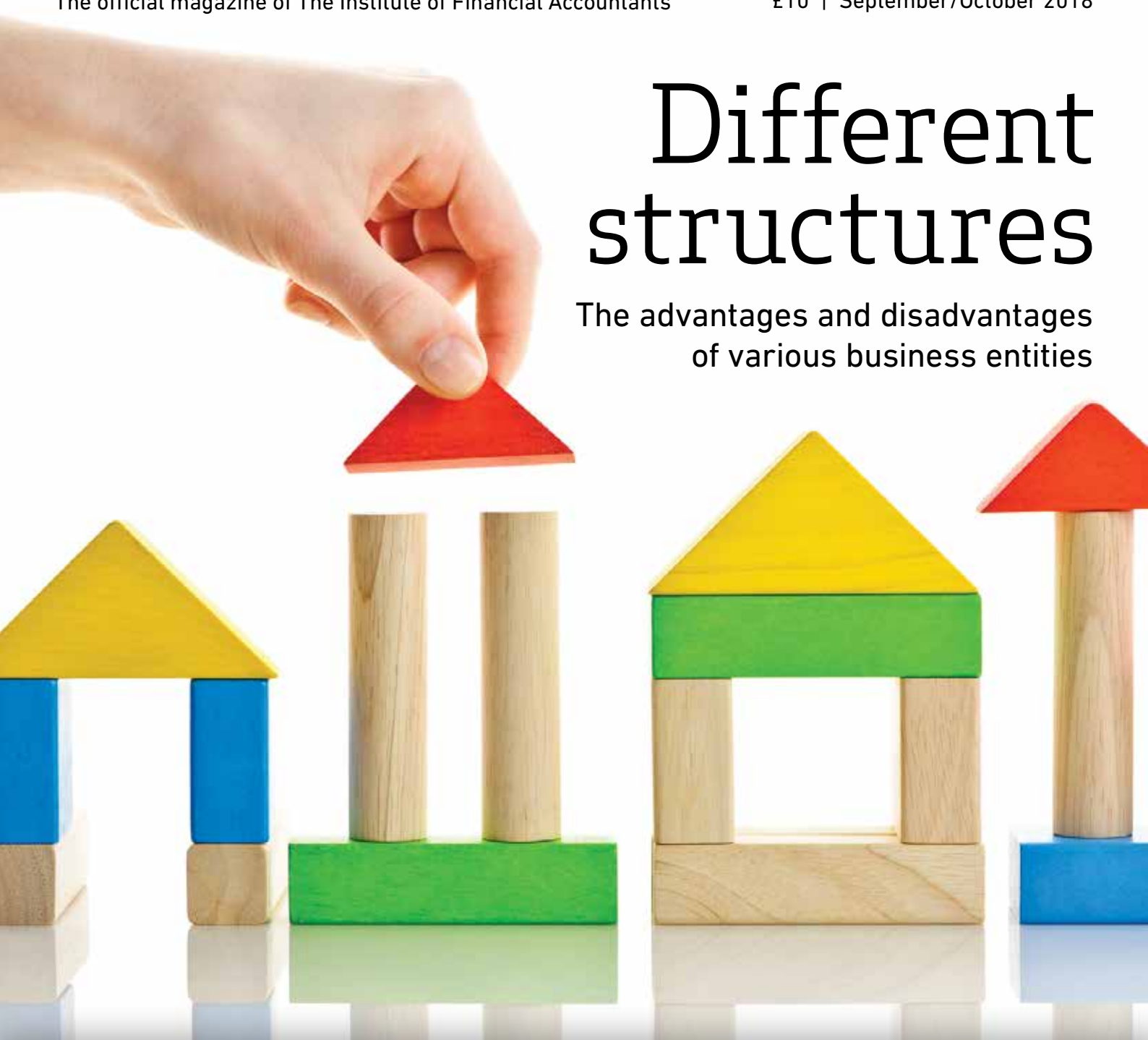


Financial accountant

The official magazine of The Institute of Financial Accountants

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The advantages and disadvantages
of various business entities

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Chairman of Advisory Council Ian Hornsey | Chief Executive Officer John Edwards
Head Office Office CS111, Clerkenwell Workshops, 27-31 Clerkenwell Close, Farringdon +44(0)20 3567 5999 mail@ifa.org.uk www.ifa.org.uk

PA Business Support Executive Jolene van Wyk +44 (0)20 3567 5832 jolenevw@ifa.org.uk

Head of Operations Jane Capaldi +44 (0)20 3567 5830 janec@ifa.org.uk

Membership Manager David Haste +44 (0)20 3567 5820 membership@ifa.org.uk | Membership Executive Robert Millard +44 (0)20 3567 5837 membership@ifa.org.uk

Compliance Executive Bill Bewes +44 (0)20 3567 5841 membershp@ifa.org.uk

Compliance Support Executive Eleri Davies-Knapp +44 (0)20 3567 5842 elerid@ifa.org.uk | Education Manager Susan Divall +44 (0)20 3567 5836 susand@ifa.org.uk

Director of Professional Standards Anne Davis anned@ifa.org.uk | Case Manager Martyn Durbidge martynd@ifa.org.uk

Head of Business Development Jonathan Barber 07711 955 939 01924 865 779 jonathanb@ifa.org.uk | Business Development Executive Paul Flowers 07496 528029 paulf@ifa.org.uk

Business Development Executive Iona Daly 0744 4570783 ionad@ifa.org.uk | Commercial Business Development Executive Linda Wallace +44 (0)20 3567 5838 lindaw@ifa.org.uk

Communications Manager Debbie Homersham +44 (0)20 3567 5833 debbieh@ifa.org.uk

Editorial Editor Richard Curtis 020 8212 1948 | Advertising & Marketing Advertising Opportunities advertising@lexisnexis.co.uk

Marketing Manager Rakhee Patel | Production Design and Technology Manager Elliott Tompkins | Advertisement Production John Woffenden | Designer Carrie Love
Offices LexisNexis, Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS. 020 8686 9141 Fax: 02890 344215 | Editorial richard.curtis@lexisnexis.co.uk

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Institute of Public Accountants

Celebrating our merger anniversary

The IPA Group – together we have come a long way and in only a few months' time, we will celebrate the fourth anniversary of the IFA coming into and, in fact, forming the IPA Group. On behalf of the IPA Group Board, I am very happy with our progress and am looking forward to a bright future for the Group and our members globally.

The financial year ended 30 June signalled strong growth and, indeed, growth not experienced before in the history of both the IPA and the IFA. This is not about bragging rights, but rather acknowledging that our members are our lifeline for future growth and investment, which in turn delivers greater member benefit.

As a member of the IPA Group, you are part of a global organisation that has a presence in more than 80 countries worldwide. It is important to recognise that we work in a global profession in an increasingly integrated, worldwide and digital economy.

For the IPA Group, it also means pursuit of our purpose of improving the quality of life of small business and this applies to all global economies in which we operate.

Most nations see small business as the engine room of their respective economies. As clichéd as that may sound, statistically it's true; however, I believe small business is much more than that – small business is not just the engine room; it's the whole plant and factory. However, economies – whether it be through the politics of the day or otherwise – often place the small business sector at the bottom of the policy-creating heap.

We formed the IPA Group to influence and drive change to that thinking. I have previously referred to the Australian Small Business White Paper and our aspiration to create a similar vehicle in the UK. The second edition is well underway for the Australian market. And with the academic support we have acquired in the UK to establish a sound research basis, I expect to start the development of the UK Small Business White Paper in early 2019.

What is the relevance to our members? More than 70% of IPA Group members service small businesses and, as their trusted advisers, we should represent not only the interests of our members but also the small businesses they serve. This is something our members should be proud to share with their clients, employers and businesses.

To further this cause, we are developing a multi-jurisdictional digital content platform that will not only provide articles from this magazine, but other local and global news of interest as well. For the UK, we are aiming to launch early next year and once up and running, I would encourage the sharing of this with clients. This is cutting-edge digital content and I hope you will enjoy it.

A handwritten signature in black ink, appearing to read 'A Conway', with a stylized flourish underneath.

Professor Andrew Conway FIPA FFA
IPA Group CEO.

✉ I am always interested in the opinions and experiences of members, so if you have something to share, please don't hesitate to email: john@ifa.org.uk

The IFA – getting stronger

I hope you had a glorious summer break and are feeling refreshed and energised to take your business or career forward. I believe the IFA is going from strength to strength and I'm delighted to report that the year ended 30 June has signalled strong growth across the Group, which I will reflect on in the November/December issue of *Financial Accountant*.

The pledge made to members when the IFA amalgamated with the Institute of Public Accountants – 1 member, 2 designations and 3 key benefits, being greater efficiency, greater effectiveness and greater member value – remains firmly in place and keeps us fully focused. Our aim is continued growth and a positive financial position, supported by strategies that are designed to: grow member and student numbers; raise brand awareness and standards; improve communication and engagement with members in 2019 through a digital content platform; develop new services and products; and produce a Small Business White Paper – on which we will be seeking your views.

On a more serious note, the Money Laundering Regulations 2017 place new obligations and demands on member firms and the IFA as a supervisory body. Although there has been a favourable reduction in our general expenditure compared to the last financial period, regulatory and compliance costs in this area continue to increase. Our approach has been, and will continue to be, around education rather than enforcement. However, ensuring members are up to date with changes in regulations is a responsibility we take extremely seriously to ensure professional reputations are not at risk. Unfortunately, members who fail or refuse to submit their annual return information or change their working practices to comply with the regulations following a monitoring visit will, I'm afraid, face disciplinary action. This is something we wish to avoid if at all possible so as not to jeopardise the future of your accountancy practice and incur the associated costs.

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) was set up by the government in January 2018 to improve consistency of professional body AML supervision in the accountancy and legal sectors. OPBAS is funded by the professional bodies that it supervises. Their first round of monitoring visits, to each of the professional bodies to assess how they are performing against their obligations as a supervisory body, is underway and the IFA will welcome OPBAS representatives in November. From October, the AML fee that is currently levied on all IFA practicing certificate holders will be incorporated into a new member firm fee structure. I will be writing to all IFA member firms in September to explain this fully.

Finally, may I thank members for their contributions to the consultation on off-payroll working in the private sector (www.ifa.org.uk/representations) and for their continued understanding and assistance. The IFA conferences in Birmingham (10 October) and Huddersfield (8 November) are fast approaching so, if you've not done so already, please book your place at www.ifa.org.uk/events and I look forward to seeing you there. I hope membership of the IFA continues to provide relevant added value and support.



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John.

John Edwards FFA FIPA
IFA CEO.

Regulatory

EU (Withdrawal) Act

The government's Brexit legislation received Royal Assent in June.

tinyurl.com/ifa-11290

Digital divorce

A fully digital divorce application service has been launched. The online service offers prompts and guidance to assist people in completing their application, and uses clear, non-technical language. The whole process can be completed online, including payment and uploading supporting evidence.

tinyurl.com/ifa-11300

EU citizens and their families

A statement of intent on the EU Settlement Scheme – allowing EU citizens and families to apply for settled status after June 2021 – has been published by the Home Office. This explains scheme eligibility, includes draft immigration rules and notes the evidence that will be required. The scheme will open fully by March 2019 with an application deadline of 30 June 2021.

tinyurl.com/ifa-11282

Immigration and asylum

A report by Justice – the civil rights organisation – warns that immigration and asylum seekers may be exploited or let down by unscrupulous or incompetent legal advisers.

tinyurl.com/ifa-11232

Leasehold houses

The Law Commission has published a paper on leasehold enfranchisement and the suggestions in it will be developed into a consultation paper in September 2018. It is noted that leasehold houses have become more common, with apparently little justification.

tinyurl.com/ifa-11234

Personal data

The Information Commissioner's Office has published guidance on the right of individuals to be informed when their personal data is used and collected under the General Data Protection Regulation (GDPR). This includes the information required from the individual, the timeframe and manner of provision.

tinyurl.com/ifa-11274

IFA CODE OF ETHICS – FUTURE REVISIONS

The IFA's Code of Ethics (tinyurl.com/ifa-COE) is based on the code of the International Federation of Accountants (IFAC).

IFAC's International Ethics Standards Board for Accountants (IESBA) has rewritten the Code of Ethics for Professional Accountants (tinyurl.com/ifa-IFAC-COE) to make it easier to navigate, use and enforce. Therefore, the IFA's Code of Ethics will be rewritten to take into account these changes in due course.

So, what are the changes? Beyond the new structure, the IESBA code has been updated for key ethics developments to make it clearer on how accountants should deal with ethics and independence issues.

Although the fundamental principles of ethics have not changed, major revisions have been made to the unifying conceptual framework – the approach used by all professional accountants to identify, evaluate and address threats to compliance with the fundamental principles and, where applicable, independence.

Highlights of IESBA's new code include:

- revised "safeguard" provisions better aligned to threats to compliance with the fundamental principles;
- clearer independence provisions on long association of personnel with audit clients;
- new and revised sections dedicated to professional accountants in business (PAIBs) relating to the preparation and presentation of information and pressure to breach the fundamental principles;
- clear guidance for accountants in public practice that relevant PAIB provisions are applicable to them;
- new guidance to emphasise the importance of understanding facts and circumstances when exercising professional judgement; and
- new guidance to explain how compliance with the fundamental principles supports the exercise of professional scepticism in an audit or other assurance engagements.

The IESBA code has been renamed the International Code of Ethics for Professional Accountants (including International Independence Standards). It comes into operation in June 2019.

Criminal records

The Disclosure and Barring Service states that a network of registered bodies will form a group of criminal record check professionals – the Criminal Records Trade Body. The group will encourage the adoption of enhanced identity verification processes; contributing to the development of policy and legislation. It will also promote best practice and awareness of overseas criminal record checks.

tinyurl.com/ifa-11276

ANTI-MONEY LAUNDERING

An HM Treasury notice, *Money laundering and terrorist financing controls in overseas jurisdictions*, was updated in July 2018. The notice contains advice on the risks posed by unsatisfactory money laundering and terrorist financing controls. Members in public practice operating in overseas jurisdictions and/or with overseas clients should consider this. tinyurl.com/ifa-11320

BUSINESS

Asbestos

As part of its "No time to lose" campaign, the Institution of Occupational Safety and Health has launched guidance on asbestos management for employers and duty holders.

tinyurl.com/ifa-11304

Confidence rising

The FBS Small Business Confidence Index climbed 6.9 points from the first quarter. Small business profitability has risen and 62% of such firms say gross profits are steady or increasing.

tinyurl.com/ifa-11238

Broadband speeds

New rules on the advertising of broadband speeds mean that the use of "up to" speeds will no longer be acceptable; instead, the average speed must be used. This follows research showed that consumers were likely to be misled by previous claims

tinyurl.com/ifa-11246

Tiny URL

The "tinyurl" web addresses at the foot of the news items and elsewhere in the magazine are short aliases for longer addresses. Simply type the tinyurl address in your web browser and press return to be taken to the relevant website for more information on the news item.

