

_Mortgage's: only cancelation can wait.

The rates have fallen and have eased the debt burden, but it is convenient to speed up the maximum payments that are eligible for tax deduction.

Early repayment of the mortgage may sound Chinese at a time where saving rates have soared to levels never seen. The suspicion to spend money that might be very necessary in the following months is lowering the degree of early mortgage repayment. The drastic reduction of the Euribor and the strong lowering of the monthly payment are also generating unexpected savings that may well give occasion to reduce the outstanding debt to the bank. The collapse of the Euribor allows an average saving of more than 4,000 Euros per year for who review their mortgages with September's Euribor rate. However, the current environment of low interest rates discourages to amortize the mortgage beyond the amounts eligible for deduction for regular housing in the income statement; i.e., 9,015 Euros per year or 18,030 Euros if it is a married couple where each spouse submits a single income.

Who has savings available and doubts whether to assign them to lighten their mortgage, it is recommended to maximize the tax deduction, it is more sensible to repay when rates arise. To invest the available savings in remuneration deposits may leave profit that exceeds the reduction in interest payments obtained with the early repayment of the mortgage, outside the tax benefit.

This is a matter of tuning the calculation

of the benefits, both financial and tax, in function of the available capital and term slope in which could be reduced the full repayment of the debt.

In general terms, whom have left less than ten years to pay, should rush to maximize tax deductions and devote the remainder of the savings available to a deposit.

DEDUCTIONS FOR HOUSE ACQUISITION what do we need to know?

What happens to the deduction for main residence in the joint income tax return?

If you comply with the requirements for the presentation of individual tax returns, as opposed to joint returns, the deduction for the main residence increases. In this case the maximum deductible is doubled, i.e. a total of 18.030 Euros p.a. In the case of a joint return the maximum deductible is 9.015€.

Is it possible to continue benefiting the deduction when the mortgage holder has moved house?

Yes, but with conditions. In the case of having sold a house to buy another, the taxpayer will not be able to continue deducting for his new home until the amount invested in the purchase exceeds the amounts paid by the previous house, which was entitled to the deduction. Here we would also apply the exception for reinvestment, which leave free from capital gains from the sale if reinvested into a new main residence within two years maximum. Thus, the tax deduction for the new housing will be activated

again only when the mortgage holder has paid an amount equal to the sum of the amount on which the deduction was practiced of the previous home, plus the fit exempted profit by the reinvestment. For example, if you exempt paying taxes for a capital gain of 50,000 Euros and get benefit from tax deductions for having paid 40,000 Euros for your first home, you will be able to be benefited again when you pay 90,000 Euros for the house you now live in.

What happens to the payment mortgage deduction in the case of divorce?

The Tax office allows the spouse who no longer lives at the family home to continue deducting the mortgage on the house in which live the former partner and children and then also for the mortgage on the new house he inhabits. The maxim deductible is 9.015 Euros per year.

What requirements must your home have to apply for the deduction?

The taxpayer may benefit from the deduction for main residence, if he began to live in the house within the year of its purchase or completion of the works and if he lives in it at least three consecutive years. If he lives in the house for less than three years, he must return the deductions obtained to the Tax Office. The deduction will not have to be returned in the case of a job transfer or marriage. The taxpayer must start living in the house within the first year of purchase or he will not be able to deduct what he has paid.

ASEC NOTES

_The world moved on... and what a year it has been!

Yet another year has gone by. It seems like yesterday that I was sitting down at my desk drafting the introduction to our Xmas 2008 edition of Asec Notes.

But the world has moved on and what a year it has been!

Who would have said that the new US president would have turned the world around in less than 12 months? Well he has and if only by his ability to instill confidence in people, he has been able to give us all, the boost we so lacked to move forward again. Confidence, that precious asset, which we all work so hard to create and retain, is the key to the future.

This spirit of optimism is paramount for any business person who wants to get on, but not only that, hard work is back in fashion and this is vital for the reconstruction of the economies of the world. Optimism is contagious and we must all learn to transmit it to all the people who surround us in our daily lives. Invest in talent, invest in people, these are the key strategies to take us forward. The ASEC group is committed to maintaining its team at the forefront of the changes in our profession and in encouraging individual initiative. In 2010 we will be launching our own event organising and marketing company, for the financial sector. But 2009 is not yet over and by the time you read this circular we will have successfully hosted this year's IAPA international conference in Madrid. We are committed to expanding our professional reach through our IAPA links.

