# Financial Accountant

The official magazine for The Institute of Financial Accountants

INSTITUTE OF FINANCIAL ACCOUNTANTS®
A MEMBER OF THE IPA GROUP

ifa.org.uk
January/February 2019


## IT'S TIME TO MAKE TAX DIGITAL

A **big step** towards a **digital tax system** looms. Calculate your **move to the cloud**.


Brexit planning | Client management | MTD | Anti-money laundering | North-west focus

# CONTENTS



## REGULARS



## BUSINESS



## PRACTICE



## MEMBER FOCUS



## LAST WORD




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ANDREW CONWAY

# Accountants – Trust is our point of difference

Welcome to 2019. I wish all IPA Group members a healthy and prosperous year ahead.

Last calendar year was a big one for the group, with considerable growth and reinvestment to drive greater member value. I am looking forward to the year ahead and for even stronger results.

Accountants, globally, still hold a strong position as preferred trusted advisers. However, public expectations continue to rise at a time when overall trust in institutions is declining.

Trust impairment is a global trend. In Australia, there has been a Royal Commission into banking and financial services, which will no doubt lead to a growing distrust in financial institutions and financial advice.

As a profession we must step up. Lack of trust only exacerbates people's expectations; however, the fundamental need of people seeking trustworthy and competent professionals must still be met.

There have been no systemic issues involving accountants, so our members still hold the honour of being trusted advisers to their clients.

However, as a profession we must do everything in our power to not only maintain that level of trust but also respect the community need for the trust they invest in us.

**Professor Andrew Conway FIPA FFA**
IPA Group CEO

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JOHN EDWARDS

# A commitment to development

Happy New Year! I'm delighted to be introducing the new-look *Financial Accountant*. The readership survey we conducted last year found general satisfaction with the magazine; however, there is always room for improvement. In partnership with our new editor Kevin Reed I'm particularly keen for the content to be entertaining, authoritative and motivational.

Refreshing and developing the magazine is part of our commitment to you. I trust that you find it easy to read and navigate, and feel inspired and informed by the articles.

I've also been reflecting on the role of our branches. It's been clear for some time that our chairs do so much more than chairing meetings. To recognise their broader role, branch chairs will now be known as branch ambassadors.

This new title more accurately reflects the excellent work they do to promote the IFA at every available opportunity, as well as providing support and assistance on specific practice/business matters and encouraging engagement and attendance at meetings.

If you haven't attended a branch meeting yet I highly recommend them to you. Go to **ifa.org.uk/branches** to find your nearest event.

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) has completed its first round of monitoring visits to each of the professional bodies. OPBAS visited the IFA in November 2018 to assess how we were performing against our obligations as a supervisory body. We look forward to receiving the findings of their visit in due course.

I believe we now have the foundations to deliver global growth over the next decade with a clear focus on the following:

- Raising quality standards, recognition and compliance
- Membership and student growth
- Greater member value through services provided, CPD, workshops, conferences, branch meetings and the bi-monthly issue of *Financial Accountant*
- Continued development of back-office systems, processes and procedures focusing on more online/digital solutions and efficiencies.

Finally, early booking is advised for the 2019 IFA conferences as they all sold out last year: London - 13 June 2019; Birmingham - 10 October 2019 and Manchester - 31 October 2019. Go to **ifa.org.uk/conferences** to book your place.

**John Edwards FFA FIPA**
IFA CEO

**T:** @InstituteFA
**F:** /instituteoffinancialaccountants
**L:** Institute of Financial Accountants

> **It's been clear for some time that our chairs do so much more than chairing meetings. To recognise their broader role, branch chairs will now be known as branch ambassadors**

Illustrations: Sam Kerr/Paul Ryding

# EDITOR'S COMMENT

KEVIN REED

# Direction is the key to unlocking positive change

Welcome to the new-look *Financial Accountant*. It's an honour and a pleasure to become a part of the team responsible for bringing you news, views and insight from around the world of accounting, finance and business.

The refresh of both design and content are about making what we put in front of you easier to navigate, more digestible and - dare I say it - a more enjoyable experience.

However, we haven't turned *Financial Accountant* upside down. The things you value - technical updates, practical advice and key IFA information - are still here. So, what has changed? Clearly the design is more contemporary and engaging. But you'll notice, within the member-oriented pages at the back of the magazine, more views and thoughts from your peers within the IFA.

I hope their opinions and insight into their working lives will inspire, entertain and provoke thought. And, before I forget: we will need more contributors going forward - so please contact the IFA to find out how to get involved, and it might be your name and thoughts in the next issue.

