Band, which provided the guests who had come to Budapest from numerous countries with an unforgettable experience. Maybe Sándor Benkó and his band also played for the audience with even more enthusiasm than normal.



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