

The Offshore Industry – the end or the beginning of a new era?



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Undoubtedly the offshore industry has been under controversy and attack throughout the years whereas recently some tried to link the offshore system to financial instability and crisis.

Offshore jurisdictions have been trying to attract wealthy and multinational corporations by offering them low tax rates, offshore banking services, high-quality administration services and financial structures and vehicles that provide security, control and most importantly, anonymity. All these advantages, supported by tax treaties and other legislation formulated by governments, led to the growth of offshore business, which ultimately became an inherent part of modern economy.

Two years ago, in spring 2013, the offshore industry probably faced its biggest threat in its history. The International Consortium of Investigative Journalists (ICIJ) marked the beginning of one of the biggest financial leaks in history by publishing the so-called offshore data leaks, the first stories from a global collaborative project into the world of offshore money. Simultaneously, the industry found itself in the spotlight since the near bankruptcy of Cyprus which is home to billions of Russian deposits.

In view of these events, the issue of tax transparency and public registries of beneficial ownership were debated at the G8 summit. A few months later FATCA was enacted. OECD is pushing for greater transparency, more governments are enacting CFC rules whereas offshore or mid-offshore governments are passing stricter AML and regulatory laws to avoid being black-listed.

Almost two years on and the offshore industry is still alive and diversifying. The

prevailing conclusion is that, despite the negative publicity, the offshore industry is such an integral part of the modern economy and globalization that it has withstood the challenges and changes being forced upon it.

Offshore services are still in demand, suggesting that wealth management and wealth structures cannot be easily beaten. Investors pursue their involvement in more transparent jurisdictions by diversifying their business structure from offshore to mid-shore, such as Cyprus. This way, they still enjoy the traditional offshore benefits, but now combined with the credibility and security of mid-shore jurisdictions.

While tax planning for businesses may be harder now to achieve because of the stricter national CFC regulations, it appears that asset protection and wealth management is now becoming the key usage of the offshore industry.

Cyprus is recognized as one of the few jurisdictions that follow strict compliance regulations while simultaneously offering very advantageous tax solutions. Cyprus has a high performance relating to the quality of services, costs and professionalism of the service providers mainly due to the establishment of Cyprus as a financial centre.

Despite the bad publicity Cyprus has attracted due to the banking collapse, it appears that the advantages of the security of assets offered by trust or corporate arrangements combined with the common law and transparent judicial system still make Cyprus a very attractive jurisdiction.

The law office of Michael Kyprianou & Co. LLC offers legal services in the area of corporate and financial law, international tax planning, litigation, and incorporation of companies in Cyprus, Greece and Malta.

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