

MBA Dissertation

**Theme: Exploring managers’
perceptions of Cyprus as an ideal
holding company location**

MD4992

Liene Vitola – Evele

G20583373

Table of Contents

Chapter 1: Introduction.....	5
1.1. Research aims	6
1.2. Thesis structure	6
Chapter 2: Literature review	8
2.1. Introduction	8
2.2. Holding companies - history	9
2.3. Holding companies – strategies and advantages	9
2.4. Holding companies – location factors and options	11
2.5. Examples of holding company location choices	14
2.6. The cypriot context	15
2.7. Cyprus – ideal holding company location factors	16
2.8. Cyprus – an efficient tax jurisdiction	17
2.9. Cyprus – busines set-up and infrastructure	19
2.10. Cyprus – current finansial crisis	19
2.11. Cyprus – worldwide ratings	21
2.12. Cyprus – a proven future as an ideal holding company location	21
Chapter 3: Research Methodology	23
3.1. Introduction	23
3.2. Approach	23
3.3. Interviewees	24
3.4. Research strategy	26

3.5. Ethical issues	28
Chapter 4: Data Analysis.....	31
4.1. Introduction	31
4.2. Reaction, language, general characteristics	31
4.3. Company profile	32
4.4. Interviewees	33
4.5. Cyprus holding company regime	33
4.6. Strengths	36
4.7. Weaknesses	37
4.8. Other jurisdictions	38
4.9. Crisis – effect on interviewees` business	39
4.10. Measuring effectiveness	40
4.11. Other changes needed	40
4.12. Comments	41
Chapter 5: Discussion.....	43
5.1. Introduction	43
5.2. Research results	43
5.3. Implications for policy makers	46
5.4. Theoretical contribution	46
5.5. Limitations of the study	47
5.6. Future research directions	47
5.7. Summary	48
Chapter 6: Conclusions	49

6.1. Reflection	50
References	51
Appendices	55

Chapter 1: Introduction

Cyprus is well known, not just as a nice place for holidays, but also as a place for doing international business. One of Cyprus's main economic sectors is financial services otherwise known as corporate or professional services (Country Profiler, 2011).

The reasons for this are that Cyprus offers tax planning benefits, a solid and reputable legal system and the availability of a professional workforce. One of the well-known and widely used services offered by Cyprus is its holding company regime, which has advantageous conditions for international clients.

Unfortunately, the recent financial meltdown created serious problems for the Cypriot economy and, along with other sectors, the professional services sector was also affected detrimentally. In order to overcome the crisis and to restore the confidence of its citizens and foreign investors, Cyprus signed a Memorandum of Understanding on Specific Economic Policy Conditionality with the Troika i.e. the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) (Cyprus Ministry of Finance, 2013). The Troika's requirements/suggestions were an unexpected surprise for everyone. The proposed "Hair-cut" of funds in banks' clients' accounts and other changes was entirely unprecedented. Cyprus's clients lost, not just their money, but also their trust in the country. Although clients who use Cypriot Professional services understood that this was not a Cypriot decision, they became very cautious. Potential investors were looking for other alternatives to Cyprus's tax structuring.

Other countries in the European Union (EU) and outside, such as Malta, Singapore, Ireland and Luxembourg, are known as countries where holding companies can be registered too. Despite this, Zambartas (2013) in its International Tax Review, reports that investors have not found comparable benefits elsewhere. Investors have therefore continued to use Cyprus's tax structures. Cyprus is an investment gateway for Europe to the Eastern European Countries, Asia and the Far East (Zambartas, 2013).

In order to evaluate the attractiveness of Cyprus's holding company regime for international clients and the effect of the financial crisis on this industry, managers, who are professionals

serving international clients, were interviewed. The results of these interviews will provide real and important information from within this sector and enlighten research as to why people involved in holding companies still prefer Cyprus.

1.2. Research aims

This MBA thesis will explore managers' perceptions as to why Cyprus is an ideal holding company location. This research will be based on interviews with managers (accountants, lawyers and consultants) working in the financial services sector to find out what factors they think are the most attractive when using Cyprus holding companies. The Author will also describe the holding company regime in Cyprus and its advantages and disadvantages from legal and taxation perspectives.

The aim of this research is:

- To explore managers' perceptions as to why they believe that Cyprus is an ideal holding company location.

This research will give answers to the following questions:

- Why is Cyprus an ideal holding company location?
- How has the financial crisis affected the industry's operations?

The research objectives are:

- To describe the holding company regime in Cyprus.
- To explore the perceptions of managers (lawyers, accountants, and consultants), working in this sector through semi structured interviews.

1.2. Thesis structure

First of all the currently available and published literature will be described. This will provide an understanding of the present thinking about Cyprus, the benefits it offers international clients, the effect of the financial crisis and the future prognoses. While there are different

opinions published by individual authors or groups, the Author could not find any research evaluating this sector. Moreover, most of the available literature very often sounds like promotion of their services. That is why the Author decided to conduct this research - it will give more trustworthy results regarding this sector which can be put to practical use.

The third chapter describes the research methodology used. This research strategy was a case study and the chosen case was Cyprus. Managers were interviewed through personal semi structured interviews. It is not the easiest way to conduct research but it produces very valuable results.

Chapter four contains the analysis of the collected information through interviews with professionals. The findings were very interesting, 14 different interviewees often used the same terminology and very often they had the same opinions regarding the case.

Chapter five is the discussion part of the study, where results, implications for policy makers and limitations are discussed. In the future this research could be expanded to include international service providers' opinions regarding Cyprus as an ideal holding company location. However, before going abroad it is important to understand the local market and their opinion. This will also provide material for comparison at a later stage.

The final section is, of course, the conclusion where a short summary of the whole research project can be found.

Chapter 2: Literature review

2.1. Introduction

Nowadays the world is globalized. Many investors establish businesses in different countries and their trade partners often come from different regions. The inherent complex business models require exceptionally well planned structures from both legal and tax perspectives. A wrong decision can cost an inordinate amount of money, have unforeseen legal consequences and take up a huge amount of the investor's time and other valuable resources. The choice of country depends on where the business is working, who the partners are and who the investors are. One such planning tool is the use of holding companies. Usually, holding company jurisdictions offer tax benefits and enable businesses to trade through a specific country safely while providing asset protection and ease of doing business through that country's legal system. The purpose of this research is to discuss Cyprus as an advantageous holding company regime, not to discuss the whole of Cyprus's tax system.

Holding companies are used internationally for tax and commercial planning purposes, in line with CIS countries, they are also used for asset protection purposes. As a holding company can be set-up anywhere, it is in a country's interest to make their holding company regimes advantageous to investors if they wish to attract this type of business. The aim of this research is to evaluate Cyprus as an ideal holding company location for international businesses.

Holding company definition is: A holding company can provide a means to own and manage a group of affiliates or subsidiaries in a particular region and can result in operational and financial efficiencies, in particular when bundled with other business functions, including broader regional headquarters and management functions, group shared services, financing, cash management, and/ or Intellectual Property ownership and management (Finnerty et al., 2007, pp.85).

2.2. Holding companies – history

Holding company regimes first started to develop in the post-war years. They were pioneered in America in the 1950s and 60s and Europe followed the US's model in the 1970s. The basic idea was to organise subsidiaries into clearly structured divisions. Since their conception, holding companies have played a very important role in the conducting of international business. Later, in the 1990s, the holding company model was adopted by the majority of large industrial firms around the world (Whittington and Mayer, 2006).

Nowadays, the majority of big companies and international investors plan their businesses as worldwide enterprises. Well-known brands are often discussed because they tend to run the different parts of their businesses as separate entities, for instance: Intellectual Property rights; manufacturing; management; finance and income. Investors for each of the above mentioned entities choose different countries for registration. This is now a common structure for international businesses (Vale and Meredith 2012; 2013).

2.3. Holding companies – strategies and advantages

Holding companies may have different strategies – potential acquisition or merger, centralization, allocating capital or even attracting investments. The main purpose of a holding company is to manage corporate balance sheets and reallocate capital in order to advance the best solutions (Stettinius et al., 2005).

PricewaterhouseCoopers specialists Enders, Schreiber and Dorfmueller (2005) discussed holding companies as suitable vehicles for implementing, controlling, and adjusting tax rate reduction strategies. They also pointed out that most enterprises seek to keep tax costs as low as possible.

By using holding companies investors can centralise their businesses. Sometimes several holding companies can be used in different jurisdictions. A holding company in one jurisdiction can be used for Intellectual Property, while another holding company, which is the main company, is used to organize the management of the group, human resource

processes and accumulating income. Additionally it may be used to pay dividends, establish other businesses and invest earned income. This type of planning provides the maximum possible benefit to the investor.

Eiche (2009) lists the core tax advantages of using holding companies as:

- exemption from tax on the dividends distributed;
- no tax on capital gains;
- privileges from use of Double Tax Treaties;
- tax effective financing of a group of companies;
- conversion of income.

Exemption from tax on the dividends distributed is one of the main advantages of holding companies. Normally dividends are taxed when companies pay them out. With careful planning and by using holding companies tax on dividends can be minimized or even negated totally. This is very important for international businesses, because holding companies accumulate the income of the group in order to distribute it to the investor or investors. If this advantage is not available from a given holding company location the investor most probably will consider other options. In Cyprus, for instance, there is no withholding tax on dividends paid to non resident shareholders. Additionally, being a member of the European Union, Cyprus benefits from the European Parent-Subsidiary Directive whereby withholding taxes between European Union member countries are eliminated altogether.

Zero tax on capital gains is another important factor for international companies as holding companies usually own assets in different countries. There are several reasons for this i.e. it is easier to organize international business, to sell assets, to accumulate income and to organize investments on the assets (Finnerty et al., 2007). Such a structure allows assets to be easily transferred by either changing the shareholders of the holding company or transferring the assets to a different holding company. So, investors expect that there will also be tax benefits. Otherwise they will again evaluate alternative jurisdictions. In Cyprus, there is no capital gains tax on the sale or transfer of assets. In this respect, no tax arises on the disposal or liquidation of participation thus allowing for a low exit cost for the investor and greater flexibility in the structure.