Late payments

Small businesses continue to suffer late payment. A recent survey suggests that £14.9bn was outstanding for goods and services provided.

tinyurl.com/ifa-11240

Business interruption

A recent survey indicates that 65% of small businesses and the self-employed have no plans to cope with potential disruption to business operations.

tinyurl.com/ifa-11242

ICO fines consultant

A former veterinary recruitment consultant has been fined £355 under the Data Protection Act 1998, s 55. He stole personal data from his former employer's database before forming a similar company.

tinyurl.com/ifa-11244

Cyber protection

Scotland's businesses and charities will be supported to incorporate improved protection against cyber-attacks.

Increased awareness of cyber threats, the promotion of good practice and practical steps will help support smaller organisations. Half a million pounds will be available to help organisations achieve the National Cyber Security Centre's Cyber Essentials certification to help protect against the most common forms of internet-borne cyber-attacks.

tinyurl.com/ifa-11336

Wellbeing

A report from the Centre for Research on Self Employment finds striking differences both between employees and the self-employed and also between different self-employed groups. On average, self-employed people have higher levels of life satisfaction and wellbeing than employees.

tinyurl.com/ifa-11302

EU-Canada trade model

A report by the Department for International Trade examines scenarios under the EU-Canada Comprehensive Economic and Trade Agreement (CETA). The first is if trade continues under CETA after Brexit, the second is where the UK reverts to most-favoured nations rules. The overall conclusion is that the UK would see more benefits under continued CETA trade.

tinyurl.com/ifa-11248

Post-Brexit motor insurance

UK drivers and hauliers should not have to apply or pay for "green card" insurance documents when travelling in European Union member states after Brexit. Subject to EU Commission approval, the Department for Transport says that the UK will remain in the motor insurance "free circulation zone".

tinyurl.com/ifa-11250

The decline of cash

Shifting consumer habits, new technology and payment innovation mean that debit card payments have exceeded cash as the UK's most frequently used payment method. Contactless cards seem to be a major factor, with 63% of people making contactless payments.

tinyurl.com/ifa-11284

Trade barriers removed

Despite a rise in protectionism, the EU's enhanced Market Access Strategy reports that 45 obstacles to global trade were lifted fully or in part in 2017.

tinyurl.com/ifa-11280

BRANCH MEETINGS

It is encouraging to see registrations for IFA branch meetings increasing. Registration for a meeting is completed online, through the Events section of the IFA website. Branch meetings are free and attendance counts towards the accumulation of CPD. However, not only are we noticing an increase in registration, but also non-attendance.

If you are unable to attend a branch meeting after registering, please inform the Institute by telephone 020 3567 5999 or email: events@ifa.org.uk The Institute organises a venue and refreshments based on registered numbers.

IFA & IPA ANNOUNCE INDUSTRY FIRST CLOUD ACCOUNTING PARTNERSHIP

The IFA and IPA have joined forces with accounting software provider Reckon to launch a member-first cloud accounting solution. The strategic partnership will empower small to medium-sized enterprises (SMEs) to deliver a greater customer experience by leveraging the cloud to bolster productivity and fuel growth.



The partnership will see the introduction of IPA Books+, a white labelled version of Reckon's flagship cloud accounting solution Reckon One.

More detail about IPA Books+ will soon be available on the IFA website and at forthcoming branch meetings and regional conferences in Birmingham and Huddersfield.

For more immediate information, contact: membership@ifa.org.uk and quote IPA Books+.

T: 020 3893 2823

E: ukmembers@ipabooksplus.com

Women in Finance report

A report sets out the Treasury Committee's conclusions on diversity in the financial services sector. Reform of bonus negotiations and flexible working should help to remove the "alpha-male" culture in the industry and encourage the progression of women to senior levels.

tinyurl.com/ifa-11294

Domain names after Brexit

Following the UK's withdrawal from the EU, entities that are established in the UK but not the EU, and natural persons living in the UK, will no longer be eligible to register or renew .eu domain names

tinyurl.com/ifa-11286

PENSIONS

Few DB schemes

The Annual Survey of Hours and Earnings pension tables shows that 89% of public sector employees were members of a workplace pension scheme compared with 67% of private sector employees. However, although 92.7% of the former were in a defined benefit (DB) scheme, only 13.3% of the latter were.

tinyurl.com/ifa-11306

Your IFA benefits

Take advantage of a range of benefits that we have negotiated for you.

Banking

- Metro Bank

Finance

- Foreign exchange: UKForex
- Vehicle finance: Mann Island

Insurance

- Professional indemnity insurance: A J Gallagher
- Private medical insurance: HMCA
- Tax fee protection: Qdos Vantage
- Cyber insurance: Hiscox

Learning

- Online CPD: Nelson Croom
- Training and support: Mercia

Legal

- Legal support: RadcliffesLeBrasseur
- Online legal documents: Net Lawman

Lifestyle

- Parliament Hill

Support

- Anti-money laundering: AMLCC
- Auto enrolment: Intrinsic
- Business support: The CV & Interview Advisors

- Career management: GaapWeb
- Ethics: Institute of Business Ethics
- Events: Brain Exchange
- Insolvency information portal: FA Simms
- Intellectual property: Intellectual Property Office
- Microsoft Office training: Excel with Business
- Mobile communications: Voice Mobile
- Practice advisory services: David Verney Associates
- Secure email: FRAMA UK Limited

Tax

- Capital allowances: Veritas Advisory
- R&D tax relief: Catax
- Tax portal: Gabelle

Technology

- Expense tracking: 1 Tap Receipts and Receipt Bank
- Office 365: Microsoft
- Online accounting software: Capium, Clear Books, Intuit and Reckon Software Ltd
- Online business tax software: GoSimple Software Limited
- Online personal tax software: GoSimple Software Limited

Visit www.ifa.org.uk/benefits to see the quality products and services available to Institute members.

EMPLOYMENT

Sickness

The Office of National Statistics reports that, on average, UK employees each took 4.1 sickness absence days in 2017. The sickness absence rate has fallen since records began, but this could be due to healthier lifestyles or "presenteeism" – employees going to work while ill.

tinyurl.com/ifa-11262

Ethical behaviour

A survey by the Institute of Business Ethics shows that 16% of employees in Europe say they have felt pressure to compromise their organisation's ethical standards. Organisations should ensure they support employees when it comes to making ethical decisions.

tinyurl.com/ifa-11310

Low pay crackdown

The number of underpaid workers receiving money they are rightfully owed under the national minimum wage has more than doubled following a crackdown on low pay waged by the Department for Business, Energy & Industrial Strategy and HMRC. Between 2017 and 2018, investigators uncovered £15.6m in pay owed to more than 200,000 of the UK's lowest paid workers.

tinyurl.com/ifa-11278

Workplace discrimination

The Advisory, Conciliation and Arbitration Service has published new guidance on religion and beliefs to help prevent workplace discrimination and ensure that businesses follow the law when managing staff.

The guidance also helps ensure that, if possible: employers take a flexible approach to dress codes; consider requests to use annual leave for religious reasons "carefully and sympathetically"; and understand that fasting can impact performance.

tinyurl.com/ifa-11264

Tribunal statistics

The Ministry of Justice notes that 9,252 claims were received between January and March 2018 – an increase of 118% on the same quarter in 2017 and the highest for the past five years. This follows the July 2017 Supreme Court decision that employment tribunal fees were unlawful and should not be charged.

tinyurl.com/ifa-11292

Pension powers

Plans to improve the powers of the Pensions Regulator and increase the protections for defined benefit pension scheme members have been set out in a consultation document published by the Department for Work and Pensions.

A recent consultation document proposes that the Pensions Regulator will be able to be more proactive when employers make pension scheme changes and obtain redress for members if things go wrong.

tinyurl.com/ifa-11288

AE not the answer

A report by IPSE (the Association of Independent Professionals and the Self-Employed) has found automatic enrolment will not solve the potential self-employed pensions crisis.

Only 31% of the UK's 4.8 million self-employed pay into a pension, although 67% are concerned about saving for later life.

tinyurl.com/ifa-11308

Maternity leave and pensions

A *Maternity Leave Spotlight* outlines the effect on pensions if time is taken off work to have a baby. It also covers what happens on the return to work, and the impact on the state pension.

tinyurl.com/ifa-11260

DB scheme transfers

A survey by Aon has found that 90% of pension schemes have seen an increase in transfer value requests in the past 18 months. A practical guide on this subject is available from the Personal Finance Society (tinyurl.com/y6u6klrt).

tinyurl.com/ifa-11256

Illegal opt-outs

A national recruitment agency has been convicted of unlawfully opting temporary workers out of workplace pension schemes. Directors and senior staff logged onto the NEST system using workers' log-in details

tinyurl.com/ifa-11254

CHARITY DEVELOPMENTS

The Scottish Charity Regulator (OSCR) has been travelling across Scotland to give charity trustees and staff the opportunity to hear about the latest developments, meet regulatory staff and ask questions. The 2018 round of events discussions include: the Charity Regulator – who they are and what they do; the role of the charity trustee; safeguarding; and the OSCR's latest guidance. The events are free and the remaining ones are at:

- Forgewood Community Centre, Motherwell: Tuesday, 25 September 2018 from 13:15 to 16:00.
- The Scottish Marine Institute, Oban: Wednesday, 3 October 2018 from 09:45 to 12:30.

Visit: tinyurl.com/ifa-11332

CHARITIES

Charity accounting

The four charity regulators of the UK and Ireland will, for the first time, work together to develop the charity accounting framework for use across all four charity law jurisdictions.

tinyurl.com/ifa-11338

Scottish charities

The Scottish Charity Regulator (OSCR) has produced new guidance for Scottish charities on reducing the risk of fraud. This guidance, *Fraud: how to reduce the risks in your charity*, highlights some of the risks to which charities are vulnerable and provides practical advice for trustees on how to tackle these.

tinyurl.com/ifa-11330

Charity changes

The Charity Commission has published guidance on changing an unincorporated association or trust to a charitable company or incorporated organisation, as well as other types of conversion.

tinyurl.com/ifa-11318

Charities and communication

Charities could do more in their annual reports to explain their activities to the public. A report by the Charity Commission says that failure to do this was the most common reason for inadequate reporting. The annual report can show how a charity is making an impact and delivering on its core purpose.

tinyurl.com/ifa-11325

ACCOUNTING

Corporate governance

The Department for Business, Energy & Industrial Strategy (BEIS) has published a list of frequently asked questions (FAQs) relating to the draft Companies (Miscellaneous Reporting) Regulations 2018. The purpose of the FAQs is to help companies and interested stakeholders understand how they will be affected by the new corporate governance reporting requirements in the regulations.

tinyurl.com/ifa-11296

Non-executive directors

The Financial Reporting Council suggests that non-executive directors could add great value to family businesses.

tinyurl.com/ifa-11241

Corporate governance reforms

A Commons briefing paper, *Corporate Governance Reform*, summarises the UK's corporate governance framework and the reforms announced in August 2017. These reforms have been delayed and it is now more likely that they will apply to financial years beginning on or after 1 January 2019.

tinyurl.com/ifa-11270

TAXATION

Company car fuel

New advisory fuel rates for employers with company car schemes apply to all journeys made on or after 1 September 2018.

The new rates per mile are as follows.

- Petrol 1400cc or less: 12p
- Petrol 1401 to 2000cc: 15p
- Petrol more than 2000cc: 22p
- LPG 1400cc or less: 7p
- LPG 1401 to 2000cc: 9p
- LPG more than 2000cc: 13p
- Diesel 1600cc or less: 10p
- Diesel 1601 to 2000cc: 12p
- Diesel more than 2000cc: 13p

tinyurl.com/ifa-11298

Offshore tax evasion

New legislation means that UK taxpayers who fail to disclose offshore income or capital gains may face imprisonment and increased penalties.

The new rules are likely to drive an increase in criminal investigations of offshore tax evaders. The offence applies from 2017/18 so HMRC will start to take action from 6 October 2018.

tinyurl.com/ifa-11314

NEW REPRESENTATIVE

We are delighted to welcome Mr Sulman Ihsan as our regional director and international representative for Saudi Arabia.
T: +966 550 390 370
E: sulmani@ifa.org.uk

Capital allowances

The OTS has issued a report on the possibility of replacing capital allowances with accounting depreciation. The simplification benefit would remove the necessity of determining which assets qualify for capital allowance.

tinyurl.com/ifa-11316

Mid-size survey

An HMRC survey of mid-size businesses (turnover of £10m or more and/or 20 or more employees) reports that 47% feel confident in the work done by the department, compared to 15% who do not. However, 37% believe that tax avoidance is widespread, compared to 20% who feel the same about evasion.

These results are at odds with HMRC's view that the tax lost to the former is much less than to the latter.

tinyurl.com/ifa-11272

New Members

We welcome the following who joined as new IFA members in July and August 2018.

Mr Ch. Shahzeem Ahmed AFA MIPA
Mr Imtiaz Ahmed AFA MIPA
Mr Muhammad Anjum AFA MIPA
Mr Ravi Chowdhry AFA MIPA
Mr John Dadzie AFA MIPA
Mr Oluwaseun Faloye FFA FIPA
Mr Shahzad Goshee AFA MIPA
Mr Ameer Hamza AFA MIPA
Mrs Amanda Henderson AFA MIPA
Mr Umar Iqbal AFA MIPA
Mr Mohsin Khan AFA MIPA
Mr Junaid Mahesar AFA MIPA
Mr Adeel Makani AFA MIPA
Mr Md Masum AFA MIPA
Mr Stephen McKenna ATA AIPA
Mr Omid Monji AFA MIPA
Mr Michael Mudzengi AFA MIPA
Mr Rajie Dias Nagahawatte AFA MIPA
Mr Sohail Nazir AFA MIPA
Mr Ahsan Raza AFA MIPA
Mr Usman Saleem AFA MIPA
Ms Sadia Shaukat AFA MIPA
Mr Anthony Underhill AFA MIPA
Mr Abdul Wahhab AFA MIPA

Working smarter

HMRC explains how Making Tax Digital should benefit businesses and their advisers.

