



INSIDER

Issue No. 32
March 2007

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GGI EUROPEAN CONFERENCE IN LIMASSOL, CYPRUS 19-22 APRIL 2007



In a few weeks' time, this year's GGI European Conference will be taking place in Limassol, Cyprus. The event is being arranged by GGI members, Eliades - Paschalides - Hadjianastassiou & Co.

As a result of Marios Eliades' superb contacts, **Minister of Finance of Cyprus Michalis Sarris**, a former World Bank Director, had agreed to give a keynote speech at the Conference, however, he has had to cancel at short notice, since his office requires him to attend the ECOFIN meeting in Brussels on 19 and 20 April where he will be discussing and negotiating Cyprus' entry into EMU and the adoption of Euro as from 1st January 2008. He has conveyed his sincerest apologies, but advises that he will nevertheless fulfill his promise and prepare an address for GGI members. Fortunately for us, **Minister Akis Cleanthous**, the Minister of Education & Culture, has leapt into the breach and will be giving the speech on behalf of Minister Sarris. Minister Cleanthous has a reputation as an excellent speaker and is sure to focus the attention of GGI members on some fascinating insights.

A copy of Minister Cleanthous' CV and a set of comprehensive conference documentation will be mailed to you about a week before the conference opens.

We can look forward to a traditional Cypriot evening in a Limassol taverna on Friday night, which the **Mayor of Limassol, Mr. Andreas Christou**, and the **Registrar of Companies of Cyprus Mr. Spyros Kokkinos** will attend in order to extend a personal welcome to Cyprus for all GGI conference delegates.

Enjoy 2 ½ days of traditional Cyprus hospitality and take the opportunity of consolidating your contacts within the network. You can exchange experiences, discuss new business ideas and generally create the right basis for a new and fruitful cooperation based on mutual trust in pleasant surroundings and a convivial atmosphere. Active networking continues to feature highly on the agenda for this year's conference.

If you need any further information or have not yet booked your transfers between airport and hotel and back, please don't hesitate to contact us on huber@genevagroup.net.

If you have queries on individual practice group sessions or would like to propose items to be placed on practice group agendas, please contact the relevant practice group leader directly.



DIARY

19-22 April 2007
European Conference
Limassol, Cyprus

11-13 May 2007
Easymeet for Lawyers
Amsterdam,
The Netherlands

14-17 June 2007
Latin American
Conference,
Mexico

22-25 November 2007
World Conference
New Delhi, India



PREVIEW LATIN AMERICAN CONFERENCE IN MEXICO 14-17 JUNE 2007



The hosts, Basaldúa, Motta y Arango, S.C. have been able to negotiate very favorable conditions at the Hotel Gran Meliá México Reforma, one of the “Leading Hotels of the World”. The Conference promises to be a memorable one. Naturally, the spotlight continues to be on networking and the varied program also offers plenty of time for exchanging ideas and experiences and meeting new colleagues.

For more information, please make direct contact with Dr. Miguel Mantelli, Regional Manager Latin America, on: mmantelli@geneva-group.com.ar.

PREVIEW GGI WORLD CONFERENCE IN NEW DELHI, INDIA 22-25 NOVEMBER 2007



India is a land of contrasts. A vast country of paradoxes and diversity, India offers a range of interesting opportunities. Investment bankers, Goldman Sachs are forecasting that by 2020, the Indian economy will be growing at a constant rate of 8 percent per year. Although India is an ancient civilization, at the same time, it is still a very young nation.

The modern democracy that is India today is only 60 years old (the Republic was established in 1950, some three years after gaining independence from Britain in 1947). Younger still is India’s population, with more than half the population of one billion under the age of 26. Each year, millions of well-educated and ambitious young people are launched onto the job market.

This year’s **GGI World Conference** will take place from **22-25 November 2007** at the **Taj Mahal Hotel**, New Delhi, one of the “Leading Hotels of The World”. The Conference will be hosted by GGI members, R.N.Marwah & Company Chartered Accountants.

You will be receiving the invitation to the Conference in May. We would be happy to recommend an event agency which can help you to extend your trip and make this visit a uniquely unforgettable experience.



EASYMEET FOR LAWYERS IN AMSTERDAM 11-13 MAY 2007



After the great success of past GGI Easymeets for Lawyers in Berlin and London, we are delighted to announce the **third GGI Easymeet for Lawyers**, taking place in **Amsterdam, Netherlands**, from **11 – 13 May 2007**, hosted by Ms Floor Wertenbroek from Holla Poelman Van Leeuwen advocaten.