The magazine is not the only thing changing, of course. As we go to press it's still very unclear what is happening with both Making Tax Digital and Brexit. Change creates opportunity, of course, but without clarity around that change then, for businesses and their advisers, it becomes impossible to plan and manage for the future.

Hopefully, as you read this, some of that precious clarity has showed itself.

A Happy New Year to you all, and I hope you enjoy your new magazine.

**Kevin Reed, editor,**
*Financial Accountant*

## WHO SAID THAT?

**"It's interesting to note that Fra Pacioli was deeply concerned about accounting ethics even in the 15th century - and at the heart of the recent spate of accounting scandals is the lack of ethics"**

Turn to **page 29** to find out

NEWS IN NUMBERS

**More than a quarter** (27.6%) of all **retail floor space** in England and Wales **has disappeared** since the financial crisis in 2008, according to a study by Northumbria University.

**60%**

The percentage of accountants who have **regretted sending emails** due to **tone or language used**, compared with 22% of admin workers.

*Source: 4Com*

**14.3%**

The percentage of British business **trading internationally** in 2017, up from 13.7% in 2016, according to the Office for National Statistics.

**£24,841**

The average **small business is owed £24,841** on any given day, according to two million invoices analysed by Xero.

**20%**

Sports Direct's Mike Ashley told a **parliamentary committee** he wants a **20% tax placed on online sales**, in a bid to protect 'bricks and mortar' retailers.

*Source: FT*

**500,000**

More than **500,000 British workers** living '**below the bread line**', a figure growing faster than employment.

*Source: Joseph Rowntree Foundation*

Struggling **meat retailer Crawshaws**, with 50 stores in the Midlands and northern England, is **sold for**

**£1.4m**

*(Turn to page 30 for our focus on north-west England)*

**12yrs**

Extending HM Revenue & Customs' ability to delve into the **affairs of offshore funds** to 12 years is **"unreasonably onerous and disproportionate to the risk"**, the Economic Affairs Committee states.

**0.7%**

**Average turnover growth** for small businesses based in **'less favoured areas'** (LFAs) in the UK, compared with 3.2% elsewhere. The Federation of Small Businesses wants the government's new UK **Shared Prosperity Fund to focus on these LFAs**.

**£85bn**

A **lack of digital capability** is hitting UK businesses by a cumulative **£85bn** a year, according to Lloyds Bank Business and Charity Index.

Consumer **spending** grows

**3.3%**

y-o-y in November – the **lowest level of growth** since March 2018, finds Barclaycard.

**200,000**

single parents are unemployed, "the most underutilised pool of talent in the UK", according to job site Indeed.

# NEWS

BREXIT

## 'No-deal' Brexit contingency advice released for businesses and advisers

A 'PARTNERSHIP PACK' HAS been formulated and released on the government's website to help businesses plan for the "unlikely possibility" of a no-deal EU exit.

The pack is for organisations, intermediaries and infrastructure providers to use for contingency planning and to share with those you represent, your clients and members. It is designed so advisers can take information from it and tailor it to suit your own channels and needs.

The pack focuses on how VAT customs and excise could be affected and includes information split by topic and audience, and flowcharts.

Future editions of the pack will include information from other government departments responsible for policies that will impact trade at the border.

The government has also asked for feedback on how the pack is being used to help mould future releases.

→ **tinyurl.com/ifa-7051**

STAFFING

## Tech change boosts finance temps' prospects

Three-quarters (74%) of chief financial officers believe digitalisation will have a positive impact for temporary and contract employees.

While there has been concern that automation will lead to fewer finance roles, a new survey by Robert Half UK shows that contract staff will be required to help the transformation of finance functions.

A third of UK CFOs surveyed said temp staff were helping in digital transformation, and were being hired in core areas such as financial management (32%), followed by accounting (28%) and credit management (27%).

**57%**
SAY TEMP STAFF ARE AN INTEGRAL PART OF STAFFING STRATEGIES

Nearly three in five (57%) said temp staff were becoming an integral part of their staffing strategy.

"The days of temporary staff acting as a stop-gap in finance departments are long gone," said Vincent Brown, VP at Robert Half UK. "By augmenting the finance department with temporary staff, the priorities of meeting operation finance objectives can be maintained while allowing time for upskilling in new processes and systems."

"By hiring temporary staff who aid the digital transition to automation, CFOs can build a more collaborative, innovative and happier working environment for the long term."