TEN SECOND SUMMARY

1. Businesses are already benefiting from digitisation by banking, paying bills and interacting with customers or suppliers online.
2. From 1 April 2019, all VAT-registered businesses with a taxable turnover above the VAT threshold must keep their VAT business records digitally.
3. Spreadsheet users must be able to submit the required data to HMRC digitally by using bridging software that is MTD compatible.

Increasingly, businesses and agents are embracing the opportunities of digitisation. Millions of businesses are already banking, paying bills and interacting with their customers or suppliers online. Many are already using software to manage their business and seeing the benefits it can bring.

HMRC's ambition is to become one of the most digitally advanced tax administrations in the world and Making Tax Digital (MTD) is introducing fundamental changes to the way the tax system works – transforming tax administration so that it is more effective, more efficient and easier for taxpayers to get their tax right.

VAT

The primary legislation for MTD relating to VAT and income tax is contained in the Finance (No 2) Act 2017, with secondary legislation for VAT laid in February 2018 and coming into force from April 2019.

From 1 April 2019, all VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) will be required to keep their VAT business records digitally. Having done this, they will then be able to submit their VAT returns using MTD-compatible software. Digital record-keeping may include dedicated record-keeping software and/or a combination of software packages or spreadsheets.

"MTD compatible software" means programs that can integrate with HMRC systems to send VAT returns to us. The information contained with the



MTD VAT return will be generated by pulling information from the digital records. This information will be the same nine boxes currently required for a VAT return, and the deadlines for sending VAT returns and making payments remain unchanged.

Technical testing of MTD for VAT started at the end of last year and a live pilot started in April. Initially, this was on a small scale with invited customers who met a specific set of eligibility criteria. This not only allows us to test the MTD service, but also our customer support model which is designed to help people make a smooth transition to MTD.

Our testing is going well – we have received our first VAT returns through MTD software from both businesses and agents, who have also provided positive feedback on using the service.

The next phase of testing – our "public beta" – is expected later this year, and we will be widening participation gradually to allow for testing at greater scale.

We have seen the software industry respond strongly to the challenge of producing MTD software, with more than 40 developers working actively on products in this first stage of the pilot and more than 300 have told us that they are interested in developing products.

We recently launched a page on GOV.UK listing those software developers that are already at the stage of having demonstrated a prototype VAT product (currently 22) and are ready to start testing with businesses and/or agents.



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HMRC is the UK's tax, payments and customs authority, and we have a vital purpose: we collect the money that pays for the UK's public services and help families and individuals with targeted financial support. We do this by being impartial and increasingly effective and efficient in our administration. We help the honest majority to get their tax right and make it hard for the dishonest minority to cheat the system.
Visit: tinyurl.com/HMRC-83867



istockphoto/mihailmilovanovic

We've also published a VAT notice that provides further information for customers and adds to the amendments to the VAT Regulations made earlier this year.

Income tax

The government has confirmed that MTD will not be mandated for taxes other than VAT before 2020 at the earliest. This ensures there is time to test the system fully and for awareness of what is required under MTD, including digital record-keeping, to become more widespread among businesses.

However, HMRC has already started piloting MTD for Income Tax, allowing some businesses and landlords to sign-up voluntarily. We also have a software page on GOV.UK, which shows the first products available as part of our income tax pilot.

Businesses and landlords who join MTD for Income Tax will need to keep digital records of their income and expenses and send quarterly summary updates to HMRC using MTD-compatible software. These can be generated and sent at the click of a button from their digital records. In response, they will receive an estimated tax calculation based on the information provided to help them budget for their tax.

As the pilot progresses, we will be building additional functionality, so businesses and landlords will eventually be able to send information about all types of income, not just business and property details, using software. This will include information such as dividends

and gift aid donations. Software developers will continue to build this functionality into their products, offering an increasingly rich experience for customers as MTD continues to develop.

Again, as with VAT, the deadline for making income tax payments is not changing.

Software

HMRC is working with the software industry to deliver the products businesses and agents will need to keep their records digitally and integrate with HMRC systems. By working with the industry, rather than developing software ourselves, there will be a richer, more flexible and tailored range of options for businesses and agents to choose from. It will produce software with functionality and technical support that can cater, not just to the requirements of the general business population, but also specific businesses and sectors such as agriculture, construction, landlords and freelancers.

HMRC will continue to work closely with software developers to enable them to bring new and more sophisticated products to the market.

Getting ready for MTD

We want to help businesses and their agents get ready for the move to MTD. They can start preparing now by keeping their records digitally if they don't already maintain them this way.

Remember that it is not necessary to keep any additional business records because of MTD. However, business records must be kept digitally to be compliant. Those who choose to use spreadsheets to keep their records must be able to submit the required data to HMRC digitally, for example, by using MTD-compatible "bridging software". Such programs allow relevant data to be exchanged digitally, from the spreadsheet or other source where the digital records are kept, directly to HMRC.

For businesses and agents who already use software to keep their records, they may want to ask their software provider for information about when their software will be MTD-compatible.

For agents, HMRC is delivering the ability for them to act on their client's behalf for MTD at the same time as we are delivering for businesses. In this way, agents can see and do what their clients can. Agents will need to sign up their clients to MTD with an Agent Services account. They will need the client's VAT registration number (VRN), company registration number (CRN) and National Insurance number (NINO), depending on their circumstances.

If an agent has a new client who wants them to act on their behalf in MTD, the agent can send a digital authorisation invitation from their Agent Services account. They will then be provided with a link that they can send to their client, who can accept it by signing in with their own Government Gateway details.

It may be sensible to start new clients on MTD straight away, so they get off on the right foot and don't need to make changes later.



FURTHER INFORMATION

Software suppliers supporting Making Tax Digital for VAT:
tinyurl.com/y7r6lghl
VAT Notice 700/22: Making Tax Digital for VAT:
tinyurl.com/y8uev24q
Making Tax Digital pilot for income tax for self-employed:
tinyurl.com/y7pnc299
Find software suppliers for sending Income tax updates:
tinyurl.com/ydbwuv3v

Ongoing difficulties



Sejal Raja discusses the latest developments on the IR35 legislation and the importance of determining the correct status for contractors working through personal service companies.

TEN SECOND SUMMARY

- 1 The purpose of the IR35 tax legislation when dealing with personal services companies.
- 2 Since April 2017, the onus is now on public authorities to assess the employment status of suppliers if payments are made to a personal services company.
- 3 The Check Employment Status for Tax tool and the importance of expert advice to avoid penalties for non-compliance with IR35.



Sejal Raja is a Partner and Head of Employment at RadcliffesLeBrasseur where she advises on all aspects of employment law. She has extensive Employment Tribunal experience, in particular in discrimination having been involved in the high-profile pregnancy litigation for the Ministry of Defence. She advises and represents clients in the Employment Tribunal and High Court as well as having experience in appeals to the Tax Tribunal on employment status claims. Sejal enjoys a healthy reputation among her clients, being described as "really fantastic" and "an excellent employment lawyer" (Chambers and Partners 2018).
T: 020 7227 7410
E: sejal.raja@rlb-law.com
Visit: www.rlb-law.com

Most practitioners will be aware of the complexities of the IR35 tax legislation, which was introduced in 2000 to combat tax avoidance by workers supplying services to clients by way of an intermediary. Put simply, the rules apply if an individual provides services to a client through a personal services company (PSC) and they would be regarded as one of the client's employees had they not contracted through such an entity.

The rules are complex, and legislation is evolving as the government enters further consultation and new cases appear before the tax tribunals. It is important to emphasise that clients should seek advice on their IR35 status whether they are a contractor or an entity receiving the services of one.

IR35 before 2017

Before April 2017, it was up to the contractor to clarify their own IR35 status with HMRC and determine whether they would be liable to pay income tax and Class 1 National Insurance

contributions under PAYE within their contracting arrangements. Potentially, the implications are large because incorrect self-assessment can lead to significant fines. HMRC can go back six years when seeking to recover taxes from earnings it deems liable.

Recent reforms

Since April 2017, the onus is now on public authorities to assess the employment status of suppliers if payments are made to a PSC by an authority or agencies and third parties that contract with a PSC to supply the services of a worker to it.

Payments in these cases are subject to the deduction of payroll taxes and the public authority will be responsible for tax due on these assignments. This has led to the termination of some contracts in the public sector and has affected the delivery of services.

Private sector IR35 consultation

In the 2017 Autumn Budget, the government announced that it would consult on extending the public sector off-payroll regime to the private sector in 2018. Under the heading "Off-payroll working", the Budget documents included the following statement:

"The government reformed the off-payroll working rules (known as IR35) for engagements in the public sector in April 2017. Early indications are that public sector compliance is increasing as a result, and therefore a possible next step would be to extend the reforms to the private sector, to ensure individuals who effectively work as employees are taxed as employees even if they choose to structure their work through a company. It is right that the government take account of the needs of businesses and individuals who would implement any change. Therefore the government will carefully consult on how to tackle non-compliance in the private sector, drawing on the experience of the public sector reforms, including through external research already commissioned by the government and due to be published in 2018."

Traditionally, it has been the contractor's responsibility to consider the IR35 status and account appropriately to HMRC. These reforms would place the onus on the end client to ensure that the correct assessments are undertaken. If an assessment is incorrectly made, the tax liability shifts to the end client who will be liable to pay tax and potential penalties.

These proposals have been subject to government consultation, which closed on 10 August 2018.

The employment status test

The key factor in determining whether IR35 applies is to ignore the existence of the PSC, and then test whether there is an employment relationship (as opposed to a self-employed or consultancy relationship) between the worker and the client – the hypothetical contract.

There are three primary factors to consider when determining whether an employment relationship exists.

- **Mutuality of obligation.** This is where the employer must be obliged to provide the work and the employee must be obliged to carry out the work in return for pay.
- **Personal service.** This means the individual is obliged to perform the work personally.
- **Control.** The employer must exercise a *sufficient degree of control* over the employee in the way that the individual performs the work including when, where and how.

However, no one factor is determinative. The courts will also look at other factors, including:

- whether the individual is in business on their own account;
- whether the individual provides their own materials;
- whether the individual is integrated into the business;
- the length of the engagement; and
- any benefits received by the individual.

Recent First-tier Tribunal decisions

Recent decisions of the First-tier Tribunal highlight that each case is dependent upon its specific facts.

In *MDCM Ltd v CRC [2018] UKFTT 147*, the tribunal found that the contractor, who supplied his services as night shift manager of a construction site through a PSC, was self-employed. The judge summarised the factors that pointed to self-employment, which included: no notice period on either side; no control; the worker could refuse to work on another site; the payment of a fixed daily rate; and no employment benefits.

In another case this year, (*Christa Ackroyd Media Ltd v CRC [2018] UKFTT 69 (TC)*), the tribunal held that a television presenter was a deemed employee and IR35 therefore applied to the fees paid to her company. In looking at the characteristics of the hypothetical contract between Ms Ackroyd and the BBC, the tribunal disregarded her lack of entitlement to sick pay

and holiday pay, considering instead that if there were an actual employment contract, she would be entitled under employment law to standard employee benefits.

The key indicator in this case was the arrangement, which lasted for seven years and required Ms Ackroyd to personally provide services for 225 days a year. This pointed towards a contract of employment. The judge also stated that Ms Ackroyd was "economically dependent" on the hypothetical contract with the BBC, under which the company "could control what work Ms Ackroyd did".

Ms Ackroyd is appealing the decision.

Eades, Gosling and Wilcox

Another ongoing case involving the BBC was heard recently, which involved three other BBC presenters: David Eades, Joanna Gosling and Tim Wilcox. Here, HMRC raised the same arguments as those in Ms Ackroyd's case. However, there were some differences in the facts and a number of arguments were put forward on behalf of the presenters.

In relation to two key tests – mutuality of obligation and control – the presenters submitted that there was no mutuality of obligation. There was no requirement on the BBC's part to offer the presenters any work at all. And, when assignments were offered, there was no obligation on the presenters to accept them. The presenters were only paid for the work they delivered.

The presenters argued that there was no control. They claimed that any control that may have been exercised in relation to the end product was no different to the type of control exercised by any client over the services provided by a professional. Unlike in Ms Ackroyd's case, the presenters did not enter into a seven-year contract.

Judgment in this case has yet to be delivered.

Check Employment Status for Tax

HMRC introduced the Check Employment Status for Tax (CEST) tool with the aim that it could be used to find out whether a worker on a specific engagement should be classed as employed or self-employed for tax purposes. HMRC has advised that it will stand by the result given unless a compliance check finds the information provided is not accurate. There have been criticisms regarding the accuracy of the CEST tool because it does not appear to take into account the key test of mutuality of obligation.

What should contractors do?

This continues to be a challenging area and highlights the importance for contractors to carry out due diligence before and during a contract. Notwithstanding the flaws in the CEST tool, contractors should nevertheless use this to determine the status. And in borderline cases the emphasis to clients should be that they obtain expert advice to ensure they are compliant rather than face significant penalties and fines.

FURTHER INFORMATION

The IFA representation on off-payroll working in the private sector made general comments on the proposals before considering the specific points raised by the consultation document. The report concludes that the lead option – bringing the public sector rules on IR35 into the private sector – would result in engagements being incorrectly classified under IR35. This could act as a deterrent to a flexible labour market.

The document – *IFA Representation 02/2018: HMRC and HMT: Off-payroll working in the private sector* can be found at: tinyurl.com/ifa-Rep0218

The IFA thanks members for their input into the consultation responses.

Hacking happiness

Demanding clients, time pressures, tax and accounting deadlines – stress is a daily feature of life in an accountancy practice or small business. *Richard Curtis* considers what might be done to alleviate matters.



istockphoto/Jelena Danilovic

TEN SECOND SUMMARY

- 1 A new course on wellbeing at Yale University becomes the most popular subject of study.
- 2 Does technology and an inability to switch off have a negative effect on employees?
- 3 Take time to relax and regain perspective. Consider a short exercise break, yoga, meditation or a holiday.