If you have not registered yet, or if you require any further information, please make direct contact with **Ms Floor Wertenbroek by email at: fwertenbroek@hpla.nl**



FIRST EASYMEET FOR ACCOUNTANTS IN LONDON



After the great success of the GGI Easymeets for Lawyers, Mr. Keith Richardson, Citroen Wells Chartered Accountants, London, will be organizing the first GGI Easymeet for Accountants. If you are interested in principle in joining the meeting, please make direct contact with Keith Richardson on keith.richardson@citroenwells.co.uk.

GGI GERMAN SPEAKING CHAPTER

Dr. Karin Reisinger, Wirtschaftsprüfungs- und Steuerberatungskanzlei Dr. Reisinger, Vienna, will host the next German Speaking GGI Chapter. All German speaking members are invited to participate and invitations will be forwarded in due course. The meeting will most probably take place from **7 to 9 September 2007**. Details to follow.



EDF EXPERTS WANTED

GGI member Open Consulting rt. will organize a conference (seven times two days but all occasions are tendered individually) in which different experts in EDF projects will make presentations. In GGI's internal area of the website (blackboard) you can find further information regarding the goals. Open Consulting rt. now needs CVs from consultants with good references in EDF projects possibly in Africa. The presentations should include a theoretical part as well as practical examples. If you are experienced in this field please send **your CV** and a **list of publications** until **latest 09 April 2007** to Annamaria Verebes at annamaria.verebes@aranyreszveny.com and to Gergö Czirbesz at Gergo.Czirbesz@aranyreszveny.com.

GGI GLOBAL COMMUNICATIONS CARD



The GGI Global Communications Card has just got better by offering you the opportunity to receive bonus \$\$ credit on your card. By recharging your 10digit PIN number * with US\$50.00 or more, you will receive an additional US\$10.00 for free. This special offer will only extend until 30 April 2007.

Following recharge of your PIN, try using the exclusive Global Concierge service to arrange a restaurant reservation, hotel or flight bookings, gifts, flowers or even a round of golf.



FISCAL REFORMS AND ANTI-AVOIDANCE RULES IMPACT ON REAL ESTATE TRANSACTIONS



I.- Introduction.

Recently two new Laws affecting real estate transactions have been approved by the Spanish Government. The first (**Act 35/2006** - in force since 01.01.07) reforms Taxation including Personal Income Tax, Corporate Tax and Non-resident Income Tax amongst others, and the second (**Act 36/2006**, in force since 01.12.06) is aimed at the Prevention of Tax Fraud. We are pleased to summarise for you the main changes and outline their impact for the non-resident taxpayer.

II.- NIE Numbers

As from 1st December 2006, it is compulsory to obtain a fiscal identification number (CIF or NIF for Residents and NIE for Non Residents) for any party related – directly or indirectly – to a real estate transaction in Spain. That means not only buyer and seller but also shareholders and administrators of companies making acquisitions. No Deeds will be registered without such identification numbers.

It is advisable to obtain an NIE number for Non Residents at the earliest opportunity in order to avoid delays and complications with the signing of Deeds at the office of the Notary. Clients should attend personally at the Police Station or nearest Spanish Consulate to obtain an NIE.

III.- Properties owned by individuals.– Capital Gains Tax

Non-resident individual property owners are obliged to pay taxes on the profit made when selling a real estate property in Spain. The profit is calculated by taking the difference between the sales price and purchase price as specified in the deeds (including taxes and costs related to the sale and purchase). As from January 2007, Capital Gains Tax for residents and non-residents alike will be taxed at 18%, regardless of the time that has elapsed between purchase and sale date.

The buyer who acquires a real estate property from a non-resident is obliged to retain 3% of the sales price. This amount should be deposited at the Spanish Treasury –The Hacienda - as a payment on account of the Capital Gains Tax on behalf of the non-resident seller. We would remind you that in these cases the buyer is also obliged to pay 7% Transfer Tax.