## NEWS IN BRIEF

### SMEs reject Brexit threat

UK SMEs are positive about international trade, with high expectations for European export growth, despite the looming threat of Brexit, according to the latest Global Trade Barometer from WorldFirst.

→ **tinyurl.com/ifa-7019**

### Data risks still a real problem for small businesses

Some 31% of SMEs fail to insure against cyber and data risk, according to a survey by Aon. More than three-quarters (77%) believe they wouldn't be liable to compensate victims of a data breach.

### Brighton wins start-up crown

Brighton has taken the crown in the 2018 "Best place to start a small business in the UK" study complied by Informi. Some 63 largest towns and cities in the UK were studied to determine which created the most friendly environment for small and medium-sized businesses to succeed.

→ **tinyurl.com/ifa-7024**

### Women-owned businesses contribute £105bn

Women-owned businesses contribute a staggering £105bn to the UK economy, but female entrepreneurialism in manufacturing and other high-growth sectors remains more elusive, according to the FSB.

→ **tinyurl.com/ifa-7029**

### Last chance to take Institute exams

June 2019 will be the final opportunity to take exams for IFA qualifications. The deadlines for enrolment are: International – 19 April 2019; UK – 10 May 2019. We strongly recommend that places are registered well in advance because the exam centres book out very quickly.

→ **For more information, visit: ifa.org.uk/learning**

**'Tinyurls' explained**

The "tinyurl" web address at the end of each news item 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.

TAX SIMPLIFICATION

# REPORT CRITICISES IHT AS 'COMPLEX AND OLD-FASHIONED'

THE INHERITANCE TAX (IHT) process is "complex and old-fashioned", according to the Office of Tax Simplification (OTS).

In a new report, requested by chancellor Philip Hammond, the OTS's comprehensive report into the views of more than 3,500 people, found that respondents felt they were being asked to fill in complicated forms "at a difficult time".

While IHT is payable on less than 5% of estates, around half of families must fill in the forms. Many people said their relatives had worried about IHT even though it wasn't going to affect them.

In its report, the OTS flags up a number of ways to improve and simplify the system, following discussions with both people and professional advisers.

It highlights the benefits of:

- Reducing or removing the requirement to submit forms for smaller or simpler estates, especially where there is no tax to pay

**5%**

PROPORTION OF ESTATES ON WHICH IHT WAS PAYABLE, DESPITE HALF OF FAMILIES HAVING TO FILL IN THE FORMS

- Simplifying the administration and guidance
- The advantages of banks and other financial institutions having standardised requirements
- Automating the whole system by bringing it on-line.

"The basic design of the tax itself is for government, but at the OTS we can address that most frequent of all comments: 'At least make it easier for the families to fill in the forms'," said OTS chairman Angela Knight.

"Improving the administration of this tax in these ways is important, as having to deal with the current process can seem overwhelming to people at a time when they are both preoccupied and distressed," Knight added.

The initial report sets out an explanation of the issues and complexities of IHT, an overview of concerns, and recommendations. A second report covers wider areas of concern and will follow in spring 2019.

→ **tinyurl.com/ifa-7047**

FUNDING

# Loans platform boosted by £150m government-backed SME fund

A £150m lending boost will be provided to UK small businesses after the money was made available by the British Business Bank through loans platform Funding Circle.

The transaction, under the government-backed bank's ENABLE Funding programme, is expected to support the growth of 2,000 UK businesses. It extends that existing partnership between Funding Circle and the government, where £165m has been lent directly to small businesses through the platform.

"We have supported the growth of peer-to-peer lending as a model since its earliest stages," said British Business Bank CEO Keith Morgan. "It helps provide welcome choice and competition and we are pleased that this part of the market continues to expand significantly, with volumes increasing by a further 51% in 2017."

The platform was set up to provide small business loans as a asset class, with some £5.6bn lent through it across UK, Germany and The Netherlands.

→ **tinyurl.com/ifa-7055**

**£150m**

LENDING BOOST WILL BE PROVIDED TO UK SMALL BUSINESSES

Image: Shutterstock

# NEWS

SME BANKING

## Banks fail on price transparency

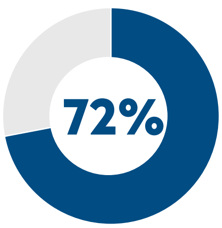
More than half of banks (58%) fail to provide fair and transparent pricing to SME customers, according to a study by fintech provider Fraedom.