Life should be straightforward for most of us nowadays shouldn't it? For many, improving living standards and the benefits of modern technology and healthcare should mean that many of the mundane worries of the past are no more. But if that's the case, why are so many of us suffering from feelings of dissatisfaction or, more seriously, depression? Why do so many people no longer feel happy and why were there 64.7m prescriptions for antidepressants in England in 2016 – more than double the number dispensed in 2006? Does social media mean we spend too much time trying to "keep up with the Jones" or other individuals?

For those experiencing such thoughts, perhaps the first thing to appreciate is that they are not alone. This was reinforced recently when I read that a course by Professor Laurie Santos of Yale University – "Psychology and the Good Life" – had become noteworthy for being the most popular ever at the university. A study programme by Professor Santos – "The Science of Well-Being" – is now available on the Coursera website and means that we can all learn what psychological science says about happiness.

Getting started

Laurie's course starts with the well-known principle that wealth, material possessions and good educational grades don't make for happiness before going on to consider whether the pursuit of such goals might undermine one's sense of wellbeing. What we need to understand is that our own misconceptions may make it difficult for us to see what makes us happy. Instead we need to really understand what will make us content and how we can work to achieve a truly satisfying life.

An early lesson is the false assumption that "knowing is half the battle". When it comes to achieving a true sense of wellbeing and happiness, the reality here is that merely knowing something is not enough to change behaviour – instead we must change our habits. As well as the usual university course requirements of reading materials and assessments, Laurie's programme aims to do this by course "rewirements" – rewiring our automatic habits and strategies. The course involves measuring happiness levels at the start, before working through rewirements such as identifying character strengths, being grateful, performing random acts of kindness, making social connections, meditating, taking more physical exercise (if possible) getting more sleep and savouring experiences. By putting these lessons into practice, the aim is that happiness will have improved when it is remeasured at the end of the studies. I've already signed up!

Wellbeing at work

Perhaps understanding that there are ways and means to help achieve happiness and wellbeing is something that we should learn at a young age



Richard Curtis is the editor of *Financial Accountant* magazine. He can be contacted at: richard.curtis@lexisnexis.co.uk.

rather than assuming they will come as part of the package of modern life. If we have adopted such strategies in our teens perhaps we will be better prepared for the all-too-real stresses and strains of the workplace.

In May, the CIPD published its survey, *Health and Well-Being at Work*. This noted “grounds for concern” as 22% of organisations reported that mental ill health was the primary cause of long-term absence compared with 13% in 2016. This reflected a 2017 government-commissioned review of mental health that concluded “The UK is facing a mental health challenge at work that is much larger than we had thought.”

Obviously, the wellbeing of employees should be a major concern of employing organisations, but why things seem to be worsening is unclear. Awareness of mental health issues has improved, but a “stubborn implementation gap between aspiration and practice” remains. An ageing population may mean workers have increased caring responsibilities that put pressure on the work-life balance and even Brexit might be influencing people’s sense of wellbeing as they worry about the future.

Technology may also affect mental wellbeing and 87% of those surveyed reported an inability to switch off after work hours as the main negative effect on employees. Perhaps yoga or meditation might help here.

Further, not only is “presenteeism” – people coming to work when unwell – on the increase, so it seems is “leavism” – using annual leave or even periods of sickness to catch up on work.

Action needed

Some organisations are taking a proactive approach, but the CIPD report suggests that too many place employee wellbeing low on their agenda and are likely to take a reactive approach to this subject. Further, nearly 30% of those who include stress as one of the top three causes of absence do not take steps to reduce it.

Acas – the Advisory, Conciliation and Arbitration Service – has a long history of working to improve working lives and recently published *Health, Work and Wellbeing*. This confirms that key to encouraging an attendance culture is for the employer to be proactive, with regular case reviews of absent individuals and a focus on rehabilitation. While this may work with physical symptoms, it seems that employers are less sure how to react to mental health issues and may see mental illness as a sensitive and difficult-to-understand subject. Unfortunately, many employers ignore the issue, which only adds to the sense of isolation experienced by those with such problems. Positive workplace pressure, which can create a “buzz” and a creative environment may morph into a more harmful form and affect a person’s ability to cope. And outside factors such as relationship, family or debt problems can create stress and compound the otherwise normal pressures. The report does include some positive ideas for beating stress, such as:

SIX STEPS TO IMPROVING WORKPLACE WELLBEING

1. *Turn healthy choices into a new favourite habit.* Healthy lunches, staying hydrated, regular exercise and a healthy lifestyle in the office is a key element in improving workplace wellbeing.
2. *Dedicate more time to mindfulness.* Consider meditating for a few minutes before work, focus on one task at a time and switch off digital devices a few times a day.
3. *Make an effort with colleagues.* Try to maintain a good relationship with work colleagues, this could improve your mood. If it’s not possible, try to resolve difficulties sooner rather than later.
4. *Never stop working on work-life balance.* Even hard workers need an occasional break to prevent burnout. Set some time aside for personal tasks and hobbies.
5. *The correct posture.* Improving posture could reduce depression and tiredness.
6. *Don’t ignore your problems.* If workplace wellbeing is not improving, raise issues with the employer directly. A better working environment ensures improved staff morale and productivity.

- an “open door day” for the manager;
- more relevant training;
- greater involvement in future changes;
- more effective job design; and
- a consistent policy for dealing with bullying.

The employment consultants, Reed, include **Six tips to improve workplace wellbeing** on their website.

Getting the balance right

As well as balancing the demands of her own recruitment business, Georgiana Head has much experience of advising others in business and coping with the attendant stresses and strains of achieving an acceptable work-life balance. She said that one of the best pieces of advice she received about wellbeing was from a previous boss at a large tax recruitment firm in London.

“He said that, when working constantly to deadlines in a fee-earning role, try to take some form of holiday once a quarter. He explained that regular time off gives a sense of perspective. In fact, it’s quite hard to follow the advice – it requires real discipline to book a holiday four times a year – but when I get it right I really notice a difference in how I deal with stressful situations.”

Perhaps it is achieving that sense of perspective that is most important. Stress can be beneficial – it’s what drives us on to achievements and new incentives to boost ambition and drive are sensible ways to improve workplace wellbeing. But don’t let that ambition – whether it’s a promotion, a better car, more money or matching the lifestyles of others – override everything else. Take some holiday breaks, but don’t forget shorter breaks for exercise. Are flexible working hours possible? Each of us probably needs to “rewire” our own approach to life but, with work such an integral part of it, employers have a role to play for the benefit of their businesses and the people in it.

FURTHER INFORMATION

Coursera – The Science of Well-Being:
tinyurl.com/TSOWB
CIPD – *Health and Well-Being at Work*:
tinyurl.com/CIPD-Well
Acas – *Health, Work and Wellbeing*:
tinyurl.com/Acas-Well
Reed – *Six tips to improve workplace wellbeing*:
tinyurl.com/6tips2wellbeing

The new approach

Matthew Shaw explains the implications of FRS 102 and FRS 105 and the new reporting standards for small businesses.

TEN SECOND SUMMARY

- 1 Sole practitioners may not have come to terms with the new accounting regime, leading to uncorrected errors.
- 2 Small companies can produce accounts under IFRS or full FRS 102 if they wish.
- 3 Filleting accounts helps to retain privacy and some disclosures can be removed.

Although technical specialists have been familiar with FRS 102 for more than four years, it needs to be remembered that most small practitioners probably only started to look at the UK's "new" financial reporting regime just over 12 months ago as they produced accounts for the December 2016 year end. No doubt they were cursing software updates and lamenting the demise of both the FRSE and abbreviated accounts.

From reviewing accounts and answering technical enquiries, it is evident that many practitioners still have not fully come to terms with the new GAAP. Sole practitioners who have nobody to bounce ideas off are particularly at risk of making errors, which then remain unchallenged into perpetuity. Thus, it was thought useful to discuss some common problems which are frequently encountered.

Choice of regime

There is no reason why a small company must follow the small company regime (FRS 102, section 1A), nor why a micro company needs to be following the micro company regime (FRS 105); they could both produce accounts under IFRS or "full" FRS 102 if they wished. While, for most small companies, the small company regime will prove to be the most appropriate route, still the bulk of micro companies do not follow the micro regime. It is up to the client and not their accountant to determine which is the most appropriate method and it is good practice to ensure that this discussion is documented.

One of my former colleagues always used to say: "The best thing about micro accounts is that they show nothing, and the worst thing about micro accounts is that they show nothing." They are very basic and may not be suitable for all clients. Certainly, a practice-wide decision to always produce micro accounts wherever possible would be inappropriate.

Banks do not necessarily look favourably on them, both when assessing the credit worthiness of the company or its owners. Further, bank covenants must be considered carefully because it is usual for notification to be required before a different financial reporting regime is adopted. The micro regime is very sensible because it removes many of the more problematic accounting requirements of FRS 102, including the requirement to discount long-term debtors or



Matthew Shaw is an AML Reviewer with 25 years' experience in technical and compliance. He is the Managing Director of Metis Compliance Limited, a practice that specialises in helping small and medium-sized practitioners stay compliant. He was formally the technical director of the HAT Group of Accountants.
M: 07833 996 654
L: uk.linkedin.com/in/matthew-shaw-6157a684

creditors that do not carry a commercial rate of interest. It also contains a prohibition on revaluing and providing for any deferred tax. However, if material, a holiday pay accrual would be needed so it is not all plain sailing.

Filing options

A fundamental change for December 2016 year-ends onwards was the loss of the ability to file abbreviated accounts. Technically, the accounts that are presented to the shareholders are now filed at Companies House. Company law allows small companies to redact their filed accounts, which is known colloquially as “filleting”.

The filleting of accounts helps retain privacy and involves blanking out (removing) some disclosures. It is permitted to remove the profit and loss account, supporting notes and the directors' report.

Technically, page numbers do not need to be altered and nor do note numbers, but most software packages amend both. There is no specific micro company filing regime, but because such companies are small they can take advantage of this regime. Small and micro companies must disclose employee numbers and it has been clarified in the latest amendment to accounting standards that this note is not a profit and loss note and thus must be filed.

I often hear that abbreviated accounts have been replaced with abridged accounts. Abridgement is nothing to do with filing, it is an option to produce simplified shareholder accounts. If abridged accounts are prepared and then filleted, these accounts are not dissimilar to abbreviated accounts.

Accounting policies

Often, accounting policies are simply churned out by software packages and little or no editing is undertaken. Ideally, the accounting policy for income recognition will always need to be tailored. Often, there is either no accounting policy for financial instruments or a three-page accounting policy covering complex loans, hedging and such like, when the most exciting financial instrument that the client has is trade debtors. It is about getting the balance right between tailored and standard accounting policies.

The rest of this article specifically refers to accounting treatments under FRS 102 rather than FRS 105.

Revaluations

This is an area of total confusion. First, if a revaluation occurs, deferred tax will have to be provided. Tangible fixed assets (other than investment properties) can be carried at cost or revaluation as has always been the case, and any revaluation gain still goes to reserves. Although FRS 102 introduced a few changes, including that any revaluations must be at open market value rather than existing use, accounting for these assets is fundamentally unchanged.

Investment properties

Historically, investment properties needed to be revalued to fair value on a regular basis – something that was occasionally not undertaken. FRS 102 does not change this requirement. What has changed is that gains or losses need to go throughout the profit and loss account and will end up hitting the profit and loss reserve.

Gains on investment properties are not distributable, and it is necessary to keep a memo of the split of the profit and loss reserve between distributable and non-distributable. The first few versions of FRS 102 required properties that were rented to group companies to be revalued as well – historically, this had not been required under SSAP 19. The latest round of amendments to FRS 102 (known as the triennial review) allows these properties to be carried at either fair value or depreciated historic cost.

Listed shares and minority holdings

Listed shares and minority holdings in private companies must be carried at open market value with the gain going through the profit and loss account. If it is impractical to value minority holdings in such companies, these can be carried at cost. The accounting standard allows shares in subsidiaries, associates and joint ventures to be carried at cost, but they can be revalued if desired.

Goodwill

Sometimes, small entities have goodwill on incorporation or the purchase of an unincorporated business. Before the most recent change to the accounting standard, goodwill had to be looked at carefully, and intangibles such as off-market leases, intellectual property rights and customer lists had to be separately identified and valued. While this is still allowed, the triennial review made it possible to avoid this in future.

Long-term debtors and creditors

The first question should be whether these are long term. If there is nothing contractual that makes debtors and creditors long term, they are short term. Historically, FRS 102 required all long-term loans to be discounted if they did not carry a commercial rate of interest; there is now a limited alleviation for some related party balances. A loan to a company from a director or their close family does not need to be discounted (but can be) if the director or any close family member is a shareholder.

Summary

In this article, I have focused on companies, but it is worth reflecting that figures produced for trusts, partnerships and sole traders must also be compliant with the measurement principles of new GAAP. Charities need to follow the SORP unless they are entitled to receipts and payments accounting. Because the SORP is based on “full” FRS 102 it is inappropriate for charities to follow FRS 102 section 1 and they are specifically prohibited from adopting the micro-entity regime.

WORKSHOP

The financial reporting for small and micro entities workshop is essential for proprietors of practices. It will ensure that the requirements of either the small or micro regimes have not been misinterpreted.

Areas covered include:

- The definition of small or micro entities.
- The financial reporting options available to small and micro entities.
- A refresher of the audit exemption threshold.
- What small and micro financial statements look like.
- Filing options.
- Accounting under FRS 102, section 1A for tangible fixed assets and investment properties.

Location and dates

London: 20 November and 6 December
Birmingham: 22 November
Manchester: 29 November
Glasgow: 4 December

All workshops run from 9am to 4.30pm and cost £120.

To book your place visit: tinyurl.com/y9scbgn8

Under the hammer

Kieran Mehngar advises pension schemes on the purchase of commercial property at an auction.



TEN SECOND SUMMARY

1. Check whether the commercial property is VAT registered. Although the tax can be reclaimed, a refund can take considerable time.
2. It is important that any transaction is in the scheme name from the outset because the vendor may not agree to reassign it later.
3. It is the buyer's responsibility to ensure the property is insured immediately upon a successful bid.

Martin Roberts has been presenting the television property programme "Homes Under the Hammer" since 2003, and Dion Dublin makes the process look as easy as kicking a football, but can a pension scheme really buy at a property auction? The answer is yes, but the same rules apply to any property purchase within a scheme – whether it is a SSAS (small self-administered scheme) or SSIP (self-invested personal pension). The property must be commercial, with residential only allowed in limited circumstances – and often at the discretion of the provider.

