As Cyprus is embroiled in trials and tribulations beyond its professional community's control, George and Alexis Tsielepis – Managing Director, and Director, Head of Taxation – of Costas Tsielepis & Co. brilliantly display how brothers in arms can emerge triumphant.

By Chloe Panayides

BROTHERS IN ARMS

Howling, the wind spurs me along Limassol's seafront as I seek out the abode of Costas Tsielepis & Co. Leaves shiver on their branches, some falling helplessly to the ground or being swept into the path of oncoming traffic. I am grateful when, having rung the bell, the large wooden door creaks open and I take cover in the company's expansive, inviting offices. Suddenly, stillness sets in: serenity; a feeling of safety within, in contrast to the meteorological onslaught taking place without.

Enter the Tsielepis brothers. George and Alexis, contrariety incarnate, take their seats around the conference room table.

The dynamic energy held between their opposing yet complementary forces is tangible. George, I'm told, is the older and "more sensible" brother, who is meticulous in dotting his 'i's' and crossing his 't's'. He handles the operations and finances of the company, safeguarding its future. Alexis, meanwhile, is all passion and expertise. Whilst lending knowledgeable tax advice by day, he is often found taking clients out to dinner by night, dancing alongside them come the evening's end.

Light and dark; earth and fire; sense and sensibility: brothers in arms.

Getting straight to the core of things, George explains the company's origins: "Our father, Costas, founded the company in 1978, at a time of sweeping changes in the island's tax regime to provide incentives for investment. We started with just two clients and worked incredibly hard to build our reputation from there."

Come the 1980s, the company enjoyed its first exposure to international clients ("mostly located in Lebanon and Kuwait") who were gravitating to Cyprus in search of acquiring properties and establishing trading companies to operate in the Middle East and Europe.

"In 1989," George continues, "We came into contact with someone from the Bank of Foreign Trade in Russia who wanted to establish a branch in Cyprus: this eventually evolved into RCB Bank Ltd.," he reveals.

"This actually constituted one of our first entries – our gateway – into the Russian market. We've built upon this internationality (with many of our clientele now crediting their origins to Russia and the CIS), and we have expanded our services to meet our clients' demands."

Having conceded so, George is quick to clarify with the following insight: "That being said, talking about where our clients are

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from has become diluted of late. A lot of Russian nationals now live in Austria, Switzerland, the UK, and Cyprus, even, and these countries have become home. As such, there is a rising universality in ensuring that substance and transparency is adhered to. It's now more important where our clients' core businesses are, or where their other structures are located."

Isn't evolution over 30 years arduous and terribly strategic, I wonder, to which George notes: "In truth, we've merely evolved with the times: the advent of international business in Cyprus demanded that regulations intensify alongside ever growing professional requirements, and we responded accordingly."

With a company philosophy balanced on the premise of "quality over quantity" applying, I'm told, to clients and staff alike, the loyalty experienced by both groups has been distinguished, to say the least.

"We've had clients with us since the 80s!" George explains, adding that the company is also well known for the calibre of its local clientele.

"Overall, they really appreciate our client-centric approach and the fact that we've stood by them through all the tumultuous external changes going on. We bring continuity in addition to good service."

Pressed for examples of those "external changes", George offers the following: "When Cyprus joined the EU and our tax regime increased from some 4% to 10%, clients and associates alike expressed concerns that we'd become an expensive jurisdiction. But, as an island, we implemented a clever tax regime overall, which provided for advantageous extensions. What we were afraid of turned out to be a very positive development."

This, of course, is premised on the idea of embracing changes, as opposed to challenging them.

"That's right," George agrees. "For example, there have been a lot of legislative changes in Russia recently, as well as further proposals for change, meaning that the state is looking intensely at the way companies are working. Cyprus and Russia renegotiated their tax treaty accordingly in 2010, and we started telling our clients that governments will become more aware and interrogative overall in the light of global initiatives (such as the OECD's 'effective management' push). As such, we stress to our clients that they absolutely must have a structure in place with substance and transparency. We've always been happy to be transparent, and people coming to Cyprus were looking at the island as a long-term base anyway; we don't want to encourage the other end of the spectrum."