As I look towards the challenges that 2010 will bring, I cannot help but feel that if the recession was caused by the financial and other markets, the recovery is going to be made worse by the politicians whose desire to over borrow and over legislate is bound to set us back. The worst affected by this, no doubt will be the poor nations of the third world.

Spain however, in spite of its efforts to be seen as a go ahead new member of the G20, will continue to struggle, as a result of its outdated employment policies, and the long term effects of the collapse of the property market. But not all is gloom and doom, as these challenges create, in themselves, opportunities for modernising the economy and opening up new areas of development. I hope all who read this newsletter will derive some benefit out of it, and I wish everyone as good a 2010 as one can hope for.

Best wishes.

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Tax havens. Requests soar to sign tax agreements with Spain.

International pressure against tax opaque countries is starting to take effect. Up to 24 territories considered tax havens by the Spanish legislator or uncooperative by the OECD have been in contact with the Spanish Tax Office for the past two months to sign exchange of information agreements, thereby losing the unwanted label of tax haven. There are "exotic" and far away countries on the list such as The Bahamas or the Sultanate of Oman, or European States like Andorra or Switzerland.

The flood of requests to exchange tax information shows that, maybe this time, the battle against tax havens, may constitute a tangible international change obstructing the use of so-called off-shore territories to avoid taxes or to fix an aggressive tax planning outside the law. In 1990 the then Spanish Minister of Economy now EU commissioner, Carlos Solchaga, encouraged the development of a list of tax havens which reached a total of 48 territories. Companies and citizens that operated with these countries were unable to access most of the tax



benefits provided by the legislation. Today, out of the 48 countries listed, 21 of these want to sign a double taxation agreement to include information exchanges. Three of them (Jamaica, Malta, and United Arab Emirates), already have agreements with Spain but have asked to revise them in order to include the article 26 of the OECD model agreement, which allows effective exchange of tax information.

Accepting article 26 allows stepping out of the new list of tax havens that the OECD published in April for the G20 summit in London. Presently, the international organization includes 46 territories in a grey list, defined as countries that have agreed to exchange tax information but do not do so yet.

Spain has agreements with Switzerland, Belgium and Uruguay, and they have requested to modify the agreement, to comply with the rules of the OECD. On the other hand, Gibraltar, Monaco, Panama and Liechtenstein have made no such gesture and continue to be considered by Spain as tax havens.

The OECD estimates that a staggering 13% of global GDP is placed in opaque areas. Spanish citizens holding bank accounts in European countries with bank secrecy, i.e., Belgium, Luxembourg or Austria, are applied a

tax of 20% on the interest they receive in these countries, as stipulated in the Lisbon agreement. A 75 % of this tax is given to the Spanish Tax Office. The Spanish Tax Office has received 46.5 million Euros thanks to this procedure. Mostly from Switzerland and Andorra, this suggests that both states are the most attractive for and used by Spanish taxpayers, when considering depositing money in countries with banking secrecy. Switzerland, Andorra, Belgium and Luxemburg have all the Spanish exchequers doorbell to review or sign double taxation agreements.

Switzerland, a prime example, has started to see how serious things were getting when last February the world's biggest economic power, USA, denounced the major Swiss bank, UBS, forcing them to reveal the names of 52,000 Americans who allegedly had used banking secrecy to avoid taxes.

Finally a settlement was reached and UBS agreed to provide the information requested by Barack Obama's new administration, which have strengthened their position against tax havens and have reached an agreement with the Swiss Finance Ministry for the exchange of tax information. The Swiss Finance Ministry has made clear that this information will only be supplied in specific and well justified occasions. [▲](#)



The Madoff Storm

The recent financial scandal staged by Bernard Madoff is just one more of many in the last two centuries. This new case is yet another call to international supervisory institutions who supervise the markets, the financial institutions involved and the investors.

Investors have always been tempted by profitability. In the nineteenth century in Madrid the daughter of a famous writer, borrowed an ounce of gold from a neighbor, promising that she would pay her back with two ounces. The neighbor told her friends, who came hurrying to take advantage of the bargain too. The news spread, which made more and more customers come to her, begging her to accept their savings. This way the coffers were always overflowing. She was asked on how she achieved such magnificent results, replying... "That's my secret but one day you will all find out that it is as simple as a drop of water".