Purchasing at auction can be an exciting venture, not least because of the unknown element of the price. However, for a pension scheme, buying at auction requires additional planning in advance, so a spontaneous trip to the auction house is to be avoided.

Viewers of "Homes under the hammer" will know that the background music is always relevant to the subject matter being discussed – so let's "start it up".

Start it up

Contact the pension provider. Time may be tight, but the more information available at the outset the better. If the provider has not seen the property details, they cannot do preliminary checks on suitability. The purchase would be subject to the usual searches and the like before acceptance in the scheme, so the trustees may not be able to buy the property if something came up in the searches – such as environmental problems – in which case the member or the pension scheme may be personally liable with the auction house.

Warning sign

Avid fans of "Homes under the hammer" will know that it is advisable to view the property's legal pack before purchase. As well as the property information, this will include such things as local searches, planning permissions, special conditions of sale – including covenants and trade restrictions – and details of any leases or tenancy agreements in place. One area where this is vital is establishing whether the commercial property is VAT registered.

Although the pension scheme will be able to reclaim the VAT – as long as the scheme is registered – it will need to ensure that it has sufficient funds to pay the VAT before purchase because a reclaim from HMRC can take considerable time. If the property is subject to VAT, the tax will be due on the deposit paid. However, note that VAT is payable on the buyer's premium, which is paid to the auctioneer whether the property is elected for VAT or not.

A final warning – be aware that if an individual buys the property at auction in a personal capacity and then looks to sell it to the pension scheme, these parties are connected and the connected party rules apply for the valuation of the property.

DISCOGRAPHY

Start it up
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Money (that's what I want)

With a normal property purchase, the deposit is usually paid on exchange of contracts. But at auction, the eventual purchase price can be a mystery and the required deposit is unknown until the bidding is completed. If the bid is successful, the deposit will need to be paid immediately.

There are usually three ways this can be done; though some pension providers may not offer all options.

- *Presenting a cheque to the auction house.* There are various risks involved with giving a blank pension scheme cheque to a client.
 - The pension scheme has no control over the amount being paid.
 - If there is no obvious payee (in other words, the auction house) at the time the scheme provides the cheque, there is a risk the client could write the cheque to any party and possibly create an unauthorised payment.
 - If the cheque is lost for any reason, there is the risk of fraud if someone tries to deposit the cheque.

To mitigate the above risks, pension providers often put control measures in place to ensure the cheque is not cleared by the bank without contacting the pension provider first.

- *Depositing funds with a solicitor prior to the auction.* There are instances when an auction house will accept a solicitor's letter confirming that they hold sufficient funds from the scheme on their client account to cover the deposit. The client can then take the letter with them to the auction as proof of funds for any deposit. Each auction house will have its own rules as to whether it will accept this method of payment, so check in advance.
- *The scheme member can pay the deposit personally.* Personal deposits can be reimbursed from the pension scheme – however this should not be encouraged because it can lead to members exchanging on wholly unsuitable properties for the scheme and often without checking with the provider first as to the acceptability of the proposed property. It is important that any transaction is in the scheme name from the outset because the vendor may not agree to reassign to the pension scheme at a later stage.

With all these options, a word of warning for the bidder: do not let excitement take hold and get carried away with bidding on behalf of the pension scheme, resulting in a higher bid than planned.

As with any proposed investments, ensure that there is sufficient liquidity in the scheme before proceeding and ensure that there is a firm stop point – the maximum price that the scheme can pay.

Stand and deliver

If the pension bid is successful, after the deposit is paid the scheme can proceed as with any other property purchase but with one notable exception – the property purchase must be quick. The scheme must deliver completion within a limited timeframe as part of the auction conditions. The completion of the sale normally takes approximately 28 days. However, on some properties this could be quicker and timescales will be covered in the auction catalogue. The balance of funds will need to be paid on completion.

Auction house fees can apply if the deposit is not paid immediately and, if completion is not within a required time frame, the deposit can be lost. So, if the pension scheme is a successful bidder at auction but fails to complete due to insufficient funding or not completing in time, the pension fund will be liable for all costs associated with the failed bid.

Money's too tight to mention

Within a pension scheme environment, as indeed for any, it is difficult for purchasers to be able to complete within the timescales required by the auction house if borrowing is needed.

Many of us have experience of clients or friends who have been in a situation where bank borrowing has been provisionally agreed but, on further analysis, the bank has created caveats or refused to lend on a property.

The pension scheme should not go to auction and make a bid if the borrowing is not formally in place. This does make it very difficult if the pension scheme is looking for borrowing from a bank because, in most cases, it will require stringent financial checks including formal property valuations and details of the tenant.

Consideration may be given to whether the pension scheme has the capacity to create security on other properties or assets held within the scheme. However, the scheme does not have to borrow from the bank and, indeed, borrowing can be from any source whether a corporate or personal loan. Corporate or personal borrowing can offer more flexibility, although any connected loan transaction should be completed on a commercial basis.

It is also possible, if the pension scheme receives borrowing from other sources, for the borrowing to be refinanced once the auction property is in the pension scheme.

The final countdown

Finally, from the fall of the hammer, it is the buyer's responsibility to ensure the property is insured. The legal pack will provide the property broker with details before auction ensuring that a policy is ready to go on risk if the bid is successful.

Happy bidding!

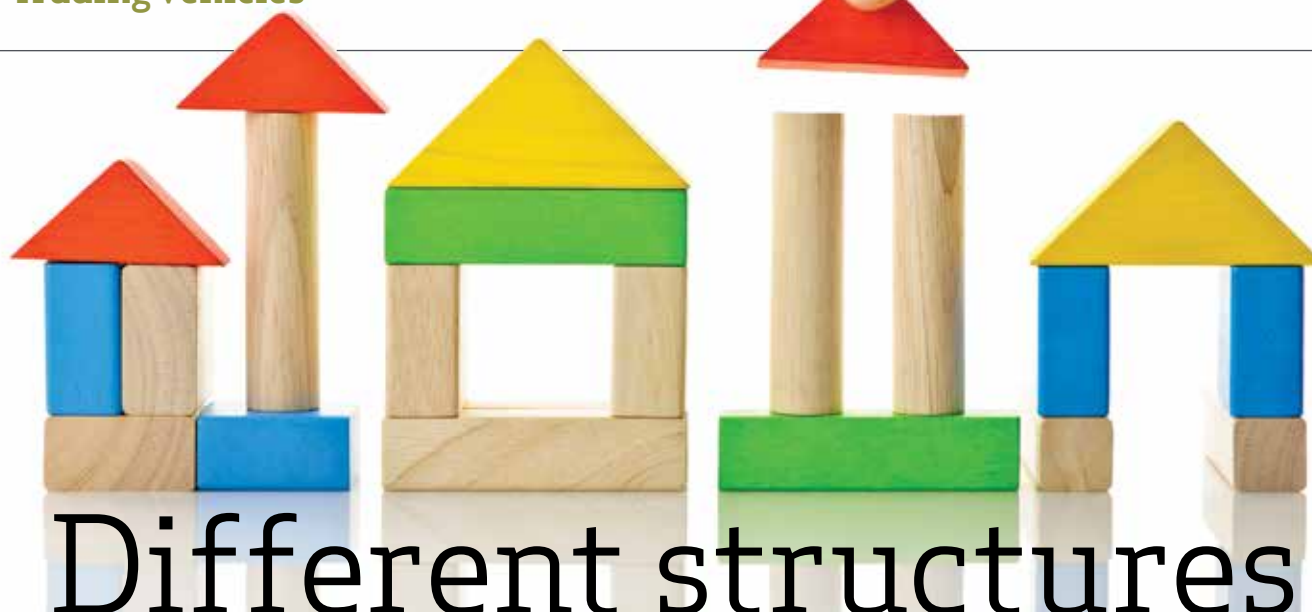


Kieran Mehngar is a Wealth Management Consultant at Mattioli Woods. He has a degree in financial studies from Sheffield Hallam University and a diploma with the Chartered Insurance Institute. He specialises in business planning in conjunction with bespoke retirement vehicles. His clients are diverse, ranging from directors and owners of sole trader and partnership businesses, through to large multinational businesses.

Kieran has a particular interest in the martial art of Tae Kwon-Do and has more than 20 years' experience. He has attained a black belt and competed in national and international competitions. He now holds an instructor licence and teaches students of all ages and backgrounds.
E: kieran.mehngar@mattioliwoods.com

FURTHER INFORMATION

Mattioli Woods plc is one of the UK's leading providers of wealth management and employee benefit services, advising more than 10,000 clients with assets under management, administration and advice in excess of £8.3bn.
MW House, 1 Penman Way, Grove Park, Enderby, Leicester, LE19 1SY
T: 0116 240 8700
F: 0116 240 8701
Visit: www.mattioliwoods.com



Different structures

Simon Dixon considers the advantages and disadvantages of the various types of business structures.



Simon Dixon is an Associate in the Corporate team at RadcliffesLeBrasseur. He is experienced in various areas of corporate and commercial law, including acquisitions, joint ventures, shareholders' agreements, business start-ups, agency, distribution, outsourcing, e-commerce, franchising and intellectual property. E: Simon.dixon@rlb-law.com
Visit: www.rlb-law.com

TEN SECOND SUMMARY

- 1 Operating as a sole trader is the simplest and least regulated structure and benefits from minimal start-up costs.
- 2 Limited liability partnerships are a hybrid of limited company and non-incorporated partnership and combine features of both.
- 3 A company has various administrative requirement, but benefits from limited liability and some tax advantages.

A common question asked by those starting up a new business, or those reviewing their existing business model, is "What legal structure best suits our requirements?" Unless the intention is to raise significant funding on a recognised stock exchange, the choices will usually be limited to the following:

- sole trader;
- partnership;
- limited liability partnership; or
- limited company.

Sole traders

This is the simplest and least regulated structure and has minimal start-up costs. It is not necessary to register with any organisation to exist and, in most cases, the business can simply start trading.

As a sole trader, the owner is in full control and free to make their own decisions. However, the downside is that a sole trader is personally liable for business debts. There are options available to mitigate against this risk, including insurance and the use of limitation and exclusion clauses in business contracts, but there will always remain some risk of personal exposure.

There is also a business continuity issue, in that the business will generally cease on a sole trader's death.

A sole trader is self-employed and must register with HMRC for self-assessment and file an annual tax return. As the profits of the business grow, so too will the rate at which income tax is payable, and this is where sole traders may start to consider alternative structures.

Partnerships

Partnerships involve more than one person who own and run the business. A non-incorporated partnership must be distinguished from a limited liability partnership, which is dealt with further below.

The Partnership Act 1890 implies several default rules for partnerships, some of which can be excluded or varied by written agreement between the partners. Since the rules implied by the Partnership Act 1890 are not always suitable, it is highly advisable to have a partnership agreement in place that reflects the partners' expectations.

On the death of a partner, a partnership dissolves unless the partnership agreement provides otherwise. As such, partnerships can provide for greater business continuity in the event of death, bankruptcy or retirement.

As with sole traders, partners are personally responsible for the debts of the business. A partner's liabilities are not limited to those incurred by that partner, but includes the debts incurred by any partner on behalf of the partnership.

A partnership agreement can be used to fix the proportion of liability to be incurred by each of the partners. However, this is a contractual commitment binding on the partners themselves, and the partners remain jointly and severally liable to their creditors.

Partners are self-employed individuals, and the taxes that apply to a partnership are similar to that of a sole trader. A partner pays tax on their share of the profits. The partnership and each of the partners must be registered for self-assessment and will be required to submit tax returns each year.

Limited liability partnerships

A limited liability partnership (LLP) is a hybrid between a limited company and a non-incorporated partnership because it offers the limited liability of the former combined with the tax regime and flexibility available to the latter.

To exist, LLPs must be registered with Companies House and, consequently, they require some initial expenditure and form filling. An LLP must have at least two partners as "designated members" who are responsible for filing documentation with Companies House.

The LLP protects its members' assets, limiting their liability to the amount they have invested, or have committed to invest, in the business and any personal guarantees given when raising finance. However, LLPs do not have the same tax advantages as limited companies.

As is the case with non-incorporated partnerships, the members' share of the profit is taxed as income and each member must register with HMRC as self-employed. Again, it is highly advisable to have an agreement in place stating the profit share that each member should receive and regulating how the business will be conducted.

LLPs must file a confirmation statement and accounts each year and must notify Companies House of a number of matters, as and when they arise. These include, for example, changes to their members or their registered details, and any charges over the LLP. Consequently, the administrative burden is higher than for non-incorporated partnerships.

Limited companies

A limited company comes into existence when it is registered with Companies House. This involves some expenditure at the outset, but this is minimal and would not on its own justify choosing another form of legal structure over a company.

However, the ongoing administration and filing requirements imposed on a company under the Companies Act 2006 can be complex, and companies can incur significant expenditure on legal fees to ensure compliance.

As well as having to file a confirmation statement and accounts each year, numerous other matters also need to be notified to Companies House. These include, for example, changes in directors, changes to the constitution, allotments of shares and registration of charges.

Specific information relating to the company must be made public, unlike with sole traders and non-incorporated partnerships. Such information will include the accounts and the details of its directors.

The main attraction of a limited company is that the owners, being the shareholders, are not responsible for the company's liabilities. And generally, the directors, as agents of the company, are not responsible for the company's liabilities except under specific circumstances. For example, a breach of a director's duty can lead to personal liability. A company can take out insurance to cover a director against most forms of personal liability.

Lenders tend to prefer the transparency and regulatory certainty that comes with a company, so operating as a company can make it easier to raise finance.

Companies pay corporation tax on their profits and the directors are usually taxed as employees – their salaries being deductible in calculating those profits. Shareholders are paid dividends from distributable profits and these are income receipts for the shareholder concerned.

Once a company is trading, it must submit full statutory accounts and a company tax return to HMRC each year, as well as making monthly or quarterly payments of employees' income tax and National Insurance contributions under the PAYE system.

Which to choose?

The question of which structure to opt for really does depend on the individual circumstances.

Although operating as a sole trader has its advantages, the greater degree of personal exposure together with the potentially higher tax burden means that sole trading models are suitable only for very small businesses with low profit margins that have little or no need to raise finance. Even then, they can be difficult to justify.