Double Tax Treaties are an important instrument for tax planning. Such agreements between countries mean that both parties accept each other as reputable partners. This offers better conditions for doing business between these countries and provides tax benefits. Holding company countries aim to have a large number of Double Tax Treaties with different countries from different regions because this allows investors to organize international business with partners from other countries. Cyprus has Double Tax Treaties with major economies such as China, Russia, The United Kingdom and The United States of America as well as with central and Eastern Europe countries, Asia and The Middle East (KPMG Limited, 2014). This covers the majority of key investment locations for investors and Cyprus's Ministry of Finance is working to expand this treaty network.

How the group is financed is, of course, of paramount importance. As previously iterated holding companies accumulate the income of the group and organize investments in other businesses for example, holding companies manage the income from trade, but they should forward the investments to the manufacturing entity. This is, of course, the main job of a holding company. In Cyprus, the interest income a holding company (acting as the financing vehicle of its group of companies) receives from financing the group is considered to be closely related to its ordinary activities and this interest income will therefore only be subject to income tax and not to Special Defence Contribution Tax.

The author would also add the legal system as another of the holding company advantages. In Cyprus, 'common law' is based on The United Kingdom's case law which makes it a well developed, trusted and effective legal system.

The Author views holding companies as vehicles for: revenue consolidation, attracting and returning investments, moving funds between businesses, asset protection, wealth transference and tax planning.

2.4. Holding companies – location factors and options

Planning an appropriate business structure and choosing the right holding company location is an essential element for any business. The following factors should be considered when choosing the holding company location:

- the financial and economic infrastructure;
- political and legal stability;
- company and employment law;
- accounting requirements;
- the tax system;
- human resources, language and culture;
- the availability of material and financial assistance (Udal and Cinnamon, 2004).

Countries can introduce attractive conditions for registering holding companies in their country, but it is important to also understand the depth and extent of their experience. The following paragraphs discuss each of above listed factors for choosing the best holding company location for investor needs.

The financial and economic infrastructure plays a great role (Udal and Cinnamon, 2004). When setting up or moving an international business it is essential to ensure that the specific country chosen is able to serve the business. A Company may wish to establish a headquarters there, to keep funds in the chosen country and of course all the associated company records. So the country must be able to support these activities at a very high level. Cyprus is a European Union country working in line with different international rules for anti-money laundering, the fight against terrorism, accounting rules etc. Cyprus has a good reputation and most of the other countries agree that it is a good partner to cooperate with.

Political and legal stability is essential (Udal and Cinnamon, 2004). International business structures are established on a long term basis. It is important that the benefits they are offered will remain stable and effective, despite any changes in politics. Cyprus has been developing its reputation since the late 70s. The island showed that international business is important to the country by improving business conditions.

Company and employment law should be developed (Udal and Cinnamon, 2004). There should be regulations for different situations. There should also be good conditions for international employees. Company law should also regulate international activities. There should be clear conditions for establishing a closing company. Cyprus law has been improved

over the last 30 years and there are suitable regulations for all of the above mentioned situations.

Accounting requirements are an important factor for every business, because in any country companies should have complete and appropriate accounting records (Udal and Cinnamon, 2004). Firstly, accounting records should be easy to understand, secondly, they should be in line with international requirements, because we are talking about international businesses. Cyprus's accounting requirements are international and can be produced in English. There are a lot of accountants with international education and experience resident on the island. Usually this service is ensured by experienced and trustable service providers.

The tax system is the most important thing, because it can save money for the investor as detailed in this study (Udal and Cinnamon, 2004).

There are also other factors that play a great role such as: human resources, language and culture (Udal and Cinnamon, 2004). When we talk about all the benefits of a holding company location, we should keep in mind the substance. To attain the desired benefits, companies should be managed from a specific holding company location. Investors should ensure that the chosen location provides access to qualified and educated staff that are able to communicate in a commonly used language, for example English. Ideally, the local culture should be friendly, enjoyable and welcoming to foreigners. Cyprus has all of the above mentioned benefits. It is an extremely friendly country for foreigners and English is used as the main business language. Russian is also an emerging business language within Cyprus, which is important because Cyprus is cooperating with Russian investors a lot.

The availability of material and financial assistance is also essential. Businesses need a well-developed banking system that can carry out all normal business transactions quickly and effectively. Also, financing may be required. Cyprus has developed a banking system for business transactions and it used to have excellent financing options. Unfortunately, this sector's reputation has been destroyed recently due to the mismanagement of a couple of the large banks. However, there remain some very good banks, which support all the required business transactions.

2.5. Examples of holding company location choices

Around the world there are a number of countries, which are worthy of consideration as holding company locations. The most popular are the European countries because they have good business enterprise reputations, political and legal stability and good chains of Double Tax Treaties. For many years the Netherlands and Luxembourg were the preferred choices. In 2004, when ten new countries joined the European Union, Cyprus, Malta and even the Baltic states also became popular as holding company locations (Udal and Cinnamon, 2004).

Jones and Snowden (2006) in their publication in the *International Tax Review* quoted the example in Latvia of TietoEnator, an IT company operating in more than 20 countries, moving their core business to Riga based on the potential savings to the company of 10 million euro per year aided by Latvia's 15 % corporate tax rate.

Another example is Ireland's very favourable holding company regime, as a result of which, a number of international groups maintain their headquarters there. Some well known examples being LinkedIn, Facebook, Ryanair, Apple, PayPal and Fidelity (Vale and Meredith 2012; 2013).

Other jurisdictions that may be considered as having favourable tax regimes for holding companies are The United Kingdom, Luxembourg, the Netherlands and even Malta. All these jurisdictions provide for an exemption from tax for dividends income and capital gains provided that certain conditions are met. There may be a required period for holding assets and/or percentage of ownership. These jurisdictions also allow for 0% withholding tax to be applied for dividend payments to non-residents; except the Netherlands where the withholding tax rate is 15%. For interest payments to non-residents Malta, Luxembourg and the Netherlands again allow 0% withholding tax rate to be applied, whereas The United Kingdom applies a maximum withholding tax rate of 20%. Investors always have to evaluate very carefully the holding company location and consider all the factors as a whole.

2.6. The Cypriot context

Cyprus has been an attractive proposition for tax planning ventures for many years. After the occupation in 1974 Cyprus chose to promote this business sector in order to rebuild its economy. The country created attractive conditions, laws and taxes for international tax planning.

The benefits offered in Cyprus are widely discussed in different professional journals, such as the *Journal of Financial Crime*, *Euromoney*, and *Taxjournal*. Until 2004, when Cyprus became a European Union member, it was described as a very attractive offshore zone and tax haven for money of questionable origin. In 1999, TimurSinuraya, in his publication entitled *Journal of Financial Crime*, says the main reasons for Russian businesses to operate from Cyprus are the low corporate tax rate, Double Tax Treaty and fast company administration. The corporate tax rate at that time was 4.25 per cent for offshore companies, while in Russia it was 35 per cent. The Double Tax Treaty between Cyprus and Russia provided zero tax rates for withholding tax paid to Russia for dividends. Over the last few years Cyprus has been one of the biggest investors in Russia. Of course, these investors are not Cypriots. Cyprus's offered benefits are attractive for Russian investors so they use the country a lot for their international business operations.

Although there were benefits for foreigners, especially Russians, Americans and Middle Easterners, Cyprus as a country did not have a very good business reputation. Jackie Johnson and Mark Holub in their article for the *Journal of Financial Crime* in 2003 even listed Cyprus as a country providing harmful tax practices.

Despite its previous, less than exemplary, reputation, Cyprus has maintained a balance between keeping the country as an International Business Centre and being a member of the European Union without harmful Tax Competition to Union members. Kimbell and Marshall (2004) discuss the changes that Cyprus made in order to be viewed as a respectable and reputable business and financial centre and argue that with stricter regulations after joining European Union. There were changes to both the law and the tax system. Regulations became stricter to comply with European directives. Cyprus introduced the 'Cyprus International Trust', which became a popular service in Cyprus for high-net-worth individuals to benefit

from the new tax system. A new corporate tax rate was introduced at 10 % for all companies in order to avoid tax discrimination. Kokoni (2004) claims that despite the new tax rate and conditions implemented after joining the European Union Cyprus still remains an attractive international business centre.

Cyprus has been a target for different European Union countries regarding anti-money laundering issues. Although in Cyprus, even before it joined the European Union, there was legislation to regulate it. The latest amendment, to these regulations, came into force in 2012. There is a supervision authority called The Unit for Combating Money Laundering. Cyprus law is in line with a number of different international conventions in this respect. Moreover, there has been different money laundering scandals in the recent past around the world where fault has been proved. Germany admitted to being one of the biggest havens for tax evasion (Haviaras, 2014). There is still a shadow over Cyprus as an offshore jurisdiction, but now there is no evidence of money laundering. There are correct procedures and controlling authorities and there are no cases where Cyprus has been proven to have been at fault. Finally, in April 2009 the OECD included Cyprus on its original white list as one of only 40 countries in the world that have substantially implemented internationally agreed tax standards- this is the highest categorization possible. Being on this OECD white list supports Cyprus's position as a sound and reputable environment from which international businesses can and do operate.

2.7. Cyprus –ideal holding company location factors

Cinnamon and Udal, (2010), described Cyprus as an attractive country for multinationals to establish holding companies in. Similarly, Lambert and Wyatt (2012), stress that Cyprus is a good location to set-up businesses for multinationals because of its taxation system. The article also discusses changes to the United Kingdom's tax system and how it provides several different structures for businesses. Cyprus registered companies are suggested in several tax planning structures instead of UK registered companies due to the changes made. Again, the main reasons are European Union membership and good Double Tax Treaty networks. These allow businesses to expand their overseas operations.

Cyprus as an ideal holding company location is also confirmed by Zambartas (2013) in the International Tax Review and professionals from Andreas Neocleous & Co LLC, a Cyprus law firm. They stress specifically the advantages related to the holding company regime in Cyprus (Neocleous, Mikhailova and Kilcoyne-Betts, 2011).