In the twenties an Italian, Carlo Ponzi, arrives in Boston and decides to publish a magazine specialized in foreign trading. He sends a letter to a Spanish entrepreneur informing him of the new release. The entrepreneur replies, enclosing a postal reply coupon, which Ponzi could redeem for

the American stamps he needed to send the magazine. The coupon that in Spain had cost the equivalent to one cent was exchanged for six stamps of one-cent each. This gave him the idea to set up a company with the name of Securities Exchange that promised his investors a 50% return in a period of 90 days that after some time was reduced to 45. In a few months, he was a millionaire and had a lot of agents dedicated to recruiting new savings in exchange for generous commissions.

In the early eighties, Mrs. Branca dos Santos was the top gossip in Portugal. Thousands of people withdrew money from their bank accounts and gave it to her to invest. She remunerated the savings at a rate of 10% monthly, ever time.

All the above are typical examples of the so called pyramid scheme.

The permanent entry of new customers is a prerequisite of any pyramid: without fresh money it is not possible to return the promised profits to the first investors. Whatever the specific characteristics of the proposed business may be, in the end, the saver loses all his money, whilst those who setup the scam may not.

The essential elements to not look like a pyramidal scheme. The recent fiasco starring Bernard Madoff assembled both features. Thanks to his reputation as a philanthropist, to have your assets managed by Madoff was a sign of distinction. He had a select group of underwriters who allegedly peered into their complex investment strategies, which really were doing little or nothing except to receive juicy commissions.

Many similar frauds have taken place over the last two centuries. The difference is in the magnitude of the fraud and the victims, which include some of the world's richest and financial wisest families. It all underscores the urgent need to review the mechanisms of the market's supervision -the American SEC must make a detailed examination of its disastrous actions in this case- and the decision process followed by the Management of the entities involved in the distribution of sophisticated financial products.

However, the call for responsibility must also come to savers. It is not acceptable to agree to the kind of terms signed with Madoff or his agents. As we say in Spain "when donations are big even the Saints are suspicious." [▲](#)

Miles Away From A Tax Reform

The Spanish government has proposed modifying four taxes as from 2010. The measures announced do not constitute a real tax reform but a change in the rates applied in several taxes, the measures seek an increase in revenue collection to try to reduce the deficit.

- The general VAT rate goes up from 16% to 18%, and the reduced rate from 7% to 8%. The super-reduced tax rate is maintained at 4%. This measure comes into force in July 2010.
- The purchase of new housing (except for subsidies homes), which is a Vat chargeable event, will be taxed at 8%, up by 1%.

- Personal income tax on financial products & capital gains also goes up. The base rate rises from 18% to 19% up to 6.000€ of profit while the excess is taxed at 21%.

- Suppression in personal income tax deduction of 400 Euros for earned income or economic activities.

- Withholding tax on dividends and interests increase from 18% to 19%.

- Withholding tax suffered by Spanish resident landlords on rental income rises from 18% to 19%. Non Spanish resident landlords continue with the 24% tax rate.

- Capital gains tax obtained by an individual, non Spanish tax resident, in the sale of a Spanish property will be taxed at 19%.

- For the tax years 2.009, 2.010 and 2.011 corporation tax will come down five points for SMEs with turnover below five million Euros, and with less than twenty-five workers

NOTE: Regional Governments now have the power to levy additional Income Tax. No precise information is available at this moment on these proposals. [▲](#)

Five Important Business Strategies To Fight A Downturn

10 Ways To Cut Costs



1. Market Opportunities.

Respond to customers' shifting demands and offer new products or services that better meet these new demands. There is also the opportunity to acquire clients from struggling rivals.

2. Transformation Opportunities.

The five competitive forces that shape industry are rapidly changing in many cases. This provides an opportunity to rethink your business model and potentially transform your business for greater success in the future.

3. Resource Opportunities.

Many struggling businesses are being forced to sell assets at low prices to raise cash.

This creates opportunity for businesses that have the financial strength to acquire those assets.

4. Portfolio Opportunities.

Make the hard choices on your portfolio of business units, products, and customers. What business should you be in? What business should you no longer be in? What new business do you need to get into? Make clear decisions on what are going to be "core", and "non-core" activities for your business going forward.

5. Operational Opportunities.

Use this time to identify ways to improve the efficiency of your core processes and to improve your ability to implement your chosen strategy by incorporating best practice systems and processes. ¹

1. Keep Staff On Board

Cost-cutting measures are often unpopular, but when staff understands that their jobs may depend on them, they'll play along.