Capital Gains Tax rate fell from 35% to 18%
Withholding tax rate fell from 5% to 3%

*Capital Gains Tax
rate fell from 35% to
18%*

*Withholding tax rate
fell from 5% to 3%*

IV.a) Properties held by Spanish Companies (SL)

From January 2007 all the Spanish Companies will be subject to the same Corporate Tax Law as those affecting holding companies under the special regimen known as “Patrimoniales” which have now been abolished. Any gains made by a S.L. from the sale of a property will be included in the taxable base of the S.L. together with all other incomes and expenses for the taxable



year, and the total profits made will be taxed at a tax rate of **30%** (which rises to 32,5% during 2007). Where an S.L.'s annual income is less than 8 million euros, the S.L. will be considered a small business and the applicable tax rate on the first €120.202,42 of profits will be **25%** rather than 30%, with the higher rate of 30% applying to profits above that figure. The corporate purchaser is also obliged to pay **7%** Transfer Tax or VAT.

IV.b) Selling the shares of the Spanish Company

An alternative to the sale of the property is the sale of the shares of property owning S.L. Company. As from 2007 such transaction will be subject to Capital Gain Tax at a rate of **18%**. The buyer is not obliged to make a retention of the sales price, as in a transaction with an individual, but should pay **7%** Transfer Tax when the main asset of the Company is the property itself.

V.- Non-resident property owners

When referring to non-resident taxation, these fiscal reforms do not distinguish between individuals or corporate entities, Europeans or non-Europeans, nor even between non-residents who are domiciled in a tax haven or not. The profits from the sale of a property obtained by a non-resident will be subject to CGT at a rate of **18%**.

If the non-resident owns the property directly è the buyer is obliged to retain **3%** of the sales price and pay **7%** Transfer Tax. If the non-resident owns the property indirectly through the shares of a Spanish SL è the buyer will not be obliged to make a retention of the sales price but is obliged to pay the **7%** Transfer Tax. (See the implications for the S.L. above).

VI.- Temporary regulations: agreement to dissolve "patrimonial" companies

The new Law allows for the dissolution of "patrimonial" companies and provides some tax relief. This is subject to the requirement that a) resolution to dissolve the company must be made during the first 6 months of year 2007, b) the owner of the shares in the company being dissolved is a resident in Spain. And c) the resolution to dissolve must become effective within the following six months of 2007. Once the resolution has been made and whilst the company is in the process of being dissolved, it is still allowed to sell the property. In this case, it will be taxed under the "patrimonial" companies rules with the particularity that instead of **15%** the tax rate will be **18%**.

Redefinition of tax haven

According to the new anti-avoidance rules, Tax haven or null-taxation-territories based entities could be deemed to have their tax residency in Spain when their main assets are located in Spain or its main activity is carried out in Spain. This presumption allows proof to the contrary (to hold assets in other countries, being the Spanish properties less than 50% of the total assets or/and to be able to prove the need of using this kind of structure for standard business purposes).

The 1991 list (*) will be replaced in the near future by adding new territories and excluding others that have already signed a Double Taxation Treaty with Spain.

January 2007.

The material set out herein is for information purposes only and does not constitute legal or professional advice. No responsibility will be accepted for loss occasioned directly or indirectly as a result of acting in reliance upon information contained herein.

**(*) Spanish Tax Havens black list (1991)****EUROPE**

Isle of Man - Guernsey and -Jersey - Andorra - Gibraltar - Luxembourg (1929 holding co) - Liechtenstein - Monaco - San Marino - Malta -Cyprus

AMERICA

Anguilla - Antigua and Barbuda - Bahamas - Barbados - Bermudas - Cayman - Netherlands Antilles - Aruba - Dominica - Granada - Jamaica - Montserrat - Saint Vincent and the Granadines - Saint Lucia - Trinidad and Tobago - British Virgin Islands - US Virgin Islands - Panama - Turks Islands and Caicos - Falkland Islands (Malvinas)

AFRICA

Liberia - Seychelles - Mauritius

ASIA

Lebanon - Jordan – Bahrein - United Arab Emirates - Oman - Macao - Hong-Kong - Singapur - Brunei - Marianas Islands

OCEANIA

Nauru – Salomon Island -República de Vanautu - Islas Fiji - Cook Islands

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RECENT SUCCESS STORIES AND COMPANY NEWS**ESTONIAN LAW OFFICE RUUS, KOCH & VABAMETS PLACED SECOND IN THE GAZELLE TOP 2007**

At the end of January 2007 Estonian leading business newspaper Äripäev released „Gazelle TOP” to cover 100 fastest growing and developing small firms in Estonia. Estonian Law Office Ruus, Koch & Vabamets was placed second in this list.