The geographical location of Cyprus - crossing three continents – linking Europe with the Middle East, Africa and Asia, Cyprus's stable tax and consistent legal systems and business environment makes Cyprus an ideal, reputable country for international business to trade in Europe. Cyprus offers a number of essential benefits which contribute to the success of businesses working through Cyprus.

Historically Cyprus has a common law legal system with strong English law influences. Since its independence from the UK, Cyprus has continued to update its company and other laws. Latterly these updates have been affected by the need for harmonisation with the European Union Directives.

2.8. Cyprus – an efficient tax jurisdiction

This section outlines the main tax advantages for Cyprus holding companies without going into details of specific cases. Cyprus is a tax efficient jurisdiction as a result of its wide network of Double Tax Treaties, taxes and legal system:

- Cyprus has one of lowest corporate tax rates in the European Union – now 12.5 %; prior to 2013 10%.
- The VAT rate in Cyprus is 19%, with reduced rates of 5-% and 9-%.
- Holding company activities are not subject to VAT in Cyprus. Cyprus companies are not entitled to register for VAT purposes.
- Cyprus has a wide network of tax treaties – currently with around 50 countries including countries from North America, Western and Eastern Europe as well as emerging markets in China, India and of course, Russia. Treaties allow a reduction or nil tax rate on withholding tax, dividends and interest and royalties paid between treaty countries.

Treaties with such CIS countries as Russia and Ukraine enabled Cyprus to become one of the biggest investors in these regions. Treaties with emerging markets such as India and China open the way for these countries to do business with and in the European Union. Cyprus can also link countries which do not have treaties between them. In these cases foreign investors use Cyprus companies. Other popular holding company jurisdictions do not have such strong treaty chains in CIS countries.

- Dividend income from a Cyprus Company is exempt from tax. This exemption is conditional upon the activities of the company that is paying the dividend earning more than 50% from non-investment income.
- There is no withholding tax in Cyprus on dividends paid by Cyprus companies. Even if the Cyprus company shareholders are from an offshore jurisdiction. Cyprus does not exist on the so called “black list” of countries. The same principle applies to interest and royalties paid from Cyprus in respect of intellectual property held outside Cyprus. This is a real advantage over other European holding company locations.
- Capital gains and income tax exemptions for securities. No capital gains tax is payable on the sale or transfer of shares.
- No capital gains or income tax is payable in Cyprus if the Cyprus company sells real estate outside of Cyprus.
- Losses can be carried forward - there is no time limit.
- Group relief is allowed if both companies of the group are Cyprus tax residents. These companies can off-set the loss of one company against the other company’s profits.
- Cyprus companies can have non-resident tax status. Any profit earned from trading activities outside the country is not taxed in Cyprus. There is a condition that management and control of such companies should be outside of Cyprus.
- Only 20% of the income from intellectual property is subject to income tax.
- If the Cyprus company paid any tax abroad to a foreign country, there is no duty to pay again in Cyprus. Income is taxed only once. It does not matter if Cyprus has a Double Tax Treaty with this specific country or not.
- If shares, after the death of a shareholder are inherited, there is no estate duty payable in Cyprus (KPMG Limited, 2014).

2.9. Cyprus – business set-up and infrastructure

Cyprus is one of the financial centres that can claim relatively low operational costs. At the same time the island offers a well-educated and young workforce and the opportunity to rent or buy any number of different kinds of office space. Costs are often lower than in other European countries. Company set up costs start from 2000 EUR, including paid share capital, and the set up period can be as short as two weeks. English is a widely accepted business language.

Cyprus has continued to develop its infrastructure – two international airports, good roads including motorways connecting all major cities and towns, and telecommunications.

Cyprus provides for the comfort and safety of its investors as well as ease of business set-up and operation. In a nut-shell, Cyprus offers a high standard of living, an enjoyable climate, a low crime rate, and a reputable business environment within the European Union.

2.10. Cyprus – current financial crisis

Currently, Cyprus is facing a serious financial crisis. It entered into an agreement with the Troika, which resulted in a “Hair-cut” of client funds in two distressed banks and a number of other significant changes within its financial system. Although it only directly affected the banking sector, the reputation of the whole country has suffered. Investors have become more careful in their business dealings with Cyprus. Doran (2013) at the same time Zambartas (2013) in the International Tax Review, reports that investors so far have not found better alternatives and are therefore once again using Cyprus in tax planning structures. This argument is also supported by PricewaterhouseCoopers Cyprus specialists. In the Cyprus Annual Review 2013 they wrote that a number of their clients were considering re-domiciling their operations to Cyprus. After checking alternative options, clients decided to work through Cyprus. Moreover, during 2013 they helped more than ten international groups to set up their operations in Cyprus.

Kokoni (2013) highlights that despite the turmoil in the banking sector, the corporate sector still stands strong. The use of Cyprus companies continues to be highly efficient and Cyprus remains a low corporate tax jurisdiction within the European Union.

Conversely, Shaheen (2013) in the survey organized by the International Tax Review disagrees with the Zmabartas and Kokoni opinion. Shaheen insists that a great deal of damage has been done to Cyprus's good reputation, built up over recent years, and its influence on international businesses.

Cyprus is improving its services in order to support its good reputation and to stay on top. In 2012, new regulations were introduced for service providers in order to ensure high service levels and avoid bad practices. The new regulations apply to trustee services and provision of services such as nominee services, bank account opening and company incorporations. These changes were welcomed by the service providers because they are a step forward to a higher level of quality (Kokoni, 2013).

The whole world has face significant crisis since 2008. Last year, 2013, was particularly difficult for Cyprus because of some big bank mismanagement and lack of control from the authorities the entire country suffered. Fortunately, most of the long term investors remain and continue to take advantage of all the benefits inherent for businesses working in Cyprus. The investors understand that the problems were caused by the two failed large banks. Cyprus as a country has a good reputation, so investors can open bank accounts in other countries to run their operations in Cyprus and still benefit from Cyprus's holding company regime. The Author believes that the changes made to minimise the crisis will in the long term help Cyprus to improve its financial reputation. In Cyprus, private businesses were moving forward, but the government was very conservative. Now in the government there are a number of changes and restructuring operations happening. If both the private and public sectors work together, Cyprus will definitely stay on track and grow.

2.11. Cyprus – worldwide ratings

The Cyprus Global Competiveness Index in 2013 and 2012 lists Cyprus as 58th out of 148 countries. Last year, changes in the corporate tax rate had a slightly negative effect which was counterbalanced by the positive effect of Cyprus's introduction of electronic filing of corporate tax. Global Competiveness Report 2013 – 2014.

The Cyprus Economic Freedom Index 2014 rates Cyprus as 46th out of the 178 economies studied. Its overall score is down from last year, with the most notable reductions being in financial freedom, investment freedom, and monetary freedom. Cyprus is ranked 21st out of 43 countries in the European region. Cyprus is “moderately free”. Index of Economic Freedom (2014)

The ratings detailed above support Cyprus as an attractive country for international businesses. The advantages listed make Cyprus a key player with regard to preferred holding company locations.

2.12. Cyprus – a proven future as an ideal holding company location

Lazic (2012) from EurofastTaxan, Cyprus and O'Donoghue and Pogorelov from Ernst & Young (2013) describe the positive impact on Cyprus as an ideal holding company location as being ratified by the Double Tax Treaty with the Russian Federation in 2012; which came into force on 1st January 2013. As a result of this agreement Cyprus was also removed from Russia's tax haven black list. Now Cyprus can freely present itself to the Russian market for outbound investments and a zero-profit tax rate now applies to dividends received by Russian companies from Cyprus subsidiaries.

While differing opinions do exist, the overall statistics show that Cyprus is very much an ideal holding company location. In 2013, 10,847 new companies were registered on the island. In the first two months of 2014 1,702 new companies have already been registered- of course, not all of them are holding companies. The number of registered companies in Cyprus has grown every year from 2000 onwards thus supporting the view of Cyprus's continuing popularity.

Previous research conducted by Turku School of Economics and Business Administration (2004) found that Cyprus is an important 'landing place' for Russian capital. Investments flow via Cyprus back to Russia. This finding substantiates Cyprus as an attractive country for holding company registration.

The same conclusions are reached in the World Investment report in 2013 based on statistical cash flow between countries. Cyprus is mentioned as one of the most popular holding company locations. There are both inward and outward foreign direct investment flows. Cyprus is the Russian foreign direct investment flow top three destination. The largest investments in the Russian Federation originate from Russian investors based in Cyprus. Cyprus foreign direct investment flows also to Kazakhstan and in 2013 there was a fixed record amount of foreign direct investment flow to the Ukraine. Additionally, Cyprus receives foreign direct investments back; this is the phenomenon known as "round-tripping". These movements prove that Investors still believe in Cyprus and are more than willing to use its proffered tax benefits - a great achievement for such a small country which demonstrates the trust of its clients.

Chapter 3: Research methodology

3.1. Introduction

The purpose of this section is to describe the research methodology and the sample selection and analysis used for this research. Part one provides a description of the interviewees and an explanation as to why, for this type of research, personal interviews are the best way to collect information. Part two discusses the ethical issues related to this study. This research is qualitative case study research in order to study Cyprus phenomena within its context, using different data sources such as: interviews, statistics and any available (already published) secondary data.. The breadth of data used will ensure that the research topic is explored from more than one angle to achieve the most un-biased results possible. This is important because currently there exists a lot of information about the benefits of Cyprus as a holding company location, along with numerous related statistical data but there is no available information which combines these two and also puts forward the professional opinions of a number of business people on the subject.

3.2. Approach

This research is based on qualitative research strategy, which concentrates on words rather than simply the analysis of data and emphasizes the ways in which individuals interpret their world. Cyprus phenomena is quite complex, this strategy will help to gain more valuable results. This strategy will be used to help describe and analyze the holding company regime in Cyprus and explore managers' perceptions of it. The advantage of this approach is close calibration between researcher and interviewee, it allows the interviewee to more freely describe their opinions and therefore provides a broader understanding for the researcher. The 'Truth' is both relative and subjective, however this approach allows the interviewer to assemble the most accurate 'meaning' from the interviewees given opinions.