At the mention of change, Alexis steps in to elaborate on his new venture (dubbed by George as "Alexis' baby"), Chelco VAT. Incorporated this year, Chelco VAT came about, I'm told, out of pure necessity.

Alexis notes: "Up until now, company structure in Cyprus was simple: the wolf looked after the wool factory! It worked well, but Cyprus has never taken its destiny into its own hands, resting, rather, on its good fortune.

"But as legislation has become more stringent worldwide, and governments are looking for money in times of crisis (and striving to tackle tax evasion) there has been an increase in VAT, changing the way people are taxed."

When VAT was introduced in 1992, it was simply accepted by both people and professionals alike. The expertise wasn't there to advise entities, and a lot of confusion ensued.

"People have come to realise that they need to pay more attention," Alexis states. At the time of joining the EU, evasion was still rife ("we still had too many secret bank accounts," Alexis adds), and legislation has aspired to correct this. "But creases in mentality are harder to iron out." Still, there's no harm in trying, Alexis says. "I'm currently undertaking a Master's Degree in VAT, the duration of which is two years: one year down, one to go! I have dealt with a lot of VAT experts Europe-wide and, together with networking, I have realised how below par Cyprus is when it comes to VAT knowledge."

As the only Cypriot professional to undertake this course (which has been in place since 2000), Alexis is keen to spread his growing knowledge base: "I currently give seminars on behalf of the Institute of Certified Public Accountants, and the more in touch with people I get, the more I realise that key knowledge is truly missing, meaning that the overall level in Cyprus regarding VAT practice is poor."

At present, Chelco VAT deals with the local market, has links with EU international law and accounting firms, and does back office work for SMEs.

"Going forward, I believe that people will realise, more and more, that specialisation is not only important, but vital," Alexis muses.

Otherwise – the conversation's sentiment agrees – we run the risk of becoming victims of our own success.

Firing up, Alexis states: "We experienced a boom in Cyprus without actually being ready to experience it, and properly handled it. We don't really function that well as a society and this applies even more so to the Government sector. The public sector isn't yet fully oriented towards the citizen."

The post EU-entry boom meant we found ourselves, Alexis continues, in a situation devoid of effective corporate governance ("like grown-up countries such as the US and UK have," George adds), without effective monitoring, and without accountability. "With hindsight," George interjects, "this is very clear. A lot of people put a lot of money into banks that didn't have corporate structures to effectively manage the money, and so it was used flippantly. This isn't necessarily fraudulent, but it is definitely negligent. It equates to poor investment decisions."

What resulted is described by George as being one of the harshest wake-up calls we could have experienced, and resulted in a loss of credibility.

"Now, we have to start from scratch in rebuilding our image,"

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Alexis adds. "As a firm, we're actually being very honest and upfront. We're not painting a rosy picture, precisely because we feel that deceit takes a long time to recover from, and that's not something we want to associate ourselves with.

"So instead," George says with conviction, "We're focusing on the good things. For example, the fact that the tax regime is still good, and Cyprus is doing a lot more to improve upon it. We're ever strengthening our professional structures and are thus developing an increasing reputation as a foreign tax jurisdiction."

George adds: "On a side note, other jurisdictions have to be convinced of our transparency, otherwise whatever double taxation treaty we have with them will be negated."

To combat what Alexis refers to as an "ego problem" rampant in Cyprus, Costas Tsielepis & Co.'s survival is being balanced on keeping focused on what the company is doing, being self-reflective, and assessing both strengths and weaknesses.

"This is our recipe for success," George notes, to which Alexis adds, "It's very easy to put a lot of nice adjectives in a sentence. But it's all superficial. You need to know yourself to be able to effectively go out and bring in new business, targeting specific types of clients. We say no to clients a lot more than we say yes, which some people are incredulous about considering we're in the middle of a crisis.

