

BUSINESS CONDUCT THAT IS BEYOND REPROACH

For Elias Neocleous, Managing Partner at Elias Neocleous & Co LLC, the way forward is to proactively promote Cyprus as an entrepreneurial hub for international business, while both the Government and the professional services sector need to restore and protect the country's reputation.

What are the current challenges facing the country's professional services sector in relation to international business?

Elias Neocleous: Unfortunately, there are several areas of concern with the potential to negatively impact the professional services sector. The first is linked to the EU and OECD drive to ensure tax transparency and prevent base erosion and tax profits to shift between countries. While a laudable objective, the tax reporting requirements imposed are, for businesses and their advisors, unduly onerous, excessively time-consuming and expensive to comply with. Some EU sectors are also aggressively targeting member states that are regarded as low-tax jurisdictions, aiming to force them to raise their tax rates. Their success could be extremely damaging for Cyprus. The current status of the country, with its business-friendly tax system, would be impaired and so would its attractiveness to international business. A further challenge for Cyprus in attracting international business is the failure of the courts, the public sector and the Government to embrace technology and modern work practices. These are 'services' that move slowly and, with the COVID-19 pandemic thrown into the mix, they have ground to a complete halt, lacking any capacity to function remotely. Cyprus, at the professional and government level, needs to adopt and make use of the available technology, or risk being left behind by other countries competing for the same markets. International businesses require advisors and partners who adopt international standards and can implement decisions fast. They also require a court system that can offer a speedy resolution to business disputes. Lastly, one of the most significant hurdles that the professional sector must overcome is the reputational damage inflicted on Cyprus by the Al Jazeera and Panama Papers exposés. The message that these embarrassments are in the past and will never happen again is not getting out. We need to be proactive in promoting Cyprus systems as they currently function and in highlighting the fact that the overwhelming majority of international businesses and investors that have chosen our country as their base are solid and reputable. Of course, moving forward, it cannot be overemphasized that the conduct of the Government and the professional services sector must be beyond reproach.

GOLD: How do you expect the sector to develop and what should the new growth model be like over the next 10 years?

E.N.: I hope and expect that we will see more quality internation-

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al businesses choosing to headquarter and locate branches in Cyprus. As various tax loopholes across the world are being closed down, it makes sense to base operations in a legitimate low-taxation jurisdiction – particularly if that location gives you access to the EU and MENA markets. Such businesses require the services of local professionals. The Government, through its IP Box initiative, is also targeting hi-tech businesses and start-ups for relocation to the island and this could be an interesting sector to

focus on. Unfortunately, one side-effect of the COVID-19 pandemic has been to push many businesses close to insolvency. Moving forward, then, I expect to see a lot of M&A growth, as some companies consolidate to survive whilst those which remain financially viable make opportunistic purchases. The Government's declared ambition to move forward with several major construction and development projects to revitalize the post-pandemic economy should result in a healthy workload for professionals active in those sectors. The introduction of RAIFs, along with the various fintech initiatives, should, if properly marketed, also boost financial services.

GOLD: What are the present competitive advantages of Cyprus as regards the services offered to international corporations and High Net Worth Individuals?

E.N.: Cyprus has a host of competitive advantages, both natural and man-made. Its European Union membership is a major plus, which confers a regulatory safety blanket on services offered to businesses and HNWIs. Additionally, Cyprus' geographic location and good relations with its neighbours means that its professionals are extremely experienced in working across borders; it also means that international businesses operating in the country have access to extensive markets. English, the language of international business, is widely spoken to a high level of fluency and much of Cyprus business law is based on English common law, which offers a high degree of certainty of outcome. Cyprus' professionals are well-educated, competent and low-cost compared to their counterparts in rival financial centres. Taxation policies are business- and investment-friendly, while the tax system is fully transparent and compliant with OECD and EU best practices. Add to this a strong network of more than 60 double taxation treaties and it can be quickly seen that Cyprus' professionals have a very strong base from which to offer their services.

GOLD: What should be included in the "new generation" of services that we should be offering to international corporations and High Net Worth Individuals?

E.N.: There are several that spring to mind, with data protection being one of them. I think that clients of all descriptions are likely to require assistance with cybersecurity and data privacy issues. Non-EU clients seeking to operate within or relocate to the EU will require advice on issues such as GDPR compliance. In fact, I believe that the importance of providing regulatory advice will continue to grow as the world seeks to clamp down on tax avoidance,

money laundering and terrorist financing. Clients seeking to operate in several markets and geographic locations will need to be familiar with the local rules and procedures governing all aspects of those operations. Tax planning will, of course, always remain an important service for clients wishing to optimize the benefits of the various legitimate incentives, such as the IP Box regime and various tax deduction reliefs available for expatriate employees. The renewal of the Cyprus tonnage tax scheme for another 10 years offers growth prospects for the already vibrant shipping sector and underscores a need to continue to offer a comprehensive service to shipping companies. We should also be promoting Cyprus' introduction of RAIFs, which offer a time-efficient and cost-effective way of establishing AIFs on the island. It would also be beneficial to push for the further development and modernisation of trust legislation, as well as provide incentives for the establishment of family offices. On top of that, we should be seeking to incorporate technology into our service offering in places where it can increase efficiencies and reduce costs for clients.

GOLD: Which geographical markets should we be targeting? In which markets is the offering of Cyprus most attractive?

E.N.: The simple answer is that we should be targeting all of them, since Cyprus offers a gateway into Europe for Russian, Asian, African and Middle Eastern companies and offers EU member states a portal into these wider markets. With the departure of the UK from the EU, it also offers American companies seeking to do business in Europe a degree of familiarity in terms of the common law system and the use of English as the main language of business. With several firms originally headquartered in the UK for access to the EU market still looking for a new 'home' within the EU, Cyprus has many advantages that can be promoted to them. Of course, the UK is also now in need of a 'friend' in Europe and both historic and current ties should help to nudge it in Cyprus' direction.

GOLD: What changes need to be implemented to make Cyprus a more modern and attractive International Business Centre?

E.N.: As it stands, the main way of seeking to resolve trade and other disputes in Cyprus is via the court system, which needs a radical overhaul. Unfortunately, the lack of modernisation of both the courts infrastructure and its work practices means that cases are subject to undue delays and justice is often not delivered in a timely fashion. One side effect of the poor performance of the courts during the COVID-19 pandemic has been the growth in popularity of Alternative Dispute Resolution procedures. While I do regard this as a good thing (a constructive, consultative approach can often yield better results for all concerned than an adversarial one), the issue of modernising the courts and their procedures must be a priority for the Government. Some steps are currently being taken in this direction but momentum must be maintained. International businesses and HNWIs want disputes to be resolved quickly. At the regulatory level, we perform quite well. The 5th AMLD could have been implemented sooner but it is in place now and the process of collating the various UBO registers is underway. It would, however, be helpful if various public figures focused less on making political capital from past mistakes and more on promoting the many positive aspects of Cyprus as a respectable business-friendly international finance and business centre.