2. Improve Business Forecasting

When you have a clearer picture of future trading conditions, you can make more reliable resourcing decisions, on everything from staff levels to materials and marketing spend.

3. Analyse Spending

Map outlay on goods and services along a horizontal axis and criticality of purchases up a vertical axis. Divide box into four quadrants. Focus on purchases that fall into the top right-hand quadrant.

4. Review Utility Costs

Typically, these represent the second or third biggest single controllable cost. Shop around to cut utility charges.

5. Control Business Travel

Some journeys aren't really needed. Look at the purpose of long trips and whether you can get what you need another way, through a videoconference or webcam meeting, for example.

6. Cut The Cost Of Debt

It's excessive (and sometimes expensive) debt that sinks many businesses. Look at reducing the cost of debt by an injection of equity.

7. Automate Routine Processes

Provide more information on your website. Ask customers to order online.

8. Explore Offshore Manufacturing

Consider whether all or parts of your products can be manufactured in the Far East or Eastern Europe.

9. Use Consultants Sparingly

Sometimes they save you money more often, they cost. Consider asking them to work on a contingency basis.

10. Cut directors' perks

It's tough to start at the top, but it sets the right example to the rest of the company. ²



IAPA INTERNATIONAL CONFERENCE MADRID 2009

Asec Group

IAPA is a global association of independent accountancy firms and groups providing a full range of high quality professional services to clients with international needs.

IAPA's success is founded upon the strength of professional and personal contacts that have developed between member firms across national and regional boundaries.

IAPA seeks to promote these contacts by holding regular conferences and specialist events at global, regional and national levels. These events offer member firms an informal opportunity to exchange information and ideas, to discuss professional issues, and simply to get to know each other better.

This year, ASEC GROUP had the privilege and honour of being host to the IAPA INTERNATIONAL Conference held from the 24th - 27th October, in Spain's capital city of Madrid and one of the oldest cities in Europe.

We worked very hard over the last 9 months to ensure that all our guests had a great time. We guided them through the country's tumultuous history, and that of its regions which not many years ago were actually kingdoms in their own rights. A true example of real political union, much enhanced in recent years, particularly since we joined the European Union in 1986; and yet with growing regional diversity in terms of customs, usage of languages etc. But equally our aim was that the IAPA group becomes stronger and is able to go forward with its plans to become a forceful player in the international field.

We prepared a 3 day conference with back to back presentations covering topics such as product revenue, sustainable marketing, International Tax issues, the IFAC'S help SMPs, branding, and introductions by new member firms. We also held the organization's Annual General Meeting.



For the past 3 years IAPA has been chaired by Herb Alexander (Alexander, Aronson, Finning & Co., PC - USA) who carried out an excellent job and definitely took the organization a step further. The new chair elected was the former Vice-Chairman, Juan Carlos Ronco Corsi (Asec Group - Spain), who was delighted with the result of the election and thrilled with this new challenge.



IAPA Chairman, Juan Carlos Ronco Corsi & former IAPA Chairman, Herb Alexander

Tours of historical landmarks such as the Prado Museum, Botanical Gardens, Casa America, Palacio Real & Catedral de la Almudena, took place where guests could understand a little more about the Spanish culture and beautiful architecture.

Without the participation of our delegates, guests and speakers, the event would not have been possible and we would like to thank them all for coming.

It was a pleasure for us to organize this magnificent event and hope we left a little bit of Spain in their hearts.



Gala Dinner, Casino de Madrid

Leadership Qualities. Have you got the stamp of a leader?

Hard times, such as the ones we are going through is when one can really appreciate the weaknesses or strengths of a good leader. To look in the mirror and recognize oneself is the first step towards improving and or discovering the real existence of a leader that with subsequent experience and the challenges of adversities will refine.

Running a business is not an easy job; to lead it is even more difficult. The financial crisis together with internal and external problems may uncover the self-made leader. A few tips to avoid this risky situation: self-confidence, self-control, self-motivation, empathy and influence. It's all about skills linked to emotional intelligence, which makes up over 90% of any individual's leadership skills.

It is essential to convert these skills into common behavior, especially in critical moments, so as to be able to obtain the best from the team, particularly when the fight isn't over and the battle hasn't been won. Most executives find high levels of pessimism in their work teams especially in sales, so being able to minimize the terms of the crisis and cope with day to day life naturally is vital.