The ontology of this research will be subjective because it is based on the interviewee's experience, assumptions, points of view and perceptions and it is from these that the Author must extract the details of the situation and the meanings of the interviewees. While the

research topic is very specific i.e. ‘is Cyprus an ideal location for holding companies, or not?’ the benefits, or otherwise, determining the answers are certainly not simple or straight forward. They must take into account Cyprus’ taxation rules, treaties and alliances; it’s legal and political systems; geography, history, culture and financial wellbeing and stability and its worldwide standing and international business reputation.

The collected data will be analyzed by the Author in order to interpret the interview results into. It is interpretive because the Author has to make sense of the interviewees’ subjective meaning about the research topic. The research’ approach is inductive. The Author will make sense of the collected interview data in order to develop a richer theoretical perspective than exists now in literature (Saunders, Lewis and Thornhill, 2012).

3.3. Interviewees

Over the years a number of different authors have discussed the Cyprus phenomena (secondary data). This research will provide 14 different people’s opinions. The Author felt that 14 interviews was a reasonable number from which to analyze responses, make comparisons and draw conclusions and that it provided a wide enough range of people, experience and companies to provide sound and reliable industry data. All the information will be analyzed and compared, not just with the other interviewee’s opinions, but also with the already published information to lessen the subjectivism. It will be more useful, than previously published information, because it will be based on the personal opinions of experienced business people operating within the sector as collated and interpreted by the Author of this research.

The Author chose to work with professionals involved in business in Cyprus. These professionals are accountants, lawyers and businessmen - professionals practicing in Cyprus: they know the local laws, their international clients, client needs and future plans related to working through Cyprus holding companies. They are either the owners of their own companies or members of company senior management teams. These research interviewee participants will in future be referred to as ‘Corporate Service Providers’. They are familiar with the Cyprus business environment. Corporate Service Providers serve international

investors. It follows then, that they are well qualified to understand how international investors think, what they need and what changes they would like to see. Of course, they are also aware of other available solutions for international businesses in different jurisdictions, so they are able to compare the jurisdictions that can be chosen as an alternative to Cyprus. Additionally, they know the investors' experience and cooperation history with other jurisdictions. The Author is confident that their opinions will provide an accurate and up-to-date picture of the situation both locally in Cyprus and globally.

Here follows the list of the participants companies:

1. "A" – member of a global network of professional firms providing Audit, Tax and Advisory services. In Cyprus more than 750 employees, founded 1948;
2. "B" - member of a global network of professional firms providing audit, tax, consulting and financial advisory services. In Cyprus more than 500 employees, founded 1958;
3. "C" – provides legal and professional services. Number of employees N/A, founded 2008;
4. "D" – one of the leading law firms in Cyprus, experienced professional service provider, founder of Cyprus legal system to develop Cyprus as a financial centre. Number of employees N/A, founded 1948;
5. "E" – Audit and Tax. Number of employees N/A, founded 2009;
6. "F" – member of network of international firms providing Audit, Accounting and Professional services. Number of employees N/A, founded 2008;
7. "G" – member of a global network of professional firms providing tax, and advisory services. Number of employees N/A, founded N/A;
8. "H" – provides legal and professional services. Number of employees N/A, founded 2009;
9. "I" – Audit and Tax and Professional service provider. Number of employees over 45, founded 1978;
10. "J" –Law firm, also professional service provider. Number of employees N/A, founded 2008;
11. "K" – Audit, also professional service provider. Number of employees N/A, founded 1997;
12. "L" - provider of Fiduciary, Trust and Fund Services. Number of employees N/A, founded 2008;

13. “M” – Audit and Tax. In Cyprus more than 200 employees, founded 1985;
14. “N” – Audit, also professional service provider. Number of employees N/A, founded 2006.

Cyprus, as an international business centre, started to develop in the late 70s after the occupation. Some of the companies represented by the interviewees taking part in this research project have been in operation since before the occupation while others have only recently been incorporated. They provide a variety of tax, legal and corporate services. Some of them have branches in other countries which ensure a better service for investors who are coming from different regions. These companies are professionals and well-known within their business environments.

3.4. Research strategy

The research strategy chosen will be a case study. This will allow coverage of the contextual conditions relevant to the case being studied. The Author will be able to ask such questions as “why?”, “what?” and “how?”. This allows for a richer understanding of the context (Saunders, Lewis and Thornhill, 2012). This option is essential for this research, because interviewees may use different words to describe the same situation, so the Author must be able to clarify what the interviewee means. In this type of interview the use of open questions is essential, so that interviewees are able to give full answers with their comments, together with examples as they see fit. Cyprus is an interesting case study as the country managed to develop an attractive tax and legal system alongside developing a good reputation as a safe business environment. Moreover, after joining the European Union the country was able to stay on track and fulfill the European Union requirements. Additionally, European Union membership became one of the benefits available when using Cyprus holding companies in tax planning structures.

Qualitative research is often criticized as being too subjective or that the scope of its findings is restricted. There are also discussions about how people are chosen for interviews (Bryman and Bell, 2011). In order to gain objective research results, the Author will collect primary data through 14 personal interviews with professionals and business owners working in this

sector (lawyers, accountants and other business professionals). Interviewees are from different companies and do not know each other. These people are working with clients, they know their clients' needs and what is important to them. Interviews will assist: a) in understanding the benefits of Cyprus holding companies; b) what its strengths and weaknesses are; c) what other jurisdictions for holding company locations could be chosen instead of Cyprus, and finally d) indicate the changes, if necessary, to make the regime viable and sustainable. Moreover, some of the findings through interviews will be substantiated by secondary statistical data.

The primary data will be collected through semi-structured interviews. This is important because the Author has adopted an interpreted epistemology. Semi-structured interviews give the Author the opportunity to ask interviewees to explain or expand on their answers. There will be a main interview guide (appendix 3) in order to cover different personal opinions on the same specific topic with a clear focus. The questions may not follow the same order as in other interviews, but they will use the same meaning. Moreover, the Author will have some freedom to ask additional questions that may not be included in the guide in order to get a clearer picture, therefore clarifying what the interviewee means by their response and to avoid possible misunderstandings. There may be a different understanding of the terms used, therefore it is better to get specific details by asking additional questions. After the interview, interviewees will be asked what additional information they think could be useful. Interviews will be in English as both the interviewer and interviewees speak this language.

The Author has chosen to interview professionals i.e. business owners. Requests/invitations for interviews will be made by telephone. Potential interviewees will be introduced to the research, followed by an appointment for interview. The Author will send the interviewees a research information sheet (appendix 1) electronically. This will provide general information about the research topic and why the findings may be useful. Additionally, the Author will send an interview guide (appendix 3). This will help the interviewee to prepare for the interview and will give better results for the research.

Interviews will be conducted as 'personal meetings' and every effort will be made to hold them in a suitable – private and quiet - location in order to reduce avoidable interruptions and disturbances as far as is practically possible. Before the interview starts, the Author will provide the interviewee with a Research Information sheet (appendix 1) and will ask them to

sign an interview consent form (appendix 2). The reason for the consent form is to cover ethical issues; these are discussed later in this section. Interviewees will be asked to give some general information such as a short company profile, foundation year, his/her position in the company, educational background and experience within the professional service business area. This information will help to analyze the collected data and understand its importance (Bryman and Bell 2011).

Professionals will be asked to characterize the holding company regime in Cyprus and its strengths and weaknesses. They will also be asked what alternatives they think clients could use instead of Cyprus. Finally, the Author will ask the interviewees' opinion about the changes needed in order to make the sector sustainable.

Interviews will be recorded at the time of the interview and later the Author will type them up. The Author will analyze collected information question by question. The Author will look at common opinions/reasons and also specific areas/ideas highlighted by one or more of the interviewees. All findings will be analyzed and discussed by the Author in this research. In order to fully understand the findings they may also be compared with existing published secondary literature/data.

3.5. Ethical issues

In preparing for the interview, the Author must also consider some ethical issues:

- whether there is harm to the participants;
- whether there is a lack of informed consent;
- whether there is an invasion of privacy;
- whether deception is involved (Bryman and Bell 2011).

Harm can have different aspects – physical, harm to interviewee's development or self-esteem, stress, harm to career prospects. To avoid these potential issues, interviewees will be told to whom the information will be supplied and the purpose for which it will be used. Moreover, this research does not cover religious or political issues. Respondents will be

company owners/members of senior management teams and the Author will introduce them to the topic before the interview takes place. There is minimal risk of ethical issues arising. Of course, it is not possible to identify all circumstances.

To avoid lack of informed consent, interviewees will be provided with all relevant information, in writing, before the interview. They will also be required to sign a consent form. As interviewees will be asked to share their opinions as professionals working in professional services, invasion of privacy should not arise. The research clearly defines the topic therefore deception cannot occur (Bryman and Bell 2011).

There should not be any invasion of privacy, because the research is about their professional business opinions and experience. The only personal question is about their educational background which the Author will explain is purely to provide a better understanding of the case. For instance someone with a legal degree may see things differently from someone with financial qualifications.

All interviewees will be introduced to the research in writing, even the questions will be sent to them before the interview, so there should not be any possibility of deception. Also, interviewees will be allowed to refuse to answer one or more questions and/or to change their mind about an answer they have previously given.

The Author believes that the findings of this research will be both interesting and useful to a wide range of business professionals.

All the above mentioned activities will follow this timetable:

		Timetable			
Activity	Description	February 2014	March 2014	April 2014	May 2014
Secondary Research	Literature overview				
Getting ready for Interviews	Developing the Interview guide				
Primary Research	Interviews				
Analysis	Work with collected information				
	Suggestions/solutions				
MBA thesis	Pre-submission				
	Submission of final MBA thesis				

Chapter 4: Data Analysis

4.1. Introduction

While conducting personal interviews is not the easiest research method because it is time consuming and costly, the results are extremely useful and provide valuable information. For this specific research this was the best way to collect information within the sector. Below are details of the results of the interviews.