“Gazelle TOP” is released annually and based on the economical results of the past years. The idea itself originates from the USA where the first gazelle businesses were nominated and carries within the aim to make an overview of the fastest developing small entrepreneurships.

YAKOVLEV & PARTNERS

Up to the end of the previous year Andrey Yakovlev headed both “MaTEC. Yakovlev & Partners” and Collegium “Yakovlev & Partners”. Now he left and became Director of Legal Department of “Rosenergoatom”, a structure responsible for production of energy on atomic power plants. At the same time he continues to be partner at MaTEC. Yakovlev & Partners” and Collegium “Yakovlev & Partners”. Mr. Pavel Timokhin will be head of “MaTEC. Yakovlev & Partners” and Mr. Vladimir Sakovich will be Chairman of Collegium “Yakovlev & Partners”. For further information you can contact Mr. Pavel Timokhin at tpp@matec.ru.



MANAGERS MUST MATCH THE STRATEGY

Talent Management is becoming a critical success factor



*Bernd J. Wieczorek, Egon Zehnder International, Berlin
Norbert Sack, Egon Zehnder International, Berlin*

Companies are progressively assigning executive recruitment and development increasing strategic priority. Slowly but surely, talent management is becoming established as a recognized discipline. That said, companies still rarely network the executive selection process with their corporate strategy. In the experience of Egon Zehnder International, this has caused many promising strategies to fail. Human resource consultants Egon Zehnder International therefore advocate that companies continuously optimize their executive development activities to bring them into line with strategic requirements. Companies that take the long-term strategic view will typically ask themselves a number of far-reaching questions: Where is the company aiming to be in three, five or ten years from now? In which main markets and fields of business will it operate in future? And what do the dynamics of growth and competition look like in those markets? From the answers to these questions these companies derive concrete measures in respect of financing, production capacities and facilities, research and development, product portfolio and sales channels – all of which must form the object of far-sighted planning.

Talent management must be aligned with corporate strategies

No responsible board of directors would dream of neglecting any of these aspects. However, when it comes to management – another decisive success factor – the picture changes. Owners, supervisory bodies and executive boards often simply assume that sufficient qualified executives are available to develop and successfully implement future-proof strategies. This, however, regularly proves to be an illusion. No matter how capable managers may be, their talents are not universally applicable. Their specific experience and competence profiles will not automatically match the requirements of the future. According to the consulting experience of Egon Zehnder International, there can be no doubt that very few companies regularly compare existing management skills with the dynamics of their corporate strategy. A global survey conducted by McKinsey among CEOs, heads of division and HR managers revealed symptomatic findings: Half of the respondent companies, it emerged, make totally inadequate efforts to align their talent management activities – that is to say the recruitment, appraisal and development of executives – with corporate strategy.

Success factors for executive development

The inevitable consequences are strategies that fail completely or do not produce the anticipated results – although their failure is often then ascribed to other factors. Companies that focus exclusively on key management indicators systematically underestimate the importance of management capacity and competence. But what, then, are the decisive criteria for strategically aligned talent management? What are the success factors in an executive selection and development process geared to corporate strategy?



Strategies are constantly changing, sometimes radically. This was the situation in which Daimler-Benz AG found itself, for example, in 1995 when Jürgen Schrempp took over as Chief Executive from Edzard Reuter. Reuter had pursued a strategy of turning the company into an integrated technology group. Schrempp, by contrast, mindful of the roots of Daimler-Benz, chose instead to concentrate on the automobile business. The company duly was to be turned into the world's leading automaker. The new strategy also contained a strong presence – not least as a manufacturer – in the USA and Asia, as well as a far more extensive product range. From high-volume to luxury brands, the newly formed DaimlerChrysler Corporation was out to cover all major markets and customer segments.

The main challenges for management were obvious. Among other things, the globalization of production and sales as well as collaboration with manufacturers in America (Chrysler) and Asia (Mitsubishi and Hyundai) radically increased the demand for managers who knew their way around the various markets and commanded pronounced intercultural skills. At the same time, there was a need for executives and experts with extensive experience in the development and production of high-volume models. Consequently, the traditional corporate and leadership culture and the existing management skills were ill-matched to the new requirement profile.