"But we do this to protect and to preserve the precise capacity of what we can provide. To do this, we need to be selective."

Incredulity, it seems, extends further than Costas Tsielepis & Co.'s selectivity, Alexis reveals: "We don't actually try to sell Cyprus. Believe it or not, if Cyprus is the wrong jurisdiction for our clients, then we won't recommend it. After the crisis came to a head in March 2013, we told our clients that if they wanted to leave, they could count on us to help facilitate that! A lot of big firms regrettably push new businesses in the path of a jurisdiction in which they already have other structures, as opposed to what is best for this particular entity"

George explains: "But we've developed trust and integrity, and we were disappointed by how our tireless hard work could be jeopardised by factors out of our control."

Alexis notes with a smile: "There are so many battles to fight, but if you're smart, you'll pick your battles."

Talking of battles, George credits the Troika of international lenders as having done "a lot of good" despite some people's resistance to their presence here. However, Alexis adds, political parties are often at the core of the island's problems. "The problems in the public sector are vast. And the legislation that made inequalities possible was voted in, precisely, by parliament. So until the latter changes, we can't change as a country."

With too many proverbial cooks in the Cypriot kitchen, bringing in non-native executives may be a way forward. George agrees: "We actually supported the appointment of John Hourican with the Bank of Cyprus. Overall, non-Cypriot leaders could have valuable necessary experience, and, more importantly, bring international credibility, which often makes all the difference to our clients.

"We have hopes that Hourican will instil corporate governance ethics into the Board. Wilbur Ross and Josef Ackermann are amongst those who have been proposed for the Board, and this, in large part, is thanks to Hourican's efforts. Should they be elected, this will help to restore credibility in Cyprus' banking sector more than anything else we can do."

And what's the most gracious inherent quality of non-native leaders? Alexis has the answer to this question: "Foreign CEOs are not a part of the nepotistic system rampant in Cyprus and are therefore unaffected by political parties. Appointing a foreign CEO more often than not will mean that we will have someone working for the wider interest of the citizens of Cyprus as opposed to being directed by ulterior motives."

Knowing that the brothers have been involved in major investment transactions over the last year (namely, the sale of the Alexander the Great Hotel and Le Meridien Spa & Resort), I can't help but turn the conversation to the subject of foreign investment in Cyprus.

"Investors are as happy to buy as owners are to sell!" Alexis states.

"We're grateful that these deals came so soon after the bailout of March 2013. That's a real sign of success. And one of our 2013 deals that saw a foreign investor acquire 50% of a hotel's shareholding has actually been updated, for the investor to acquire 75% plus 1 share," George explains.

"But why are we not seeing more investment?" Alexis asks rhetorically. "Because we have a strange way of valuing property in Cyprus, and far too much red tape. The restrictions on building (how, where, what, with whom etc.) are ridiculous," he adds. "Consider the casinos. A major Las Vegas-based group came to Cyprus with the intent of committing themselves to investing some €200-300 million to build a sizeable casino. Understandably, this interested faded because the group was being told where to build the casino, who to work with in building, and how to run it. I should think that if an investor is willing to part with over €200 million, then he should really be afforded the courtesy to call the shots!"

Noting that their clients are divesting, with 'X' amount of wealth that they want to invest in certain areas, George credits – further to the tourism industry – the services sector as being a key area of potential investment (Costas Tsielepis & Co. also oversaw the sale of the Kanika International Business Centre).

"Basically," Alexis says with a chuckle, "as long as we don't blow it, there is investor interest. And I imagine we will see this increase as we become more realistic about the prices we ask for (which will be aided once the foreclosures legislation is in place)."

Lamenting sub-par work having been allowed to exist for "the longest time", with select firms still failing to exercise due diligence, neglected AML procedures, and more, both brothers agree that even more stringent regulation should be put in place.

"The problem is," Alexis notes, "All it takes is a few rotten apples to spoil the picture in Cyprus."

After the harsh lessons of March 2013, we can only hope that the good ones prevail. G