4.2. Reaction, language, general characteristics

Interviewees were happy to attend and share their professional views regarding Cyprus as an ideal holding company location. Altogether 14 interviews took place with different professionals from within the local marketplace with international experience. Interviews were conducted in the interviewees' offices. Being interviewed on their own territory was more relaxing for the interviewees and helped to negate possible stress caused by being interviewed in English, which is not their native language, and having their interview recorded (Bryman and Bell, 2011).

The Interviews were intentionally conducted over a very short time-frame – one week. This was done to ensure the same business conditions i.e. laws and taxation rules were the same across all interviews. Had they been stretched out over a longer period of time any economic or financial changes occurring between interviews could have skewed the answers given/data collected.

To reflect a truly international viewpoint on the research topic the Author interviewed representatives from three different companies of the so called 'Big Four' audit firms namely E&Y, Deloitte, PriceWaterhouse Coopers and KPMG. Two people were interviewed as representatives of their firms and one person gave his own opinion because he was not authorized to speak on behalf of his company. All three representatives agreed that Cyprus, as

a location for holding company registrations, is popular with international clients and is widely used in tax planning structures.

What the Author found very interesting were that all the interviewees, who came from different companies and did not know each other, used the same terminology and expressed the same views and ideas. A good example might be that they all used the term ‘banking crisis’ as opposed to just ‘crisis’. All the interviewees pointed out that it was the ‘banks’ that were facing problems. Their answers to the question about how the crisis affected their own operations were somewhat emotional. In answering this question most of them tended to discuss the general economic effect on Cyprus as opposed to specifically on their companies.

The Interviewees appeared to be comfortable representing themselves and their companies. A number of them asked for a copy of the research because they found it interesting and felt it would be useful.

4.3. Company profile

Interviewees were asked to introduce their companies. This helped to give a clearer picture of the company – background, history, business type/range, operational methodology etc – and also indicated where the interviewees fit in and their experience. Two of interviewees represented companies that were founded around the period when Cyprus became independent from the UK. The Founders of these companies were also the creators of Cyprus’ legislation and taxation systems in order to make Cyprus an attractive place for international businesses. Another two companies were founded after the Turkish occupation and one company was founded in 1997. All the other companies were founded after Cyprus entered the European Union. It is good to understand how this sector developed and the effect Cyprus’ history has had on it.

A third of the interviewees’ companies employ a large number of staff – over 200 hundred people and one company has over 700 employees. The other companies are medium sized.

The Companies are involved in corporate law, international tax planning, shipping, commercial or audit, taxation, and advisory services. All the companies are involved in corporate service provision. A third of the companies are lawyers while the other companies provide accounting and audit services. A third of the companies are part of the international firm network. All these companies have an international client portfolio.

4.4. Interviewees

In most cases, the interviewees were involved in the management of their companies. A third of them were partners in big firms, others were founders of their own companies. One of the interviewees was a personal assistant to a professional who has his own law firm and who is involved in corporate service business. The reason for that was that the professional did not feel comfortable in discussing the issues in English. This interview was a little different to the others i.e. simpler terminology was used, but the problems pointed out were the same.

Eight of the fourteen interviewees were accountants and auditors with local and international qualifications. Others were lawyers. All the people had significant experience in the industry. A third of them had over 20 years' experience while the rest had around 10 years' experience. They have seen how Cyprus has developed as an international business centre and they have worked hard to assist in changes in law and taxation to make Cyprus an even more attractive proposition for international clients.

The majority of the interviewees had a UK degree and one had a degree obtained in the Netherlands. So, they have international education and experience and international clients but they work here in Cyprus.

4.5. Cyprus holding company regime

The first question asked the interviewees to characterize Cyprus' holding company regime. A subsequent question asked them to specify the strengths, as they saw them, of this regime. These two questions are, by their very nature, interrelated and hence elicited very similar

answers. Very often interviewees made reference to the related question. The Author still felt that it was important to keep these two questions separate because the 'strengths' identified by the interviewees stressed more specifically the importance of the regime for international clients.

The analysis of the answers given by the interviewees regarding Cyprus as an ideal holding company location showed the following views: successful, unique, popular, advantageous, among the best holding company jurisdictions, became famous after entering the European Union, very, very attractive regime and efficient holding company regime. The last two characteristics were repeated twice.

One of the interviewees stated that his opinion was upheld by the number of approved multinationals registering their holding companies in Cyprus, another gave as evidence of success of Cyprus' holding company regime the fact that they are listed in different stock exchanges in different countries worldwide. One of the interviewees paid a lot of attention to history and how Cyprus has developed as a business centre in order to give a better understanding of the advantages offered by Cyprus.

Cyprus' holding company regime is attractive from both legal and tax aspects. The main Cyprus holding company regime advantage mentioned was the network of Double Tax Treaties. The Author will start analysis of this question from a taxation point of view because tax advantages play an essential role in the Cyprus holding company regime.

Cyprus has a wide range of Double Tax Treaties; interviewees made special reference to those with Russia, Ukraine, and other Ex-Soviet Union countries, The Middle East and most of the European countries. Existence of these international agreements allows the reduction or even minimal taxes, in some cases close to zero. There are no restrictions on the ownership of the shares.

Half of the interviewees discussed Cyprus's offered advantages to dividends paid to and from Cyprus companies. There are no taxes on dividends in the Cyprus level. Even for dividends paid to non-Cyprus resident shareholders there is no withholding tax. So this is the second main advantage offered to international clients by Cyprus.

The third biggest advantage, pointed out by a third of the interviewees, is full capital gains tax exemption on the transfer or sale of shares in a company, unless the company owns immovable property in Cyprus. Gains from sale of stock are not liable to capital gains or corporate tax in Cyprus. Two of the interviewees even gave examples.

Then followed the argument that Cyprus has one of the lowest corporate tax rates in the European Union – 12.5%. It used to have the lowest – 10%, but even with recent changes in Cyprus and in other countries it is still one of the lowest. Interviewees admitted that there was no effect on international businesses because of these changes especially for pure holding companies whose only income is dividends that are not subject to corporate tax anyway. Moreover, it helps the argument of Cyprus as a solid jurisdiction, instead of just a low tax country.

A few of the interviewees also mentioned the fact that Cyprus companies have full tax exemption if the management and control is exercised outside of Cyprus and there is no income tax on interest earned by non-residents on foreign fund deposits. Cyprus does not have any exit taxation rules. In simple words, it is easy to close a Cyprus holding company without incurring any costs. This can play a great role in the investor's choice to work through Cyprus holding companies. It was also mentioned that Cyprus now has an attractive Intellectual Property regime which exempts 80% of profits from tax.

Regarding the legal aspects, almost all of the interviewees mentioned that Cyprus has the same company law structure as the UK – copy paste, mirror – this is a well-known and reputable legal system and the people involved in international business know how it works. Also the legal system is based on the British Common law legal system. One of the interviewees used the term Anglo-Saxon system. Two of the interviewees stated that this system allows disputes to be solved easily, here in Cyprus or internationally and that it is a simple and straight forward system.

A third of the interviewees also mentioned that European Union membership is a big advantage of Cyprus. It allows companies to use European Directives like the 'parent-subsidiary' directive for tax planning purposes. One of the interviewees described Cyprus' holding companies as asset protection vehicles.

A general fact pointed out by different interviewees was that in one company 70% of requests go to Cyprus holding companies and that Cyprus has good infrastructure and reasonable prices for services provided to international clients. Half of the interviewees stressed the fact that in Cyprus there are high-level professionals available with experience within the industry.

4.6. Strengths

The second question to the interviewees was to list the strengths of the Cyprus holding company regime. As noted earlier in this chapter, some answers were repeated because of the similarity of some questions. On the other hand, repetition reinforces the views of the interviewees. Where in answer to the first question interviewees concentrated on law and tax benefits, then in the second question they detailed other benefits.

A third of the interviewees again talked about the Cyprus legal system and the Double Tax Treaties network. Mentioned especially were those with most of the European countries, the USA, ex-Soviet Union countries and Eastern Europe. European Union membership and benefits derived from European directives were discussed by a few of the interviewees. They quoted as evidence the fact that in the last few years Cyprus has been the biggest investor in Russia.

Half of the interviewees mentioned that dividends received by Cyprus holding companies are not taxed at the Cyprus level; that Cyprus has one of the lowest corporate tax rates in the European Union – 12.5% and gains from the sale of stock, bonds, shares or debentures are not liable to capital gains or corporate tax in Cyprus and additionally that tax credit is available.

Two interviewees mentioned that Cyprus holding companies can be used as asset protection vehicles – a view also pointed out in answer to question one. Another important factor is that Service providers have been regulated by CySec since 2012 which helps to ensure qualitative service by experienced professionals.

Other strengths mentioned were that: in Cyprus English is used as a business language, Cyprus offers an educated and experienced workforce, Cyprus has a lower service cost than in other jurisdictions and the fact that Cyprus offers a one stop shop service.

4.7. Weaknesses

Interviewees were also asked to discuss weaknesses of the Cyprus holding company regime, if any. The answer to this question took quite a lot of thought and one of the interviewees declared that 'there are no weaknesses'. The interviewees agreed that the greatest weakness was the damage done to the reputation of the whole country and sector because of the banking crisis. Interestingly, the interviewees again used the term 'banking crisis'.

A third of the interviewees talked about the tax administration practice as being too bureaucratic and suggested that the Registration of companies should be more modern and computerized and that the network of Double Tax Treaties should be expanded in Asian, African and other ex-Soviet union countries.

Two of the interviewees spoke of 'the Cyprus problem' – part of Cyprus has been under Turkish occupation for the last 40 years. They feel that this affects Cyprus' development as an International business centre because international clients dealing with Turkey cannot use Cyprus. Cyprus cannot expand its business activities this way and international clients must be careful because of political pressure from Turkey and Cyprus.

A few of the interviewees also mentioned the fact that Cyprus is still perceived as a low tax country or so called 'tax haven' even though it has been part of the European Union since 2004.

Another weakness mentioned was that anyone could become a service provider and offer unprofessional services to clients. However, now that a regulator has been introduced in this area the interviewees believe that investors' confidence will be restored in the near future.