Partnerships have a slightly higher administrative burden than sole traders and do require more forward planning to ensure the intended outcomes. However, they remain a popular form of legal structure despite suffering from many of the same drawbacks as sole traders.

That said, it would seem difficult to justify opting for a non-incorporated partnership over an LLP for anything but very small start-ups with little or no firm plans to expand, and this is simply because of the limited liability afforded to the members of an LLP.

For those who plan to expand, raise finance or trade internationally, a limited company may be a better option. Although companies are subject to significantly greater administrative burdens and filing requirements, the effort and costs that go with this tend to be outweighed by the benefits of limited liability and the tax advantages available.

However, when considering an LLP or a limited company, account should be taken of the possibility that some creditors may want a personal guarantee from the members of an LLP or the directors or shareholders of a limited company. To some extent, this can undermine the main benefit of a using the relevant limited liability vehicle in the first place.

FURTHER INFORMATION

Companies House: guidance for limited companies, partnerships and other company types: tinyurl.com/CoHo-8475



Practical hints and tips on accountancy, tax and general business matters.

MONEY LAUNDERING AND UK PROPERTY

Under new draft laws, criminals who illegally profit from some of the UK's most exclusive properties through the illegal use of overseas shell companies face up to five years in jail for concealing the true identity of their owners. Foreign companies owning UK properties would have to reveal their ultimate owners on the world's first public register of overseas entities' beneficial ownership. The register forms part of a crackdown on criminals laundering their dirty money in the UK. The new information it reveals will make it easier for law enforcement agencies to seize criminal funds. The penalties include:

- a ban on a foreign entity selling or leasing property without first publicly declaring its beneficial owner – non-compliance could result in up to five years in jail and an unlimited fine;
- individuals who fail to register overseas entities when instructed face up to two years in jail and an unlimited fine;
- individuals who knowingly provide false information face up to two years in jail and an unlimited fine.

New data shows nearly three-quarters of those surveyed in the UK property market agree that the register will increase transparency and reduce the potential for illegal activity.

Business Secretary Greg Clark said: "The UK is known around the world for its open and dependable business environment and this reputation is maintained by keeping under review our high standards. That is why we are introducing the world's first public register which will expose the ultimate owners of overseas shell companies, giving authorities the information, they need to come down on criminals who launder their dirty money through the UK's property market and to seize the proceeds of crime. While the vast majority of foreign companies which buy property in the UK do so legitimately, this world-leading register will help ensure the UK remains a great dependable place to work, invest and do business. Under the new draft laws, companies will also be required to provide annual updates to Companies House to ensure the information on the register is up-to-date."

UK government minister for Scotland, Lord Duncan, said: "For too long criminals have been able to use the property industry as a front for investing dodgy funds, hiding dirty money and evading the law. This stops now. Most people who invest in property across the UK do so fairly and legitimately, but the UK government is clear that there is no longer any room for those that seek to exploit the system to hide."

The register follows the introduction of the Criminal Finances Act 2017, part of the government's anti-corruption strategy, which provides new powers such as unexplained wealth orders to law enforcement agencies to help them seize the proceeds of crime.

tinyurl.com/ifa-11334

DISGUISED REMUNERATION

Disguised remuneration schemes are arrangements that pay loans instead of ordinary income to avoid income tax and National Insurance contributions. A new charge on outstanding disguised remuneration loans, known as the 2019 loan charge, has been introduced to tackle the use of these schemes. It will apply to anyone who has used one of these tax avoidance schemes and who has not repaid their loan or agreed settlement with HMRC by 5 April 2019.

The Revenue appreciates that, for some people who have used these schemes, paying the tax due will have a significant impact. HMRC will allow scheme users to spread their payments over five years if their taxable income in 2018/19 is estimated to be less than £50,000, as long as they are no longer in avoidance.

For further information see "Removing the disguise" by Sean Eastwood – *Financial Accountant*, May/June 2018, page 8.
tinyurl.com/ifa-11324

CHARITIES AND INFORMATION UPDATING

Following extensive consultation with charities, and the introduction of GDPR in May 2018, the Charity Commission has announced that improvements are being made to its Update Charity Details service.

This service will allow charities to keep their details, including the names and contact details of their current trustees, up to date as changes happen. In this way, the data held by the Commission is current and accurate. This will affect how an organisation's information is displayed on the Register of Charities, depending on the nature of the charity and the details already held.

Changes to updating a charity's details.

- *Trustee names.* The full legal names of all trustees will be required and displayed on the register. The existing display

👉 Please send hints and tips to: richard.curtis@lexisnexis.co.uk

names, where alternative names and titles can be entered, will be removed. If we hold multiple variants of a trustee name, we will now hold only one.

- *Trustee contact details.* If a trustee has provided different contact details for the various charities to which they are linked, the Commission will ask for confirmation of the primary residential address and contact details in the initial Update Charity Details data review. These details will then be maintained for all a trustee's charities. Any update to a trustee's details will be shared across their linked charities. The trustee email addresses will be used to advise them of changes other people make to their record(s).
- *Named individuals as charity contacts.* The contact for a charity will have to be a named individual – corporate bodies will no longer be accepted as the main contact for a charity. A named individual employed by, say, a local authority or legal practice will be able to continue to fulfil this role. The name of the contact will no longer be displayed as part of the public register.
- *Charity public address.* The public address details for the charity – such as postal address, phone number and email contact details – have been separated from those of the named charity contact. This will allow charities to direct all communications to a suitable location or address.
- *Third-party contacts.* Trusted third-party contacts, where held, will be retained, so specialist advisers can submit the accounts. These details will not be available for change in the initial launch of the service. Charities should take time now to confirm they are correct for the forthcoming Annual Return 18 cycle. The Commission will provide more information on how these details can be changed.

tinyurl.com/ifa-11328

HMRC DISCLOSURES

In the past, HMRC has initiated a series of campaigns to allow opportunities for taxpayers to bring their tax affairs up to date and disclose previously undeclared tax liabilities. These campaigns have been targeted at a specific taxpayer groups or taxable activities. Although most campaigns have ended, two remain available for use.

- The Let Property Campaign targets individual landlords who let residential property in the UK or abroad but have yet to declare this source of income.
- The Card Transaction Programme is aimed at businesses that accept payment by credit or debit card but have not declared this income.

As well as these target opportunities, the Worldwide Disclosure Facility remains available for those who have undisclosed UK tax liabilities that relate wholly or partly to offshore matters. Note that if such liabilities have not been declared by 30 September 2018, tough new penalties will apply after that date.

HMRC's Digital Disclosure Service can also be used in the above cases as well as in other instances when a voluntary disclosure of undeclared liabilities is to be made.

Before using these facilities, it may be opportune to take professional advice on whether the Contractual Disclosure Facility (Code of Practice 9) should be used instead.

tinyurl.com/ifa-11326

WHAT IS WLTP?

The old New European Driving Cycle (NEDC) was designed in the 1980s. Advances in technology and driving conditions mean it has become outdated. The EU has developed the new Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

While the old NEDC test determined values based on a theoretical driving profile, the WLTP cycle was developed using real driving data, better representing vehicle performance. The driving cycle is divided into four parts with different average speeds: low, medium, high and extra high. Each part contains a variety of driving phases, stops, acceleration and braking phases. Cars will be tested with WLTP for the car's lightest (most economical) and heaviest (least economical) version.

WLTP was developed with the aim of being used as a global test cycle, so pollutant and CO₂ emissions as well as fuel consumption values would be comparable worldwide. However, although the WLTP has a common global "core", the EU and other regions will apply the test in different ways depending on their road traffic laws and needs.

WLTP will result in a higher g/km CO₂ value for a specific vehicle compared to NEDC, simply because it is more rigorous than the old test. For example, as of September 2018, one car model might still have a value of 100g CO₂/km using the old NEDC test, but a recently approved car might be registered at about 120g CO₂/km under the new WLTP test.

Lately, the UK government has been basing taxation on a vehicle's CO₂ emissions. The new testing will mean that new vehicles that would be in one tax band under the NEDC may be upgraded to a higher band under WLTP.

The new regime has been introduced for all new sales for cars only. However, it will be extended to vans and other light commercial vehicles from September 2019.

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OFFSHORE TAX DISCLOSURE

The most common reasons for declaring offshore tax are in relation to foreign property, investment income and moving money into the UK from abroad. More than 17,000 people have already contacted HMRC to notify the department about tax due from sources of foreign income, such as their holiday homes and overseas properties.

Customers can correct their tax liabilities by:

- using HMRC's digital disclosure service as part of the Worldwide Disclosure Facility or any other service provided by HMRC as a means of correcting tax non-compliance;
- telling an officer of HMRC in the course of an enquiry into their affairs; or
- any other method agreed with HMRC.

Once a customer has notified HMRC by 30 September 2018 of their intention to make a declaration, they will then have 90 days to make the full disclosure and pay any tax owed.

If taxpayers are confident that their tax affairs are in order, they do not need to worry. HMRC recommends that those who are unsure should seek advice from a professional tax adviser or agent.

tinyurl.com/ifa-11322

The triangle of trust

Access to business finance is essential for a growing business. *Greg Carter* explains the importance of the relationship between the client, adviser and lender.

TEN SECOND SUMMARY

- 1 Regulatory changes in recent years have resulted in an increasing number of alternative funding options.
- 2 The benefits of a simple symbiotic relationship between accountants, clients and funding providers based on trust.
- 3 Understanding the client, where the business is and its key opportunities are essential to building a collaborative partnership in which businesses can thrive.

To satisfy clients' diverse needs, financial accountants must collaborate with myriad stakeholders. In recent years, the nature of these relationships has changed significantly, driven by shifting market forces and the transformative impact of technology.

At one time, the big banks were the only port of call when seeking a funding solution for a client. Today, as these institutions come under increasing pressure from hardening regulatory capital requirements, we have witnessed an explosion in the number and variety of alternative funding options available. Accordingly, the accountancy ecosystem now looks much less linear.

What is the triangle of trust?

I think of the relationship structure that's developing nowadays as a "triangle of trust". This simply describes the symbiotic relationship between accountants, clients and funding providers. The framework may appear simple, but it is inherently relatively complex and involves a continuous flow of information between the parties. The common thread running through each part of this relationship? Trust.

Increased access to critical information, especially by way of innovative new technologies such as cloud accounting platforms, allow all parties in a relationship to respond to the business's ongoing and evolving needs in an agile manner. When coupled with consistent service delivery, the potential for creating lasting bonds between each of the parties is greatly enhanced

and this culminates in a trusted partnership that is continually reinforced over time.

Although finance providers are often the first to recognise that the principal custodian of the relationship is usually the referring accountant, it is important to remember that, ultimately, the true owner of the relationship within this framework will always be the client. Today's clients are empowered; they have an abundance of choice. This extends to their selection of advisers, funding providers and even the channels they use to communicate and receive information.

The five stages of partnership

So, what are the steps to a great partnership? To my mind there are five stages.

1. Information exchange

Generally, the process starts with a series of interactions involving the open exchange of information, either online or offline. The information flow that follows will govern the way in which relationships are initiated, structured and managed.



Greg Carter is CEO of Growth Street, a business finance specialist that provides capital to growing SMEs. Growth Street's flagship product, GrowthLine, is an interest only, revolving line of credit that allows businesses to access up to £2m as and when they need it. Previously, Greg worked at venture capital firm Arts Alliance Ventures, having started his career at Betfair. To learn more about Growth Street, visit www.growthstreet.co.uk.



The first critical stage is to identify the issues and opportunities faced by the client and these may be explored more deeply through intelligent questioning and active listening. This is fundamental to ensuring the right lender is matched with the right business. Does the business need working capital finance over the short or the long term? Will the facility be contingent on invoices or leveraged against stock as well? This knowledge allows quicker and more productive conversations with lenders, which will help to refine the selection of a new partner.

The more comprehensive and transparent the information that's available, the more likely the client is to receive a fast decision. This process can be accelerated further in the case of technology-enabled solutions. For example, businesses now have access to cash flow forecasting tools that can predict cash pinch points over the coming weeks and months.

These new products present opportunities for businesses to obtain a deeper knowledge about their future growth plans and the potential for accountants or finance providers to offer better risk-based pricing in the future. During the lifespan of a finance relationship, these tools could also help businesses' facilities take better account of future performance as well as past performance.

It's worth underscoring that, in my opinion, accountants have nothing to fear from these innovations; indeed, they can be welcome accompaniments to their expertise.

2. Mutual understanding

Each client is unique. Business plans and operational models all have distinct characteristics and it is imperative that both lenders and funding providers fully understand these nuances. Clients also need to understand what is and is not possible, so they have realistic expectations as to precisely what can be achieved.

Having had many conversations with ambitious business owners, I know how important it is to understand a business's leadership on a human level, as well as the fundamentals that directly inform the credit decision. I have also seen businesses that have been squeezed for particular kinds of working capital finance, especially overdrafts, since the financial crisis.

Ultimately, great partnerships should come from great mutual understanding on all sides of a relationship. Developing the right solutions for businesses

requires a combination of IQ and EQ (emotional intelligence) to find the right financial solution that also gives business owners valuable confidence in their long-term plans.

3. Think bespoke

When developing a solution of any kind, it is vital to get to know the client behind the numbers, understanding where they are now and the key opportunities that might lie ahead.

Increasingly, ambitious and growing businesses and their advisers are turning away from "tick-box" or "cookie-cutter" financing options in favour of more tailored forms of funding. As such, many accountants are recognising that the alternative finance sector, with its focus on enhanced technology deployment and a tailored customer experience, can make for a more collaborative partnership within which businesses can thrive.

4. Consistent delivery

"Sustaining an audience is hard," Bruce Springsteen once said. "It demands a consistency of thought, of purpose, and of action over a long period of time." He could have easily have been talking about a sustainable relationship between a business owner, an accountant and a finance provider.

Amid a volatile and uncertain business environment, the desire to create greater certainty sits at the forefront of every board agenda, every client relationship and every adviser's mind. Consistency of delivery has never been more important. This ranges from the small things, such as keeping open regular channels of communication, to the really important stuff, such as making sure that one gets the figures right first time. This applies equally for all partners, not just accountants, but accountants can play a valuable role in making sure businesses are as well prepared as possible to deliver on their strategic plans.