One recent example of a sharp change in strategy is provided by Siemens AG. In the past, Siemens was an industrial conglomerate that was also active in the service sector (providing IT services for example) as well as supplying consumer goods such as cell phones. Today, Siemens

is focused on selected engineering fields and medical technology. At the same time, the company is targeting a significant increase in return on equity and the remaining lines of business are to be expanded substantially at global level. For the top management team this means on the one hand that typical business-to-consumer skills are no longer required. On the other hand, however, the demands in terms of results orientation in complex business environments and of the intercultural sensitivity of managers are rising fast. In particular, the ability to shape and drive change processes is in great demand.

These examples illustrate the fact that, when strategy changes, a systematic reappraisal of the existing management team is essential. This ensures that existing potentials, competencies and gaps are identified and enables the company to take the necessary remedial measures. In particular, companies need to provide targeted development options for high potentials and, wherever necessary, reinforce the management team from the outside. The outcome of these measures is that the entire management organization and culture is optimized in line with strategic requirements.

Talent Management must be continuous process

Far-sighted companies go one step further. They instigate a permanent talent management process that continuously appraises executives, considers their strategically harmonized development an ongoing task, and integrates succession planning for key management positions into the overall process. Companies that have adopted this approach assign talent management at least as much proactive importance as, say, financial planning. At every stage of strategic discussions and changes, at these firms the management factor is a fully integrated top priority.



In fact there should be no strategy paper that does not expressly look into the implications for executive development. Which competencies will need strengthening in the management team of the future? What types of manager need recruiting from outside and what types can be developed in-house? Are the corporate leadership structure and culture still compatible with the revised strategy? Questions like these should really form part of the standard repertoire of any strategic debate. Talent management should not be a reactive process, but an organic part of any proactive corporate culture. The corollary is that effective talent management can only be successfully established with the unreserved support of the CEO and the entire board of management. These top managers should themselves actively and systematically pursue the far-sighted recruitment and development of entrepreneurial talent and set an example by promoting such an approach in their own professional environments.

Professionalization gains ground

In recent years Egon Zehnder International has been involved in the appraisal of management teams at numerous companies. This included a number of management appraisals that targeted the identification of the strengths and weaknesses of the executive team in the course of a change of strategy, as well as the definition of appropriate medium- and long-term executive development measures. At many companies, this kind of appraisal has become a standard tool. But in addition to this, an increasing number of companies are expressing an interest in forward-looking strategic talent management.

As this indicates, the professionalization of talent management is gaining ground – and for good reason. Our own model calculations underline the fact that implementing a system of this kind brings a sustainable increase not only in the feel-good factor for high-performing executives, but also in the bottom line for the company itself. In sum, strategically oriented talent management pays high dividends in more ways than one.

NEW GGI MEMBERS

We wish to extend our warmest welcome to our new distinguished members:



Isle of Man

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Languages spoken: English
Services: Tax Consulting, Management Consulting,
Corporate Trust & Wealth Management Services





NEW GGI MEMBERS

We wish to extend our warmest welcome to our new distinguished members:



Costa Rica

Asesores & Consultores Empresariales S.A. Despacho de Contadores Públicos

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Services: Financial Accountancy Services, Tax Consulting





FURTHER INDEPENDENT CONFERENCES AND EVENTS

Please find below some independent conferences and events which could be of interest for our members.

Auditing Governance, Strategy, Ethics and Risk Management

30 April – 1 May 2007

London, United Kingdom

<http://www.mistieurope.com/default.asp?page=10&pclD=6393&sdlD=12576>

Contract Risk Management for the Oil & Gas Industry

28 – 29 May 2007

Jakarta, Indonesia

http://www.hierosgamos.org/hg/db_meetings.asp?action=page&pcomp=1678&From_MM=8&From_YY=2005

Compliance Management

21 – 24 May 2007

Hamburg, Germany

<http://www.igpc.com/cgi-bin/templates/singlecell.html?topic=235&event=12744>

Investment Fund Strategy

5 – 8 June 2007

Prague, Czech Republic

<http://www.euromoneytraining.com/default.asp?Page=16&productid=6360>

Please doubleclick on the topic of the conference in order to obtain further information from the website

If you wish to be taken off the mailing list, send an e-mail to <mailto:info@genevagroup.net>. Let us know what you think of Insider and we deal for future issues.

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