Probably, in companies where the manager's roles are limited to giving instructions, find more obstacles to overcome the crisis. This requires teamwork and perfect clockwork, and is achieved by managers accustomed to motivating people. Nevertheless, those who only devote themselves to handing out instructions are in danger of losing the script. A real leader is versatile: commands, manages, unites, asks for suggestions, directs towards achievement, qualifies his collaborators and encourages the best practices. To command is not enough, leadership implies a lot more.

Therefore, a real leader before leading others must learn to lead himself. One should not stop questioning and evaluating how his actions impact or influence on others. An executive, and even more in critical situations, should be aware of his strong points and his opportunities to improve.

To look in the mirror and examine without pride nor fear of one's reality is the first step to improve human quality and leadership. The image that one receives must be complemented with the objective opinion from subordinates and colleagues. This is essential to improve social skills and policy resources.

More than the 60% of the output of any business is the direct result of a management's ability to provide quality leadership. The fact is that when a company is in danger it is because the strategy, the structure, the values, the communication, the climate, the talent or the management styles were not the adequate ones. A leader provides sustainability or will endanger the future of the company and if he's a "toxic leader", he will affect the professional health of the company.

A study carried out by The Centre for Financial Studies (CEF), a Madrid based think tank, sets out the management actions or attitudes that most irritate workers, such as: lack of clarity and motivation, bad communication, contradictory instructions, or management incompetence.

A good Manager's basic attributes are authenticity, integrity and creativity. An executive whose aim is leadership must be able to obtain the best out of his team. This is what differentiates today's leader from a traditional boss.

What you can never do without

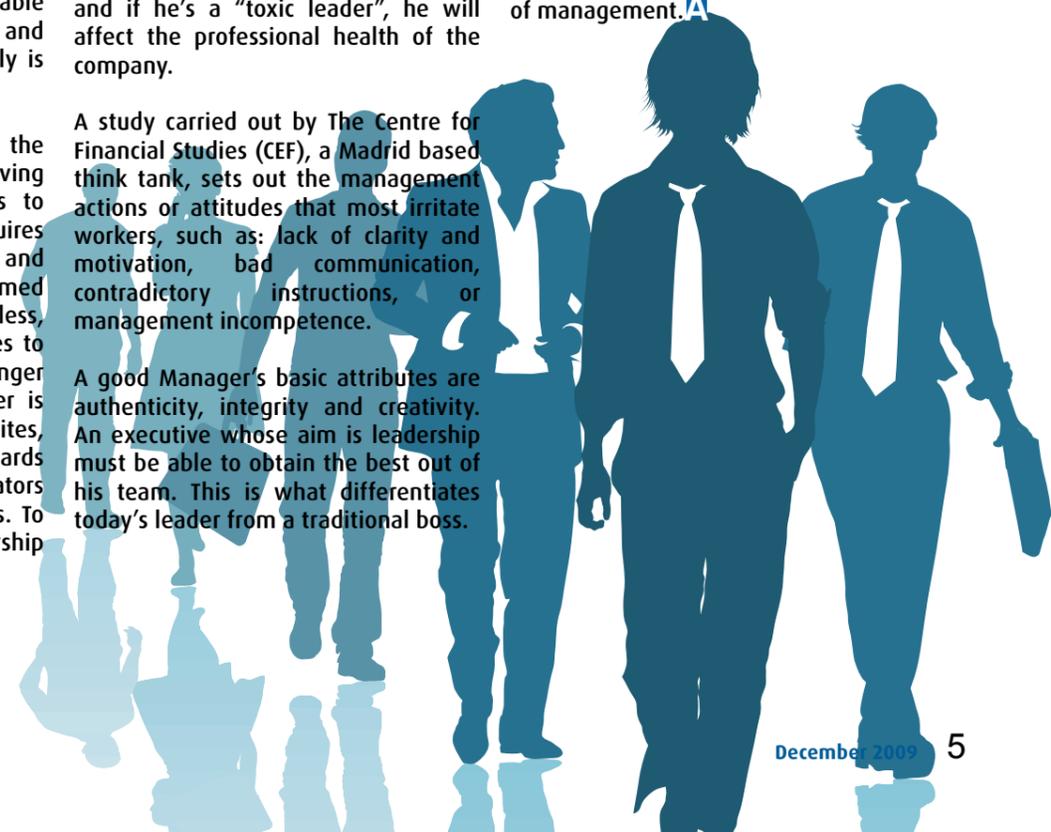
Courage: You must be able to take people where they have never reached. You must lead showing enthusiasm and transmit your energy so that others can reach the top.