5. Building trust

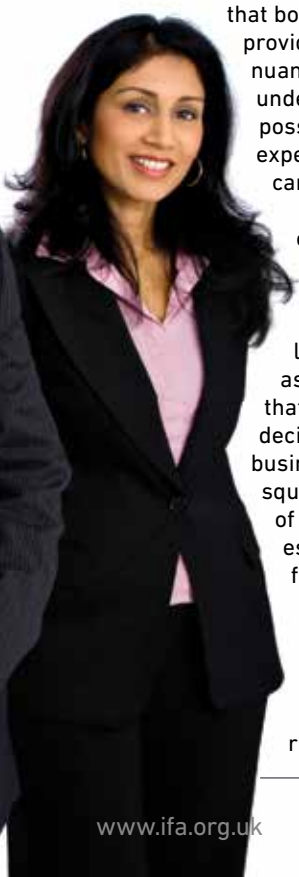
When an accountant refers a client to a lender they are, in effect, entrusting their reputation, something that should never be taken lightly. As businesses look to grow and develop, the dependability and trust that underpin the triangular relationship have never been more vital.

Conclusion

The rate of technological advance within the financial services and accounting arena certainly shows no signs of slowing. From cloud-based accounting to cryptocurrencies, Making Tax Digital, artificial intelligence (AI) and open banking, this is an incredibly exciting time for client-focused innovation. The opportunity to move away from routine and repetitive tasks to strategic roles and relationships will release us all to connect with clients at a deeper level and deliver remarkable customer experiences.

FURTHER INFORMATION

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Keep calm...



... and carry on? Is that the best advice for SMEs and micro-businesses as Brexit approaches? *Simon Hart* considers the steps that such businesses should be considering.

TEN SECOND SUMMARY

- 1 Many businesses have yet to do any Brexit business plans or considered changes.
- 2 By adopting “wait and see” tactics, businesses may have avoided wasting money.
- 3 Look at export opportunities and expansion outside the EU and stress test the company’s balance sheet.

It has been 800 days since the UK’s historic vote to leave the EU, but how much do businesses really know about the terms of our divorce settlement with Brussels?

Brexit has been hotly discussed in newspapers, radio talk shows and TV debates, yet we still have little concrete information about how it will play out in practice, or even if a deal will be reached at all. For businesses, this has created one of the most uncertain operating environments since the global financial crash. Our recent research shows many are now desperate for more information from the government.

Since June 2017, RSM has partnered with YouGov to track middle market business sentiment as the UK prepares to leave the EU. The RSM Brexit Monitor, based on more than 300 interviews with C-suite respondents across the UK, shows that although around half (49%) of business leaders are overall confident that the UK negotiators will ultimately achieve a “good deal”, they clearly want more clarity over the negotiations process. They also want more support for exporting and trade opportunities and for the government to supply useful information to enable business planning.

One consumer business leader told us: “Give us clarity. At the moment there is no defined path, so we struggle to make full and adequate preparation.” This was echoed by other industries. A financial services decision maker said: “I don’t expect miracle deals to be made, but I do expect clarity, efficiency and honesty so we can plan and adjust.” And a TMT firm said the number one thing the government should do is “supply us with useful information about the new laws and changes in our market.”

In recent weeks the government has released 84 technical notices about what will happen in the

event of a no-deal scenario. With so little concrete information available about what will happen on 19 March 2019, business directors will be pouring over these documents, and no doubt many will be turning to their in-house accountants to give them a distilled view on how their organisation should tackle the thorny issue of how to plan for Brexit. The question is whether the release of these technical notices will allow reasonable plans to be put in place. For many businesses at the smaller end of the size and complexity scale, the Brexit strategy so far seems to have been a very much “wait and see” approach.

The wait and see strategy

The wait and see strategy may well have been the right plan of attack for many so far – after all, how do you plan for something that no-one knows the outcome of? Our research with YouGov shows that a lack of clarity from the government has led to a degree of inertia among middle market businesses. At the start of the year, most businesses had still only taken a third of the actions they thought they needed take in order to prepare for Brexit.

Instead, small and middle-market businesses have been carrying on with the day job: the short-term concerns still seem to be orders/pipeline, paying bills, HMRC, business rates and red tape. At the same time, business leaders continue to trade, fight for market share, sign up new orders as well as manage cashflow demands and creditors, while working through red-tape and responding to changing consumer demands. In other words, they concentrate on the “known knowns” and leave the “known unknowns” until tomorrow.

Yet there remains concern that UK businesses could leave themselves exposed if they do not start considering the impact of a possible Brexit deal or no-deal scenario. The recently published technical notices on the no-deal scenario offer some pointers for businesses. It would be prudent to start scenario planning – even if this is merely a debate around the boardroom table of what-ifs or the structural changes the organisation might have to take to remain competitive, maintain or grow market share, retain staff and contracts, for example. Indeed, businesses that delay any necessary operational, financial or structural changes for too long might not be able to adapt to the post-Brexit environment well enough.

What could your business do?

In light of heightened expectations in the media about a no-deal scenario, it would be prudent for all businesses, however small, to consider the following important steps.

- **Efficiency and productivity.** How can you do what you do better? The UK is ranked fifth out of the G7 nations in terms of productivity – have your processes and procedures evolved with the times, and are they as effective or efficient as they could be? Target quick wins. When it comes to accounting and reporting, how many separate

spreadsheets are you using? Could better use of technology and an integrated enterprise resource planning (ERP) system actually smooth out some operational inefficiencies?

- **Staff retention and engagement.** For many sectors, Brexit will dent talent pipelines, leading to harmful skills gaps. Look at forms of motivation, training and reward to hold on to your talent. Remember to keep communicating with the team to let them know management are on top of things. It's also good practice to think about your talent pipelines and succession programmes. What skills and workforce might be needed not just next year but in five years' time?
- **Capital investment.** Remember that productivity improvements might require short-term investment. Money is still relatively cheap. Could capital investment help you become more competitive in the longer term?
- **International expansion.** If you're looking to expand into new overseas markets, make use of the support offered by the Department International Trade. They have representatives in each region. In 2017, the UK exported some £620m of goods and service with 52% of that to customers in countries outside the EU. What are your company's statistics in this area?
- **Supply chain.** Map out where you sit in the supply chain for your products; consider exposure to up-stream and down-stream changes. For example, what's the flow of materials used by your organisation inside and outside of the UK at the moment? Which ports are used and what's their capacity? What would you do to meet and maintain customer demand if the lead time for raw materials increased? What is the business exposure to tariffs and barriers to trade either directly or indirectly? Map out the exposure.
- **Stress tests.** The final activity everyone can do right now is stress test the balance sheet – model the “what if” scenarios. For example, what if customs delays increase lead time over deliveries? Will you need to hold more stock? What's the increased working capital requirement to finance that? What if there is a 10% increase in raw material prices or a 5% depreciation of sterling against the dollar?

Summary

So, there's plenty the accountant can do right now to support the business and help guide colleagues to scenario plan for the challenges and change Brexit will in all likelihood bring, and to consider the possible business opportunities this change might allow too. The financial experience and candour the professional accountant can bring to the organisation will be vital in what will be unprecedented times ahead – there is uncertainty but for the brave there is also opportunity as well – have the answers to the difficult questions to hand in the months ahead.



Simon Hart heads RSM's knowledge management operation and is the firm's lead Brexit partner. He is responsible for coordinating and leading RSM's content, insight and material in these areas.
E: simon.hart@rsmuk.com
T: 0121 214 3100
Visit: www.rsmuk.com

A matter of trust



Eleanor Urben explains the benefits of becoming a charity trustee.

TEN SECOND SUMMARY

- 1 **Becoming a charity trustee is a great way to become involved in a community and find out about the not-for-profit sector.**
- 2 **Generally, a trustee position will be for three years, so ensure that there is commitment to remain engaged with the organisation.**
- 3 **The induction process should include key documents including the latest annual report and the organisational strategy.**

Taking on a charity trusteeship is a rewarding and beneficial way to volunteer. It provides the chance to support and shape the work and strategic direction of an organisation, and a significant difference can be made to a cause that matters. It is a great way to become involved in a community or find out more about the not-for-profit sector.

Being a trustee can also offer the opportunity for professional development. It can provide experience of strategy and leadership, and boost a CV. It will supply the practical experience of being a non-executive director and develop skills such as influencing, negotiating, and managing risk.

For those who already have significant experience in these areas, it can be stimulating to use it in a different and potentially challenging context. Often, trustees say that being a board member has been one of the richest sources of learning in their professional lives.

Board members will come from different professions and sectors, and it can be interesting

and inspiring to work with people from different backgrounds. For a new trustee, it can be affirming to see how valued their expertise is by people from different professions. Every board member needs to develop a good understanding of their charity's finances, so financial expertise is essential.

Some accountants eschew treasurer positions, concerned that it will be too similar to their day job. However, this is not the case because all trustees share collective responsibility for the charity and treasurers have the same role as other trustees in strategic decision making. However, a good treasurer plays a key part in ensuring that all trustees understand their financial position.

So, how does one become a trustee and what the recruitment process involves.

Choosing the right trustee role

Giving time on a voluntary basis means it is crucial to take on a trustee role for a charity whose cause is motivational. A standard term for a trustee position is three years, so before applying for a role, consider whether you will remain engaged and committed to the organisation. Often, people take on a trustee role with a charity whose cause they have a personal connection with, or interest in, but do not feel that it is essential to start with a burning passion for a specific cause: people often find that their interest grows as they learn more about an issue or an organisation's work. Let's have a look at the recruitment process.

Applying for a role

Organisations vary in how they recruit trustees. However, a typical recruitment process involves:



Eleanor Urben is the TrusteeWorks Manager at Reach Volunteering. The TrusteeWorks team specialise in trustee recruitment and Eleanor has worked with a range of charities across the UK to secure chairs, treasurers and trustees. E: eleanor.urben@reachvolunteering.org.uk

BACKGROUND INFORMATION

Some areas should be explored before formally accepting a trustee position.

1. Find out about the vision, mission and values of the organisation. Because time will be given on a voluntary basis it is essential that these resonate with the volunteer.
2. Ask about the make-up of the board. These are the colleagues with whom you will be collectively responsible for the charity so it needs to be a team you want to join. How many board members are there and how long have they been in post? Why has a vacancy arisen? What is the demographic mix? How well do the trustees work together, and what is their relationship with the chair and the CEO? Finding out about this will provide insight into the board and if it is the type of organisation one would like to join.
3. Ask about the financial position of the charity and its resources. Every charity files its accounts and trustees' reports with the Charity Commission (England and Wales) or OSCR (Scotland). These documents provide a rich source of insight into the charity. Also, ask what is the charity's appetite for risk?
4. Check the legal structure. This determines the level of personal liability that trustees assume. If the charity is also a company limited by guarantee, or a COI, then trustees have limited liability. Request to see the governing document as it provides clarity on the expectations of the trustee role.
5. Clarify the time commitment of the role and be realistic about commitment to it. It is important to establish the expectation the organisation has for its trustees. For example, do the current trustees take a more hands-on approach within the organisation or are they expected to attend only the scheduled board meetings? Where and when are board meetings held? Are there opportunities to become more involved, say through subcommittees? A subcommittee is a great way to support more aspects of the charity's operations and could provide insight into finance, audit, risk, nominations, fundraising or other areas.
6. Ask about the organisation's strategic plan and board priorities for the next few years. This will inform the kind of input and time commitment the role will require. For example, is the organisation planning a significant change that will require a greater time commitment? What skills, experience, capabilities and value can the volunteer bring to the board to support the achievement of those goals? Joining a charity at a time of change can be rewarding because a significant contribution can be made.
7. Find out whether there is an induction process in place and what it involves. Poor induction is one of the most cited reasons for individuals stepping down prematurely. Having time to learn about the organisation and accessing key information will help in becoming an effective board member more quickly. Don't be afraid to ask whether training is available: this can help become a more effective member and will support professional development.

- Application by CV with a covering letter or application form.
- Opportunity for informal chat or an open day.
- Interviews, which may be formal or informal in style.
- Appointment, which may be immediate or after observation.

Those who are interested in a particular organisation may contact them directly to express interest, establish whether there are any trustee positions available and, if so, the application process.

Those who would prefer to explore different trustee opportunities can register with websites such as Reach Volunteering where hundreds of different roles are advertised by charities across the UK.

Organisations will also advertise on sites such as Charity Job, The Guardian, local volunteer centres and their own website.

The interview

Once an application has been made for a trustee role the candidate will be invited to an interview, which can either be informal or formal based on how the charity recruit trustees.

There may also be the opportunity of an informal chat with the chief executive, chair or other trustees. Some charities suggest that the applicant should attend a trustee meeting so they

can see the board in action. Whichever format the process takes, it should be a two-way dialogue and provide as much opportunity to get to know the charity as it does for the charity to make the acquaintance of the applicant.

The induction process

During the induction process the organisation should provide key documents such as the governing document, the latest annual report and the organisational strategy. Have a look at the Charity Commission's useful *Charity trustee welcome pack* (tinyurl.com/yajk8yrm).

An organisation may offer a "buddy", who is an existing board member who can mentor the new trustee through the first few months. This can be particularly useful for those who have not been a trustee before or are young.

Take your time

Becoming a trustee can be a wonderful opportunity to use professional skills for social good. It is important to take time to find the right role, which fits with your interests, skills and can work with other commitments. If a charity's trustee recruitment process does not provide enough opportunity to explore mutual fit, do not be afraid to ask more questions.

It is estimated that almost half of all charities are looking for trustees at any time, so there is certainly the ideal role out there somewhere.

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Shades of grey

Anne Davis explains how IFA members can identify and manage potential conflicts of interest.



istockphoto/Diy13

TEN SECOND SUMMARY

- 1 Act within the law and professional ethical requirements to resolve conflicts of interest.
- 2 The Code of Ethics does not prohibit members from undertaking engagements when different client interests conflict.
- 3 Fundamental principles and effective safeguards must be applied.

We have recently received some queries relating to identifying and managing conflicts of interest, particularly from members engaged in public practice. This is not surprising given such members represent more than one client. They are, therefore, more likely to come across situations in which client engagements conflict with the interests of other clients or the interests of the public practice firm. That's not to say that members in business don't also experience conflicts of interest – they do. What is important is that, as long as members act within the law and their professional ethical requirements, these conflicts of interest can generally be resolved by discussion and disclosure with their employer.

This article is aimed at helping members in public practice to identify and manage conflicts of interest. However, some of the guidance may also be helpful to business members.

