

## The lawyer Mr Neocleous is convinced that Russian business continues to need Cyprus

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The Cyprus collapse that took place in the spring of 2013 and the so-called "haircut" of deposits will be included for sure in the anthology of economic crises of the 21st century. Under instructions from the EU carried out by the newly elected Cyprus government depositors with more than one hundred thousand euros in one of the two largest banks lost everything above that amount: in the other bank half of any amount above one hundred thousand euros was frozen, and the other half was compulsorily converted into shares of the bank. The EU had never previously imposed such financial expropriation, which is no different from common theft, on any other economically troubled country, whether Ireland, Portugal, or Greece. The precedent set in Cyprus made it clear that we should take nothing for granted again.

It was also clear, if not to everyone, and immediately, that the punishment was intended not only for the island state, but for the European mainland too. Not because of any failings, but for other reasons. All knew that major Russian businesses were established in Cyprus branch and used the island as a low-tax base to repatriate funds to their historical homeland by way of foreign investments. And judging by the extent of the losses suffered by our compatriots, the European "stop" had a bigger impact on Russians than on local people. In 2013, nobody could have imagined what radical changes Russia might see in just one year. And now, following the breakdown of the mutually beneficial economic relationship between Moscow and Europe and America and the disappearance of former partners, the familiar outline of the island of Aphrodite is again emerging from the mist.

It is not an accident that the Cypriot government, whose neck is in the corporate noose of the EU, has the courage to support the smoothing of the scars of conflict, and opposes sanctions against the Russian Federation. Just as important, the government's policy is fully supported by the business community. The author saw this first-hand, as a participant in an international investors' conference, which was organized by a local Russian magazine with the reassuring name of "Successful Business", and attended by more than a hundred delegates from around the world, from the Arab Emirates, Germany and Hong Kong to Switzerland, Singapore and Turkmenistan. Among the calculating and cautious businessmen was a man whose name is known not only in Cyprus but also in Europe and Russia. Andreas Neocleous is a very famous and successful lawyer, a recognized international expert in the field of taxation. After listening to presentations from members of the government, explaining that now is the best time to invest in new projects in Cyprus, we asked Mr Neocleous how Russian businessmen can be attracted by a country whose economy collapsed only two years ago.

**This is ironic: in the spring of 2013, everybody was against the leaders of the European Union and yet today the same Cypriot leadership that experienced the wrath of their own people at the peak of the crisis is thanking the EU for being guided to the right path. What does it mean? Did the economic situation really change for the better?**

I imagine that it is true - confirms Andreas Neocleous. - The situation has stabilized, and even beginning to improve. It is no accident that the international agencies are regularly upgrading their assessments of Cyprus. All restrictions on the movement of capital have ended, and everyone is free to dispose of their money.

It is very important that the government did not increase the tax rate after the crisis. We want not only to maintain our attractiveness to international business, but also to improve it. We are constantly reforming the tax system and improving the legal framework to attract investments. After all, the first thing the prudent investor considers is the legal infrastructure: he assesses the risks and decides how far the laws of the country where he intends to invest can protect him, if necessary.

**Can we rely on the Russian business staying in Cyprus? How many of our companies left after the crisis? Two years ago there was the impression that they would all disappear.**

The reality is that almost no one left Cyprus, disagrees Andreas Neocleous. Yes, they suffered heavy losses, we experienced explosions of emotions, and other strong initial reactions. Then they cooled down, thought and stayed. Because, objectively speaking, no other country gives Russian businesses the same advantages as Cyprus. Take for example England, Germany, Holland, Switzerland, they need the money of the rich Russians, they are happy to "recycle the money". Cyprus also offers a range of services and guarantees their high quality.

**What are the advantages of the subject of your island in relation to other jurisdictions?**

Let's look at the main advantages - Andreas Neocleous starts counting on his fingers. For a start we have, without any doubt, the most attractive tax regime in Europe. Corporate income tax is 12.5 percent, in the leading European countries for comparison the income tax can exceed 50 percent. For dividends the rate is only 5 percent. There are tax incentives for investors and, notably, for their employees. The taxes on income of individuals are also subject to exemptions. Finally, there is an agreement with Russia to avoid double taxation.

The procedure for registering companies is efficient, the projects is being agreed and drawn up quickly and we have very high standards and safeguards in this respect. In our neighbour Greece it can take two years to go through the necessary procedures. Moreover, for the same services the cost in Cyprus is a tenth of what it would be in the United Kingdom or France, for example. And here's another very important advantage: working through a Cyprus company a business can export its products to all 28 countries of the European Union. And if your product is of high value, you can really get a significant grant, and no one will ask you if you are Russian or European. Also, you can open an office in any EU country without a license. These opportunities are provided by Cyprus, it would be unwise not to use them.

There is no reason to doubt the findings of Andreas Neocleous, but there is another thing to consider. In a business partnership, as in personal relationships, where one loves and the other allows himself to love, there is rarely equality. One party may need the other desperately, and one may be capricious. That is the nature of life and Russia has experienced both situations over the years as it has established new economic relations. In its relations with Cyprus, Moscow has the demand and Nicosia the offer, and it is difficult to predict exactly how matters will proceed because there are so many factors involved. We can rely on the conventional wisdom from the formula of "there are no permanent friends, only permanent interests" to the aphorism "never say never." However, there is a scene from the cartoon about Prostokvashino when the angry wife says to her husband: "Choose - or the cat or me" - and he says, "I choose you. I've known you." Do you think it is suitable for our story?

Reference

Andreas Neocleous, founder and head of the law firm Andreas Neocleous & Co. A prominent expert on international economics and law.

Since 1991, he advises major Russian businessmen. The representative office Neocleous operate in several European countries, in our country - in Moscow and Sevastopol.