4.8. Other jurisdictions

Cyprus is not, of course, the only holding company jurisdiction. There are others both inside and outside of Europe. Clients sometimes also use so called 'tax haven' jurisdictions. Interviewees were asked to share their experiences about what other jurisdictions could be used instead of Cyprus.

All interviewees discussed other jurisdictions within Europe. The leader was Luxembourg, named 13 times, followed by The Netherlands and Malta, then Ireland and the UK. The Dutch and Bulgaria were named twice. Bulgaria,, just because of its corporate tax rate but it does not have the experience, reputation or investors trust in providing corporate services as yet.

One of the interviewees also mentioned such jurisdictions as Dubai and Singapore, which are also solid, but outside the European Union. Of the so called tax havens The Marshall Islands, BVI, Seychelles and Panama were mentioned by just a few of the interviewees.

In 50% of cases the interviewees also discussed other jurisdiction advantages and disadvantages, although this was not one of the specific questions asked. The strengths of other European jurisdictions were summed up as: great tax incentives, a wide range of Double Tax Treaties, well know to international clients and traditional holding company jurisdictions. Jurisdictions outside the European Union were not compared to Cyprus. Investors using European countries for holding company registration purposes are utilizing tax planning not tax avoidance strategies.

Half of the interviewees admitted that the two main disadvantages of other jurisdictions are their prices and more complicated systems. Two of the interviewees talked about Malta, and said that yes, it is becoming more attractive, but Malta's tax system is still not very straight forward and it is a small nation. Another argument was that other jurisdictions that could be attractive as holding company locations have Civil Law instead of Anglo-Saxon legal systems. There was an opinion from two of the interviewees that other jurisdictions have followed the Cyprus model which was developed in the early 80s.

One of the interviewees admitted that for Russian investors Cyprus is the best option.

Another pointed out that the investor must choose the most effective and suitable jurisdiction for them. This, of course, depends where the investor comes from, what he is looking for, where his investments will be and what treaties are in force.

4.9. Crisis - effect on interviewees' businesses

Of particular interest was the interviewees' reaction to the question about how the crisis affected their company operations. They avoided admitting any effects the crisis had on their own operations and instead discussed the overall effect on the country's economic situation and the banking sector problems. Discussing 'client spending power' a decrease was noted due to increased unemployment which, of necessity, has an adverse economic effect.

One of the interviewees announced that his business had actually managed to grow through the crisis while another said that his business was not affected by the crisis. Three of the interviewees admitted that the crisis had affected their businesses but less so than expected. The difficulty of attracting new clients came up more than once. Two thirds of the interviewees were adamant that they had kept their existing clients. It was admitted by three interviewees that now there appears to be problems with cash collection. A third of the interviewees declared that business is getting back on track. To maintain success, a third of the interviewees tried to soften any effects on their business by additional communication with investors and flexibility in their prices. Some even tried to pre-empt problems and to prepare investors for them.

There was an opinion that the crisis affected the banking sector, not the holding company regime i.e. the banking sector had lost the trust of its customers. Three interviewees stated that clients choose other jurisdictions for banking operations, but use Cyprus holding companies. It was more time consuming with an alternative banking solution looking for clients.

Finally, it was agreed that investors shop around before choosing a Cyprus holding company. Some investors have already tried other options, but returned to Cyprus as the best solution - conditions, prices, service level and infrastructure.

4.10. Measuring effectiveness

The Interviewees were asked to evaluate measures taken by the government. Were they effective in terms of ensuring the sector's sustainability? The majority felt that the government was taking the correct measures, that they are moving in the right direction in the long term and that things are moving forward. Two of the interviewees even stressed that international agencies have improved Cyprus' ratings.

Some of the interviewees felt strongly that the "Hair-cut" was never needed, that measures were too strict and too late.

There was also the opinion that because of the mismanagement of the banks the whole country's reputation has been damaged. Moreover, it was felt that the government just follows lenders' directions without evaluating if Cyprus really needs it. A few interviewees were of the opinion that the lenders' advices were correct and would have a positive effect towards solving the crisis, despite their measures being painful in the shorter term.

Some of the interviewees again pointed out that the government introduced controls and legislation for service providers, which is beneficial in restoring confidence in the industry.

4.11. Other changes needed

The Author also asked the interviewees opinion as to whether any other changes are needed. Four of the interviewees stressed that clients should take more care about their business substance in Cyprus and not just have nominee services. The holding company management should be in Cyprus because it will help with tax planning structures.

Three of the interviewees said that, in Cyprus, there should be stronger supervision by the authorities, firstly of the banks, then of the service providers and lawyers. Also, there should be stricter anti-money laundering rules for lawyers and service providers. The same people admitted that the government public sector is too big and too bureaucratic. For instance, the

procedure for obtaining new company registrations and certificates should be faster and more simple.

A few of the interviewees talked about political issues that delay some decisions and they felt that the banking sector problems need to be solved as soon as possible. The first issue to tackle should be the recoverability of non-performing loans. However, one of the interviewees' thoughts were totally opposite i.e. that Cyprus' economics need a grace period to build up again, not to push the non-performing loans.

There were also suggestions to promote Cyprus as a future energy centre, to develop a more professional working environment and to reduce taxes (but to improve their administration at the same time).

4.12. Comments

The final question was an open one - the interviewees could add anything they thought was important and that had not already been covered. Some of their points can again be related to other questions, but perhaps this just reinforces the importance of them.

It was mentioned three times that Cyprus and its offered legal and tax advantages should be promoted abroad. Moreover, Cyprus should widen its network of Double Tax Treaties.

Twice it was stated that clients realize that Cyprus' holding company regime and its banking system are different things which is why they continue to work through Cyprus.

Interviewees also discussed America's influence in the region and thought it could help to solve political issues and make Cyprus even more attractive for international businesses. There were suggestions to develop relations with the Middle East region and to introduce stricter rules and regulations to help Cyprus become a better jurisdiction. This would stop other countries complaining that Cyprus was just an easy place to avoid taxes.

It was put forward that some people thought that Cyprus was better off before joining the European Union. One of the interviewees categorically stated that this was not the case and that Cyprus should stay in the European Union.

The difference between the public and private sectors was raised as one of Cyprus' problems. There was a suggestion that the sectors should work together in order for Cyprus to succeed on the international stage.

Despite all the foregoing, Cyprus' holding company regime remains strong and well known and Cyprus continues to be an interesting tax jurisdiction.

Three of the interviewees stated that Cyprus' holding company regime was successful, as proven by the numbers and that it remains and will remain an attractive proposition for investors.

Chapter 5: Discussion

5.1. Introduction

The aim of this research was to evaluate Cyprus as an ideal holding company location from manager's perspectives. There are different companies and people promoting Cyprus and various tax journals discuss Cyprus's offered tax benefits. Due to the banking crisis, there is an opinion that Cyprus's reputation is completely damaged, however there are some people who believe that nothing has changed. The Author chose a number of professionals (14) to interview. This research enlightens what is really going on, what clients are thinking and how the banking crisis has affected service providers and company operations. The information gained will help to understand Cyprus's strengths compared to other jurisdictions for holding company registration and to gauge Cyprus's future as an international business centre. This information will be valuable because it will be 14 people's opinion instead of just an individual. The interviews were all conducted over a very short period of time – one week - because of the timescale and access limitations this number was deemed as satisfactory in providing insights into the subject matter. When identical questions produce the same answers/ideas from a group of people those ideas form a factual 'argument' that can be used in the future.

5.2. Research results

All 14 interviewees agreed that Cyprus remains and will continue to be an attractive holding company location. Through the interviews the Author also obtained answers to concerns that last year's events had destroyed Cyprus's attractiveness to the international business community.

Cyprus is an attractive holding company location both from legal and tax perspectives. From the legal perspective, the main argument is that Cyprus adopted the British common law system and their company law, a system that is respected worldwide and easy to use in practice. From the tax perspective, Cyprus's holding company regime is very attractive. There

are a number of benefits for international clients, but the interviewees especially pointed out the following:

- wide network of Double Tax Treaties, that can reduce taxes significantly,
- inbound and outbound dividends are not taxed at Cyprus level in general. There may be a few exceptions and conditions based on where the investor comes from, where the dividends go and which countries are involved,
- there is no capital gains tax or corporate tax from the sale of shares of subsidiaries,
- Cyprus has educated and experienced service providers.

These results are quite logical because the main idea of a holding company is to receive and pay dividends and keep assets, so it is important that the sale of the assets does not attract tax. As a result, international investors are looking at the best options to minimize taxes. Above all, safety, via a trusted and clear legal system is essential because holding companies own the investors' wealth. Finally, Cyprus can offer these investors experienced professionals to organize and run their business here in Cyprus.

Once again the main strengths were noted as being the legal system, Double Tax Treaties and of course attractive taxation rules on dividends, both received and paid out. An interesting fact that came to light was that Cyprus's holding companies can be used as asset protection vehicles. This is a Cyprus phenomenon as it is not usual in other holding company locations.

To give a better understanding of Cyprus as an ideal holding company location, there was a question related to the weaknesses of Cyprus's holding company regime. One of the interviewees declared that there are no weaknesses, but others were of a different mind. There has been reputational damage because of the banking crisis. Investors who lost their funds in Cyprus banks do not want to work through Cyprus despite the fact that holding company regime conditions remain the same. The good news for Cyprus is the fact that actually there is no other jurisdiction offering the same benefits. Classic European jurisdictions are more expensive and complicated hence Investors who had left Cyprus have started to return.

As alternatives to Cyprus, or Cyprus competitors, other European jurisdictions such as Luxembourg, The Netherlands and Malta were mentioned. They also have a wide network of

Double Tax Treaties and are well known. But they are expensive and communication is more complicated. Malta is a relatively new market player, so investors are still suspicious, despite the offered benefits. Investors can also use so called tax haven countries but the interviewees did not think that they could be compared with Cyprus. Cyprus is a solid, reputable holding company location within Europe.