Good Communication: Your message must be clear and direct. Subordinates complain because they do not know the basic objectives. Transmit orally and in writing the future vision and strategies.

Motivation: Convince, influence, stimulate... the team to get the best out of each member. A true commitment of the employees with the companies' goals is basic to achieve success.

Empathy: Do not forget you are working with people, put yourself in their shoes, this helps to lead.

Listen: To be open-minded and listen to other opinions could lead a company and its executives to have a real vision of management.



Do You Want To Reduce Costs?

Encourage Your Employees To Do Exercise.

There are many physical and mental health benefits that can be gained from regular exercise. A person that practices exercise 30 minutes a day has a better resistance to stress, better self-esteem, sleeps better and suffers less back-ache. A good physical form decreases the possibility of cardiovascular illnesses and others.

Exercise strengthens self-improvement, cooperation, the dosage of effort, respect and constructive competitiveness. Therefore, companies should encourage their staff by providing facilities to exercise; after all, fit employees are less likely to get sick.

Some specialists point out that it is a lot more economical to provide exercise facilities than to support the health costs that entail sedentary life style. Cardio and cerebrovascular illnesses are the leading cause of mortality in the developed countries. Musculoskeletal is the leading cause of sick leave in Spain.

The Service sector growth and the use of new technologies in this industry have made the ergonomics risk factors, related to working posture, to have a greater impact on the working population rather than other factors such as chemical, physical or biological agents.

The current findings present the sedentary workplace as a potentially hostile environment in terms of overweight and obesity. Being a desk jockey weighs heavily on workers, according to a study, the more a man sits at his desk, the more likely he is to be overweight. Other diseases related with sedentary lifestyle are: type 2 diabetes, hypertension, colon cancer and breast cancer in women.

The positive experience of installing kindergartens or dining rooms at workplaces boosts the idea of installing small gyms on-site. Another possibility could be to reach an agreement with a local gym.

Experts insist on how important it is to be fit, but there is no need to run a marathon. They recommend 150 minutes a week of moderate exercise (10 min taking the dog out for its walk, 10 min to buy the paper and so on until we get to the 150 min) or 90 minutes on a more intensive level (to combine aerobic, strength or flexible exercises). All this should be regulated by a qualified professional. The ideal is to adjust a workout to the needs of each employee. Those that suffer cardiovascular problems must count with medical supervision.

All in all, studies regarding the costs of sick leave prove that companies could save 600 Euros per employee if they would exercise on a daily basis. 

Growing Bigger Is Not The Same As Getting Fat

Nor Is Losing Weight The Same As Becoming Anorexic

Hard times await those who have not been able to resist market pressures to increase costs and thereby cover up inefficiencies in their HR resources. Efficiencies in any business can be achieved through an adequate mix of socially responsible policies and a tight control of expenditure.

For those who fell in the trap of continual growth, and cannot resist the temptation to continue, here are some suggestions.

1. **Keep smiling**, even if all seems lost. If depression sets in, your team will begin to feel disheartened, their productivity will suffer and the better members of the pack will start to look for alternatives. You will be left with a less efficient team, and failure will loom ever closer.

2. **Recover the desire to achieve results.** If you have done your homework well and the redundancies have been well orchestrated, this is the moment to recover your business focus, centre your teams on achieving collectable sales.

3. **Be prudent in your business decisions;** make your team feel that they are important for you. Give them room to make decisions on their own. This will allow them to develop a sense of involvement and will feel successful when things come out well, and the necessity to resolve issues when they don't.

4. **Be prepared to and take decisions but remember that your authority is always moral,** linked to the person who drives success. It is not that of the manager who always knows best.

The worst that can happen is that you have reduced your team, that those that have stayed are afraid and that you continually make mistake, in circumstance where it is easy to do so. Give your team the moral freedom to work on their own.

To summarize:

What we are saying is very simple; keep calm, keep smiling, orientate your team towards achieving results, roll up your sleeves and don't be afraid to get dirty and get your team to come in around you. If you achieve this you will achieve moral leadership and finally success.

Remember: perhaps you thought you were growing and that in doing so you were getting fatter, and this was bad. But the alternative never involved becoming anorexic. 