



Hungary

The New Year has brought, as it does every year, changes in the tax laws in Hungary. The amendments to Law LXXXI of 1996 on corporation and dividend taxes will have a significant effect on those foreign-owned companies which themselves hold shares in Hungarian companies. While the basic 16% rate of corporation tax will remain, in future, foreigners will no longer have to pay dividend tax on dividends paid in Hungary. That is, the Hungarian company paying the dividend will not have to deduct dividend tax from the amount transferred to the foreign owner. Previously, foreign companies generally had to pay 20% dividend tax in Hungary, unless they were able to apply the lower rates defined in one of the agreements for the avoidance of double taxation signed by Hungary (for example, if the owner was a company from Cyprus, then a rate of 5% could be applied). From now on, these new changes will make the receiving of dividends by foreigners even more attractive in Hungary. In contrast, Hungarian owners are required to pay 20 or even 35% tax to the tax authorities (APEH) on dividends. In accordance with the terms of the current laws, therefore, it is more beneficial to establish and operate a Hungarian company with a foreign company as its owner, since in this way, in practice, the only burden on the profit of the company will be the 16% tax on profit.

The 11-year period of Hungarian offshore companies has come to an end. From January 1st 1994, it was possible to incorporate companies which initially paid 3%, and later 4%, tax on their profits. At the end of 2005, approximately 800 such companies were on file in Hungary. In future, these companies will either have to cease operating, or will be subject to the general rate of 16% profit tax on their continued activities.

Seychelles

The International Business Companies Act of 1994, as amended, has been modified, and the changes will be beneficial to those using IBCs registered in the Seychelles. Until now, the vast majority of companies were established with a share capital of 5000 USD, which usually consisted of a share package of 5000 shares with a nominal value of 1 USD per share. The reason for this was that the annual tax payable on share capital up to 5000 USD was 100 USD (irrespective of the profit and turnover of the company), while above 5000 USD the annual tax rose to 1000 USD. The changes in the law have amended the threshold to 100 000 USD, so it is now possible to have a significantly higher share capital, while still paying the same amount of annual tax.





Cyprus

Companies which were registered - and began operating - in Cyprus before January 1st 2002 were able to benefit from the advantageous 4,25% rate of tax up until December 31st 2005. Companies registered after January 1st 2002 were automatically subject to the general rate of 10% tax on profits, as well as an additional 5% if their profit exceeded 1 000 000 Cyprus pounds (approximately 2 200 000 USD). Following the passing of this deadline, companies which were taxed at 4,25% will also be subject to tax at the general rate of 10%. However, if we compare Cyprus with the other member states of the European Union, it can be stated that, from the point of view of profit tax rates, Cyprus is the most advantageous of all the member states. Furthermore, no tax is deducted in Cyprus on dividends paid abroad, while Cyprus has entered into agreements for the avoidance of double taxation with numerous other countries. Companies registered in Cyprus are members of the common European Union VAT system, and can obtain a VAT number in one working day.

LAVECO News

We have added a new service to those on offer to our clients. From now on, in addition to signing documents, it will be possible to have the company bank account managed by the company directors we provide, on the basis of instructions given by the owners of the company. This obviously involves a relationship which requires a certain amount of mutual trust on both sides, which is why clients have to clarify a good number of details with our staff before this service can be put in place. If you would like to know more about this possibility, please contact any of our offices, where our staff will be happy to help you.



LAVECO Tip

The price of gold on the world markets has increased significantly in recent months. Certain experts believe this trend is likely to continue, and within the next three years the price of gold may rise as high as 1000 USD per ounce. It may be that it has not occurred to many of our clients that they can invest in gold, or even open a bank deposit in gold. In order to do so, it is necessary to open a so-called "metal account" with a bank which deals with trade in precious metals (LAVECO Ltd. can help arrange this through one of our partner banks), and to purchase gold deposit notes through the account.



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