Quite a difficult question was to specify the effect the crisis had on the interviewees' businesses. The Interviewees tended to talk about other companies, the whole country's economic downturn and the effect of the crisis on Cyprus's banking sector. A common opinion was that existing clients stayed put but that it was difficult to attract new clients. In some instances, cash payment became an issue and existing clients started to delay settlement of invoices. Despite this, Interviewees felt that the effect on their businesses was less than expected and that businesses are beginning to get back on track.

The Interviewees were also asked to evaluate the measures taken as to their effectiveness in ensuring the sector's sustainability. They agreed that in the long term, the measures taken were the right decision, although they were unpalatable. Doubt was expressed by some as to whether the "Hair-cut" was really necessary. Of course, further changes and improvements were suggested, such as solving the instability in the banking sector and reducing bureaucracy with regard to registering companies. These were deemed to be helpful to restoring and improving Cyprus's business reputation. Interviewees also discussed the need for substance here in Cyprus. Rules have become stricter in all countries, which have made it more difficult for investors to plan their structures internationally.

At the end of each interview there was an open question asking for any general comments, which the interviewee thought were particularly important and/or had not been fully covered in previous questions, regarding Cyprus's holding company regime. Interviewees again stated that they believe Cyprus is and will be an attractive holding company location with a lot of benefits for international clients. Then followed suggestions about widening the Double Tax Treaty network and promoting Cyprus abroad at government level. Again it was stressed that the banking system and the holding company regime are two different things.

The aim of this research was to find out if Cyprus is considered to be an ideal holding company location from managers' perspectives and this was done successfully. The Managers

agreed and confirmed that Cyprus is an ideal holding company location. They also argued their answers and shared their suggestions to maintain Cyprus as an ideal holding company location in the future.

5.3. Implications for policy makers

The Corporate service industry is economically important for Cyprus. For the country it is important to be an attractive international business centre. This research expresses 14 different professional opinions regarding this industry. The 14 interviewees also shared their suggestions about what they thought still needed to be done/improved. These people have significant experience within the industry, they are able to compare Cyprus to other jurisdictions, to detail Cyprus's strengths, and moreover, they know what clients are looking for, where potential markets are and what is going wrong. So policy makers can use this research to make decisions, do corrections and improve the whole system. An example could be – expand the Double Tax Treaty network, restore Cyprus's reputation and promote Cyprus abroad.

Sometimes it is difficult for policy makers to do the right things because they only have statistics and numbers to go on. They do not know what is really happening within the industry, not just locally but also internationally. Policy makers do not communicate with clients so they do not know their needs. This research gives direct access to fresh information from the industry and can be used to build better conditions for international clients in Cyprus.

5.4. Theoretical contribution

When talking about Cyprus as an ideal holding company location it is difficult to talk about theory because the theory is limited. Cyprus's holding company regime benefits come from its legal system and taxation conditions. In chapter 1 of this study there is an overview of the available literature. Eiche (2009) and Finerty et. Al. (2007) describe the general conditions required to be an ideal holding company location. One of the interesting findings of this

research is that holding companies also can be used for asset protection purposes. This is a Cyprus phenomena and a big advantage, especially for ex-Soviet Union region countries. There were also suggestions for promoting Cyprus to the Middle East and African countries, where this phenomenon could also be very useful.

5.5. Limitations of the study

This research evaluates just the case for Cyprus. The Author did not detail collation with other jurisdictions. Neither did the Author go into the details of Cyprus's legal and tax systems because it was not the intention of this study. That is why only general advantages of Cyprus's holding company regime are listed, without specific conditions for each case. There are any numbers of factors that can influence solutions for international tax planning Such as what investors need, their country of residence, region where their business activities are done, where and to whom dividends will be paid etc.

The number of interviews could have been greater, there could also have been interviews with people from different levels within the companies. There was limited time to conduct the interviews to ensure the interviewees opinions were given in the same economic and political situation as any differences could make it difficult to compare answers. The Interviewees evaluated measures and were somewhat critical of the public sector. It would also be an interesting idea to interview representatives of the government to find out their opinions.

5.6. Future research directions

As previously stated this specific research evaluates Cyprus as an ideal holding company location from managers' perspectives. The chosen method was semi structured interviews with local professionals who have international clients. Future steps for this research could be to find out other professionals' views on this case, who are working in other countries. To explore what they think of Cyprus as an ideal holding company location and if they include Cyprus in their tax planning structures for their clients. This would provide even stronger evidence that Cyprus is an ideal holding company location.

5.7. Summary

The Author found this research very interesting and believes in its usefulness for businesses for example policy makers can follow the professionals' suggestions. The aim of the research was to find out if Cyprus is an ideal holding company location from managers' perspectives and this was confirmed by them through the interviews. The Author felt that 14 interviews was a reasonable number, within the available time frame, from which to analyze responses, make comparisons and draw conclusions and that it provided a wide enough range of people, experience and companies to provide sound and reliable industry data. Interviewees were happy to attend and share their opinions. These people were chosen independently and did not know each other but, despite this, their answers were very much the same, including use of the same terminology. Taking the above into consideration the Author is comfortable that the results truly reflect industry tendencies, problems and solutions.

Future development of this research could be interviews with professionals from other countries using the same case study. However, some of the original interviewees already work in companies who are part of international networks.

Some people might say that because the interviewees are locals that of course they will promote Cyprus. As a counter-argument the Author would point out that these professionals also offer their clients other jurisdictions for holding company registration. Their clients are international and they, themselves, work internationally. The Interviewees chosen had the expertise with which to evaluate Cyprus as a holding company regime in context with other jurisdictions.

Chapter 6: Conclusion

Through the years Cyprus has developed as an attractive business centre for international businesses, offering different services with competitive conditions. One such service is for holding companies. Cyprus offers various benefits from legal and tax perspectives. The recent banking crisis here in Cyprus, raised the question as to whether Cyprus will be an attractive holding company location in the future.

There are a number of publications available which discuss the attractiveness of Cyprus for international businesses and the effects of last year's events on this sector but there is no common opinion. For this reason, 14 professionals were interviewed to find out if Cyprus is perceived as an ideal holding company location and how the crisis affected their business operations.

The results of the interviews were extremely interesting. The consensus of opinion was that Cyprus remains and will continue to be an attractive holding company location. Cyprus's advantages are more than just good taxation conditions and a well-known legal system, based on British law principles. In Cyprus, there is a good infrastructure, pleasant climate, educated and professional staff and reasonable prices. Of course, the banking crisis and the measures initiated by the TROIKA have affected the country's reputation and Investors are more careful about working through Cyprus. Fortunately for Cyprus, no other option exists with the same business advantages. Investors have tried to find other solutions for their international business structures, but have now started to return to Cyprus.

The 'measures' taken were evaluated very differently - one part of the interviewees insisted that the "Hair-cut" was never needed, while others thought they were useful, in the long term, to ensure the sector's sustainability. Of course, there is room for improvement - bureaucracy in the public sector needs to be reduced, procedures should be modernized and the network of Double Tax Treaties should be expanded.

A significant aspect of the interviewees was that they were all conducted during the same one week period. This ensured that an identical business climate was examined i.e. there were no economic changes or differences between interviews which would make it difficult to

compare answers or which might skew the data. Interviewees did not know each other and they represented different companies. In future, interviews could be conducted with professionals from other countries to find out what their opinion is regarding Cyprus as an attractive holding company location.

The aim of this research was fully achieved, interviewees confirmed Cyprus as an attractive holding company location. Moreover, suggestions were also made as to how to improve the sector. This research will have a great deal of practical use, not least of all to the interviewees themselves – most of who asked for a copy of the finished research.

6.1. Reflection

The Author found this research very exciting; it was a whole new experience. Meeting with the interviewees was emotional. For the first time to be recorded, to listen carefully, to follow what people were saying and to lead the interview. These skills were used for the first time, having been learned through books. The results achieved were useful and energized the Author to continue and finish the research. It was a very satisfying feeling to have professionals think that the study was useful and to want to see the results.

References

1. Bryman, A. and E. Bell (2011). *Business Research Methods*. Oxford University Press, New York.
2. Cinnamon, A. and N. Udal (2010). 'Analysis – Holding company jurisdictions', *Taxjournal*, **11** (1055)
3. Country Profiler (2011). 'Cyprus Country report', Global edition. Malta.
4. Cyprus Ministry of Finance (2013). 'Memorandum of Understanding on Specific Economic Policy Conditionality.' Available at: http://www.mof.gov.cy/mof/mof.nsf/MoU_Final_approved_13913.pdf
5. Department of Registrar of Companies and official receiver (2014). *Companies Statistics*. Available at: http://www.mcit.gov.cy/mcit/drcor/drcor.nsf/company_statistics_en/company_statistics_en?OpenDocument (Accessed 8 April 2014).
6. Doran, M. (2013). 'The view from Cyprus: paradigm shift in approach to Eurozone crisis', *Journal of International Banking and Financial Law*, **5** (285)
7. Eiche, R. (2009). *Tax Planning with Holding Companies - Repatriation of U.S. Profits from Europe: Concepts, Strategies, Structures (Eucotax Series on European Taxation)*. Walters Kluwer, The Netherlands.
8. Enders, D., Ch. Schreiber and P. Dorfmueller (2005). 'Holding companies are key international tax planning tool', *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/2606090/Search/Holding-companies-are-key-international-tax-planning-tool.html?Keywords=holding+companies+are+key+international+tax+planing+tool&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&PageMove=10&Brand=ITR](http://www.internationaltaxreview.com/Article/2606090/Search/Holding-companies-are-key-international-tax-planning-tool.html?Keywords=holding+companies+are+key+international+tax+planing+tool&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&PageMove=10&Brand=ITR) (Accessed 8 April 2014).
9. Finnerty, Ch., P. Merks, M. Petriccione and R. Russo (2007). *Fundamentals of International Tax Planning*. IBFD Publications BV, The Netherlands.
10. Haviaras, L. (2014). 'Cyprus anti money laundering measures and the new regulations for the Administrative Service Providers (ASP)', *Mondaque*. Available at: <http://www.mondaq.com/x/275652/Money+Laundering/Cyprus+Anti+Money+Laundering+Measures+And+The+New+Regulations+For+The+Administrative+Service+Providers+ASP> (Accessed 9 May 2014).