IFA's Code of Ethics

The IFA's Code of Ethics, which follows that of the International Federation of Accountants (IFAC), does not prohibit members from undertaking engagements when different client interests conflict. This is as long as particular effective safeguards are applied and, generally, informed consent from the clients is obtained. However, on occasion, the threats to objectivity due to a conflict of interests and the duty referred to above may

be of such significance that adequate safeguards cannot be established. In such cases, members will not be able to act for one or more clients.

When analysing a potential conflict of interest, consideration must be given to whether actions, relationships or circumstances might lead to threats to the fundamental principles. If necessary, safeguards must be applied to eliminate the threats or reduce them to an acceptable level. Safeguards are necessary if a professional accountant determines that threats to compliance with the fundamental principles are not acceptable. In these circumstances they must determine the appropriate and available safeguards and how these can be applied to eliminate threats or reduce them to an acceptable level. To assess what is acceptable, the member should take account of what a reasonable and informed third party would be likely to conclude is acceptable, weighing all the specific facts and circumstances available at the time.

Basic principles

As a reminder, the fundamental principles that must be adhered to are as follows.

- **Integrity.** To be straightforward and honest in all professional and business relationships.
- **Objectivity.** Not to allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- **Professional competence and due care.** To maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. Further, to act diligently and in accordance with applicable technical and professional standards.
- **Confidentiality.** To respect the confidentiality of information acquired as a result of professional and business relationships. Such information must not be disclosed to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose.



Anne Davis is Director of Professional Standards at the IFA. She has responsibility for regulation, policy, disciplinary, anti-money laundering and making representations in response to consultations affecting the profession. She is a chartered accountant and has a wide range of experience in management and financial accounting, project management, system implementation, policy and regulation. Anne has worked in retail, financial services and the not-for-profit sector. She is also a trustee for some charities.
E: AnneD@ifa.org.uk

Nor should the information be used for personal advantage or that of third parties.

- **Professional behaviour.** To comply with relevant laws and regulations and avoid any conduct that discredits the profession.

Threats to the fundamental principles can fall into the following categories:

- **Self-interest.** The threat that a financial or other interest will inappropriately influence judgement or behaviour.
- **Self-review.** The threat that the results of a previous judgement, activity or service performed personally or by the firm or employing organisation, on which reliance will be based when forming a judgement as part of performing a current activity or providing a current service, will not be evaluated appropriately.
- **Advocacy.** The threat that a client's or employer's position will be promoted to the point that objectivity is compromised.
- **Familiarity.** The threat that, due to a long or close relationship with a client or employer, the adviser will be too sympathetic to their interests or too accepting of their work.
- **Intimidation.** The threat that the practitioner will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over them.

Actual or potential conflicts of interest

The IFA's code includes specific guidance on conflicts of interest for members in public practice and members in business in section 220 and section 310 respectively. In most cases, it will be obvious if there is an actual or potential conflict of interest. Such matters are likely to be identified at the beginning of the engagement or sometimes throughout it when there are changes in circumstances that create a new conflict or change the nature of an existing conflict.

Examples of potential conflicts of interest that arise include the following.

- Providing accounting and/or assurance reports to a client where the adviser has a financial or benefit-in-kind interest.
- Providing bookkeeping services, having day-to-day involvement with a charity or close relationships with trustees and acting as an independent examiner for a charity.
- Advising two clients at the same time who are competing to acquire the same company where the advice might be relevant to the clients' competitive positions.
- Representing two clients on the same matter when they are in a legal dispute with each other, such as during divorce proceedings or the dissolution of a partnership.
- Advising a client to invest in a business in which, for example, the spouse of the member in public practice has a financial interest.

Sometimes, identifying who the client in an engagement is can be tricky especially if multiple stakeholders are involved. For example, there may

be many legal entities in a group with different interests or the instructions being received from an individual represent a shareholder or their own personal interests which differ from the corporate client interests.

It is important to identify the client, their expectations and what the engagement is to avoid potentially misleading a client or clients. The practitioner should be acting in the best interests of the client not the person providing the instructions.

It is also important to note that assessments of actual or potential conflicts of interest may change as new facts or circumstances are disclosed or the engagement changes. Therefore, it is important that assessments relating to conflicts of interest are undertaken throughout the engagement as part of the client review meetings as well as at the beginning of the engagement.

Managing conflict of interests

The Code of Ethics does not prohibit a member from acting in situations in which there are conflicts. However, if these generate potential threats, particularly to objectivity, the code does require safeguards to be applied.

Actual or potential conflicts of interest might be managed in the following ways.

- Obtaining informed consent from clients to continue the engagement, particularly in situations involving adversarial interests. If consent has been sought and not given by the client, the member must cease to act.
- Applying safeguards such as:
 - conducting the engagement by different individuals or teams and setting up information barriers between them;
 - obtaining a review or approval of the adviser's work by someone in the firm who is independent of the matter; and
 - obtaining a consultation or review from a third party.

More detailed guidance on safeguards for members in practice and business is available in section 220 and section 310 of the code. It must be remembered that, on occasions, actual or potential conflicts cannot be managed. For example, this might be if there is a legal or regulatory requirement regarding particular engagements, such as independent examinations.

Documentation

If there are ethical matters to be considered, IFA members are strongly encouraged to document their reasoning and evidence of their assessment of any threats and safeguards to the fundamental principles. The conflict resolution framework included in part A of the code may help provide a framework and guidance for how members may want to consider documenting such matters. Although not documenting the considerations and steps that have been taken is not evidence of professional misconduct, having such documentation may provide a defence should a complaint be lodged with the IFA.

FURTHER INFORMATION

Further information on the Code of Ethics is available at: tinyurl.com/mxbbe5w and tinyurl.com/ycttkd6u

Branch meetings

Linda Wallace provides details of forthcoming local branch meetings and anti-money laundering compliance workshops.

TEN SECOND SUMMARY

- 1 Radical changes have been made to the anti-money laundering regime.
- 2 The penalties for non-compliance with the new regime include a new corporate offence of failing to prevent the facilitation of tax evasion.
- 3 The IFA workshops will benefit professionals working in public practice, particularly those involved in compliance.

As John Edwards reminds us in his opening comments to this issue of *Financial Accountant* (see page 3) changes have been made to the anti-money laundering (AML) regime following the introduction of the Money Laundering Regulations 2017, the Criminal Finances Act 2017 and a new Office for Professional Body Anti-Money Laundering Supervision (OPBAS).

As a supervisory body, the IFA takes its responsibilities seriously and, while the preferred approach is "education rather than enforcement", the Institute must ensure that its members are compliant. Those who are not, or who do not become compliant after a monitoring visit will face disciplinary action.

AML workshops

This autumn, the IFA is running a series of anti-money laundering workshops where members can gain practical guidance for meeting their new legal obligations as well as an insight into disciplinary cases, penalties and court cases when things go wrong.

The workshops cost £120 provide 7 CPD hours and run from 9am to 4.30pm as follows:

- London on 25 September 2018.
Metro Bank. One Southampton Row, Holborn, London WC1B 5HA.
- Manchester on 2 October 2018.
AC Hotel Manchester, 17-19 Trafford Road, Salford Quays, Manchester M5 3AW.
- Birmingham on 16 October 2018.
Birmingham Conference and Events Centre, Hill Street, Birmingham B5 4EW.

More Institute events

Details of all IFA events can be found on the Institute website at: www.ifa.org.uk/events.

19 SEPTEMBER 2018 (16:00 – 19:00) 3 CPD HOURS

Scotland

Fraser McKay: Working capital redefined

Mann Island: Vehicle acquisition costs for businesses

Spotcap: How non-bank lenders can help your clients access funding

David Lloyd Centre,

Newhaven Place, Edinburgh EH6 4LX

27 SEPTEMBER 2018 (14.00 – 16.00) – 2 CPD HOURS

Antrim

Investec: Outlook for world markets looking forward into 2019 and IHT planning strategies

Baker Tilly Mooney Moore: Key changes in insolvency legislation

Dunsilly Hotel

20 Dunsilly Road Ballymena BT41 2JH

11 OCTOBER 2018 (14.00 – 16.00) 2 CPD HOURS

Antrim

Social Bee Academy: Helping businesses to grow using social media

IQ & Co: Tax planning and estate planning strategies

Dunsilly Hotel

20 Dunsilly Road Ballymena BT41 2JH

3 OCTOBER 2018 (18.00 – 21.00) 3 CPD HOURS

Leicester

Mann Island: Vehicle acquisition costs for businesses

Ajaccts Software: Making Tax Digital

De Montfort University,

Hugh Aston Building, The Gateway LE1 9BH

13 NOVEMBER 2018 (18:00 – 21:00) 3 CPD HOURS

High Wycombe

Reckon: Making Tax Digital – the final countdown

Qdos: HMRC tax enquiries and activity update

Holiday Inn,

Crest Road, Handycross, High Wycombe HP11 1TL

4 OCTOBER 2018 (16:45 – 19:30) 2.5 CPD HOURS

Manchester

Receipt Bank: How to use real-time data to unlock your practice potential**Qdos:** IR35 whistle stop guide

University of Salford,

GH03, 69 Lady Hale Building, Salford,
Greater Manchester M5 4WT**27 SEPTEMBER 2018 (19.30 – 21.30) – 2 CPD HOURS**

Leeds

FRAMA: Secure emails
Charities and Volunteers

Weetwood Hall Conference Centre and Hotel

Otley Road, Leeds LS16 5PS

18 OCTOBER 2018 (19:30 – 21:30) 2 CPD HOURS

Leeds

Spotcap: How non-bank lenders can help your clients
access funding**Ian Hornsey:** How to grow a successful practice

Weetwood Hall Conference Centre and Hotel,

Otley Road, Leeds LS16 5PS

23 OCTOBER 2018 (17:00 – 19:15) 2 CPD HOURS

Rotherham

Mattioli Woods: Retirement wealth planning

Ibis Hotel,

Moorhead Way, Bramley Rotherham S66 1YY

1 OCTOBER 2018 (17.30 – 20.30) 3 CPD HOURS

Ipswich

Mattioli Woods: Retirement wealth planning**WFW:** Your rep. has suggested "equity release"

Ipswich Hotel,

Old London Road, Copdock, Ipswich IP8 3JD

29 OCTOBER 2018 (17.30 – 20.30) 3 CPD HOURS

Ipswich

Spotcap: How alternative finance could help your clients
succeed

Ipswich Hotel,

Old London Road, Copdock, Ipswich IP8 3JD

**27 SEPTEMBER 2018 (18.30 – 21.00)
2.5 CPD HOURS**

Crawley/Gatwick

Badgar: Six steps to SuXcess**SGI Partners:** Developing strategy and delivering
success in international markets**Mann Island:** Vehicle acquisition costs for businesses

Arora Hotel,

Southgate Avenue, Southgate, Crawley RH10 6LW

5 NOVEMBER 2018 (18.00 – 21.00) 3 CPD HOURS

London

Mattioli Woods: Retirement wealth planning**Qdos:** HMRC tax enquiries and activity update

London South Bank University,

Keyworth Centre, Keyworth Street, London SE1 6NG

IFA members at work

We will be featuring IFA members who are working in a range of accountancy roles. This month we profile *Jawad Saleem*.



Jawad Saleem
Country Finance Manager
Majid Al Futtaim Hypermarkets
Pakistan (Pvt.) Ltd.
E: JawadSaleem.1982@gmail.com
M: +9230 2849 9331
Twitter: JawadSaleem1982
LinkedIn: www.linkedin.com/in/jawad-saleem-9149b418

1 How long have you been an IFA member?

I am a Fellow of the Institute and have been a member since 2012.

2 What made you join the IFA?

Any student pursuing a career in accountancy, finance or tax wants to gain a globally recognised qualification. IFA membership helps when pursuing a career across the globe and the Institute always keeps its members aware of industry news and technical resources, with CPD programmes and training to keep them up to date. One advantage that I count as top of my list is networking. In my experience, Institute members are like a family and are always ready to support each other.

3 What does an average day look like?

A typical day starts with a quick look at emails received overnight, breaking news and the calendar to remind myself of scheduled meetings. While driving to the office, I plan any major tasks of the day and the team members and or stakeholders that need to be involved. I am currently associated with a hypermarket chain and normally arrive at the office by 9am. The day starts with a review of daily store results such as revenues, customers, average basket, and footfall.

My door is open for any stakeholders requiring advice or support and my aim is to act as a true business partner and financial adviser to commercial teams and others. A typical day in the office can involve reviewing financial results, feasibility studies, working capital management, store visits, tax planning, budgeting and forecasting, team meetings, performance reviews, corporate governance and the like. I strongly believe in networking because this helps not only by sharing knowledge, but also some delicious food. After corporate hours, I usually spend some time browsing to gain awareness on industry and technology updates.

4 Do you have a typical client?

Because I work in industry, my clients are my peers and other organisation stakeholders coming from different backgrounds.

5 What are the current three skills needed for an accountant in business/practice?

Whether in business or practise, a good accountant should possess the following qualities.

- *Financial and analytical skills.* One of the most basic yet important skills in our profession is the ability to apply financial frameworks used by businesses to prepare financial reports and to complete other financial tasks. One should apply professional judgement when preparing, analysing and interpreting financial information and be able to explain this in a way that is easily understandable to non-finance professionals. The accountant should be able to evaluate financial information in a broader perspective that will contribute towards taking business decisions.
- *General business skills.* Business partners must develop these skills because the expectations of stakeholders are high. They want financial advice that makes commercial and business sense, so being an adaptable and good listener is a must. General business knowledge, communication skills, leadership abilities, and customer service orientation are as important as accountancy skills. A strong commercial knowledge is key to move from the role of accountant to business adviser.
- *Creative thinking.* The corporate world is progressing fast. Every day comes with new challenges that must be tackled effectively to be competitive in the market. To deal with these issues, one needs to be an effective problem solver as well as being proactive. Think "out of the box" and take initiatives that can help a business to progress. Keep thought processes alive to find new and effective ways of working.

6 What do you do outside of work to relax?

Spending time with family, watching movies, being an Xbox freak and writing articles, I also love travelling – and let's not forget food.

7 If you weren't an accountant what would you be doing?

Although I love my accountancy profession, my second choice would be "economist" and I write regularly for newspapers related to this subject.

FURTHER INFORMATION

If you would like to be featured in *Financial Accountant*, please contact Richard Curtis at: richard.curtis@lexisnexis.co.uk.

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