11. Johnson, J. and M. Holub (2003). `Corporate Flight: Moving` Offshore to Avoid US Taxes`, *Journal of Financial Crime*, **10** (3), pp. 246-254.
12. Jones, C., and C. Snowden (2006). `Europe gets up for tax reform`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/2608114/Search/Europe-gets-up-for-tax-reform.html?Keywords=Europe+gets+up+for+tax+reform&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&PageMove=10&Brand=ITR](http://www.internationaltaxreview.com/Article/2608114/Search/Europe-gets-up-for-tax-reform.html?Keywords=Europe+gets+up+for+tax+reform&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&PageMove=10&Brand=ITR) (Accessed 8 April 2014).
13. KPMG Limited (2014). `The Cyprus Holding Company: A Gateway to Europe, Asia, Africa and the Middle East` Available at: <http://www.kpmg.com/CY/en/IssuesAndInsights/ArticlesAndPublications/Documents/Publication/The-Cyprus-Holding-Company-2010.pdf>
14. Kimbell, D. and J. Marshall (2004). `Cyprus aims for respectability`, *Euromoney*, **35** (418), p. 16.
15. Kokoni, Z. (2013). `The legislation on the regulations of the fiduciary services passes in Cyprus.`, *International Tax review*, **24** (2), p. 36.
16. Kokoni, Z. (2013). `Cyprus: Cyprus remains an attractive international business centre`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3196906/Search/Cyprus-Cyprus-remains-an-attractive-international-business.html?Keywords=Cyprus%3a+Cyprus+remains+an+attractive+international+business+centre&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&Brand=ITR](http://www.internationaltaxreview.com/Article/3196906/Search/Cyprus-Cyprus-remains-an-attractive-international-business.html?Keywords=Cyprus%3a+Cyprus+remains+an+attractive+international+business+centre&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&Brand=ITR) (Accessed 8 April 2014).
17. Lambert, M. and Z. Wyatt (2012). `CFC focus – FCPE: opportunities and structures`, *Taxjournal*, **15** (1113)
18. Lazic, B. (2012). `Cyprus: Cyprus removed from Russian black list`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3130252/Search/Cyprus-Cyprus-removed-from-Russian-black-list.html?Keywords=Cyprus%3a+Cyprus+removed+from+Russian+black+list&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&Brand=ITR](http://www.internationaltaxreview.com/Article/3130252/Search/Cyprus-Cyprus-removed-from-Russian-black-list.html?Keywords=Cyprus%3a+Cyprus+removed+from+Russian+black+list&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&Brand=ITR) (Accessed 8 April 2014).

19. Mullen, F. and M. Theodotou (2012). `Professional Services Driving jobs and growth in Cyprus`. *PricewaterhouseCoopers, Cyprus*. Available at <http://www.pwc.com.cy/en/publications/assets/professional-services-report-en.pdf> (Accessed 27 November 2013).
20. O'Donoghue, M. and S. Pogorelov (2013). `Russia is a challenging market for deal-making`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3181915/Search/Russia-is-a-challenging-market-for-deal-making.html?Keywords=Cyprus%3a+Cyprus+removed+from+Russian+black+list&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&Brand=ITR](http://www.internationaltaxreview.com/Article/3181915/Search/Russia-is-a-challenging-market-for-deal-making.html?Keywords=Cyprus%3a+Cyprus+removed+from+Russian+black+list&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&Brand=ITR) (Accessed 8 April 2014).
21. Saunders, M., P. Lewis and A. Thornhill (2012). *Research Methods for Business Students*. Pearson, Essex, England.
22. Sinuraya, T. (1999). `Russia: Legality of Russian Offshore Companies and Accounts in Regard to the Problem of Revenue Collection in Russia`, *Journal of Financial Crime*, 7 (1), pp. 89-94.
23. Stettinius, W., D. R. Wood Jr., J. L. Doyle and J. L. Colley Jr. (2005). *How to Plan and Execute Strategy*. MCGraw-Hill, New York.
24. The Heritage Foundation (2013). *2013 Index of Economic Freedom*. Available at: <http://www.heritage.org/index/ranking> (Accessed 24 June 2013).
25. The Heritage Foundation (2014). *2014 Index of Economic Freedom*. Available at: <http://www.heritage.org/index/country/cyprus> (Accessed 8 April 2014).
26. The World is changing: The gradual evolution of tax planning (2013). Survey, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3197014/Search/The-world-is-changing-The-gradual-evolution-of-tax-planning.html?Keywords=the+world+is+changing&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&PageMove=9&Brand=ITR](http://www.internationaltaxreview.com/Article/3197014/Search/The-world-is-changing-The-gradual-evolution-of-tax-planning.html?Keywords=the+world+is+changing&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&PageMove=9&Brand=ITR) (Accessed 8 April 2014).
27. Udal, N., and A. Cinnamon (2004). `How to select a jurisdiction for your holding company`, *International Tax review*. Available at: <http://www.internationaltaxreview.com/Article/2609190/Search/How-to-select-a-jurisdiction-for-your-holding-company.html?Keywords=how+to+select+a+jurisdiction+for+your+holding+company>

- [y&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&PageMove=1&Brand=ITR](#) (Accessed 8 April 2014).
28. United Nations (2013). *World Investment Report 2013*. Available at: http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf Accessed 8 April 2014
29. Vale, P. and S. Meredith (2012). `Ireland: Further positive changes to holding company regime`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3068216/Search/Ireland-Further-positive-changes-to-holding-company-regime.html?Keywords=Ireland%3a+Further+positive+changes+to+holding+company+regime&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&Brand=ITR](http://www.internationaltaxreview.com/Article/3068216/Search/Ireland-Further-positive-changes-to-holding-company-regime.html?Keywords=Ireland%3a+Further+positive+changes+to+holding+company+regime&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&Brand=ITR) (Accessed 8 April 2014).
30. Vale, P. and S. Meredith (2013). `Ireland flourishes as an attractive holding company location`, *International Tax review*. Available at: [http://www.internationaltaxreview.com/Article/3235791/Search/Ireland-flourishes-as-an-attractive-holding-company-location.html?Keywords=Ireland+flourishes+as+an+attractive+holding+company+location&OrderType=1&PartialFields=\(CATEGORYIDS%3a10329\)&tabSelected=True&Brand=ITR](http://www.internationaltaxreview.com/Article/3235791/Search/Ireland-flourishes-as-an-attractive-holding-company-location.html?Keywords=Ireland+flourishes+as+an+attractive+holding+company+location&OrderType=1&PartialFields=(CATEGORYIDS%3a10329)&tabSelected=True&Brand=ITR) (Accessed 8 April 2014).
31. Zambartas, M. (2013). `Why Cyprus is an ideal holding company location`, *International Tax review*. Available at: <http://www.internationaltaxreview.com/Article/3235748/Why-Cyprus-is-an-ideal-holding-company-location.html>. (Accessed 21 November 2013).
32. Whittington, R. and M. Mayer (2006). *The European Corporation*. Oxford University Press, New York.
33. World Economic Forum (2013). *The Global Competitiveness Report 2013 – 2014*. Available at: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf (Accessed 8 April 2014).

Appendix 1: Research Information Sheet

Dear Sir/ Madam

The aim of this research is to explore managers' perceptions as to why Cyprus is an ideal holding company location. The research will include 14 professionals' points of view on this specific topic. This will help to highlight the benefits of Cyprus for holding companies and develop suggestions for future improvements.

If you agree to participate, your views and experiences will be highly appreciated and will be used by Liene Vitola – Evele in the context of her MBA thesis at UCLan Cyprus. Please note that the interview will be audio recorded and will last approximately 30 minutes.

Confidentiality: The information provided by you in the interview is anonymous and will be used for the above mentioned research purpose only. At the end of the study, research data will be archived in the university data base.

If you have any questions about the research at any stage, please do not hesitate to contact Liene Vitola-Evele at: LVitola-evele@uclan.ac.uk

Thank you for your help.

Liene Vitola – Evele

LVitola-evele@uclan.ac.uk

+357 96562312

Appendix 2: Consent Form

I freely and voluntarily consent to be a participant in the research to be conducted by Ms Liene Vitola - Evele, who is a MBA student in the School of Business and Management at UClan Cyprus. The broad goal of this research study is to explore managers' perceptions as to why Cyprus is an ideal holding company location.

Specifically, I have been asked to give an interview, which should take no longer than 30 min to complete. I have been told that my responses will be kept strictly confidential. I also understand that if at any time during the interview I feel unable or unwilling to continue, I am free to leave. That is, my participation in this study is completely voluntary, and I may withdraw from it at any time without negative consequences. In addition, should I not wish to answer any particular question or questions, I am free to decline. My name will not be linked with the research materials, and I will not be identified or identifiable in any report subsequently produced by the researcher.

I have been given the opportunity to ask questions regarding the interview, and my questions have been answered to my satisfaction. I have been informed that if I have any general questions about this project, I should feel free to contact Ms Liene Vitola-Evele at: LVitola-evele@uclan.ac.uk

I have read and understand the above and consent to participate in this study. My signature is not a waiver of any legal rights. Furthermore, I understand that I will be able to keep a copy of the informed consent form for my records.

.....

Participant's Signature Date

I have explained and defined in detail the research procedure in which the respondent has consented to participate. Furthermore, I will retain one copy of the informed consent form for my records.

.....

Student's Signature Date

Appendix 3: Interview guide

Please provide the following information:

Name of company

Short company profile

Company foundation year

Your position in the company

Your educational background

Your experience within the Professional service business area

Question 1

Please characterize the holding company regime in Cyprus, and its benefits for tax planning purposes.

Question 2

What are the strengths and weaknesses of Cyprus's holding company regime?

Question 3

What other jurisdictions could be chosen for holding company locations instead of Cyprus?
Why might they be chosen?

Question 4

How has the crisis affected your company's operations?

Question 5

Were the measures applied in the context of the crisis effective in ensuring the sector's sustainability? Are there any other changes needed?
If yes, please specify what changes you think are required?

Question 6

Is there anything else you would like to add?