Its survey of more than 100 decision-makers in commercial banks found that "larger enterprises taking priority" was the biggest hurdle banks must overcome (according to 55% of respondents).

"While many banks are struggling to put the needs of a small business ahead of a large enterprise's, steps can be taken to improve this situation, such as developing SME-specific programmes," said Fraedom CEO Kyle Ferguson.

Some 72% of the bankers said SMEs represented the largest area of growth opportunity for their financial institution.

→ **tinyurl.com/ifa-7057**




OF BANKERS SAID SMEs REPRESENTED THE LARGEST AREA OF GROWTH OPPORTUNITY

RISK MANAGEMENT

## 'Enhance' financial diligence

HM TREASURY HAS PUBLISHED an advisory notice regarding the requirement for regulated businesses to apply enhanced due diligence for higher-risk jurisdictions.

The notice contains advice issued by the Treasury about risks posed by unsatisfactory money laundering and terrorist financing controls.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) require firms to put policies and procedures in place to prevent activities related to money laundering and terrorist financing. Enhanced customer due diligence requirements must be applied to high-risk countries.

→ **tinyurl.com/ifa-7059**

# TECHNICAL UPDATES

### HMRC Agent Update 68

Find out about Venture Capital Schemes process changes; the increase in Student Loan Plan 1 and Plan 2 thresholds from 6 April 2019; and Postgraduate Loans. There is also guidance on completing a return for the Soft Drinks Industry Levy and an update on how you can join the agent forum.

→ **tinyurl.com/ifa-7000**

### Access finance available to support small businesses

Are you and your business looking to start up, scale up or stay ahead? Start-up loans of up to £25,000 can give you a boost if you're just starting out. Or take a look at the Finance Hub and the British Business Bank for more finance options for smaller businesses.

→ **tinyurl.com/ifa-7006**

### Crown Dependencies customs arrangements

New arrangements with each of the Crown Dependencies (the Bailiwick of Jersey, the Bailiwick of Guernsey and the Isle of Man) have been signed "to maintain and reaffirm our close customs relationships", states the Treasury.

→ **tinyurl.com/ifa-7033**

### SARs advice videos

A series of video links have been created by the Gambling Commission in partnership with the National Crime Agency to help individuals providing suspicious activity reports (SARs).

→ **tinyurl.com/ifa-7015**

### Finance Bill 2018/19

This link directs you to all the supporting documents for the latest Finance Bill.

→ **tinyurl.com/ifa-7035**

### Accountant fined for avoiding pension duties

The accountant of a London cafe has been ordered to pay £6,857.50 after he admitted falsely claiming to The Pensions Regulator (TPR) that staff had been enrolled into pensions.

→ **tinyurl.com/ifa-7037**

### Agents' views on MTD for business and Single Financial Account

While most agents understood the general premise of MTD for business, many had no detailed understanding of the programme and were unaware of the timeframes, eligibility criteria and practical/logistical considerations (software compatibility, and so on). For more, see pages 12 and 20.
→ **tinyurl.com/ifa-7013**

### Charity Commission Newsletter 61

This edition includes: submitting your 2018 annual return and final deadline for 2017; safeguarding duties for trustees; automatic disqualification – the law has changed; and being aware of charity fraud risks.
→ **tinyurl.com/ifa-7002**

### HMRC Employer Bulletin 74

Updates on: paying employees when pay day is a non-banking day; PAYE settlement agreements; and articles on Construction Industry Scheme and various webinars.
→ **tinyurl.com/ifa-7004**

### Assets linked to first UWO case seized

The National Crime Agency seized 49 items of high-value jewellery from an auction house under the 'listed assets' provisions introduced by the Criminal Finances Act 2017. In total, the items are valued at more than £400,000 for auction purposes.
→ **tinyurl.com/ifa-7008**

### Money Laundering update

HMRC's publication of MLR 2017 penalties has now gone live. The page will be refreshed every two to three months. This list covers the period June 2017-July 2018. See page 24 for more.
→ **tinyurl.com/ifa-7011**

### CIS software

The list of recognised suppliers of software for the Construction Industry Scheme has been updated by HMRC.
→ **tinyurl.com/ifa-7039**

### Opting to tax land and buildings (VAT Notice 742A)

This notice has been updated to provide information on who is an authorised signatory for the purposes of notifying an option to tax. The details can be found in a new paragraph 7.6.
→ **tinyurl.com/ifa-7042**



MAKING TAX DIGITAL

# HMRC MUST BETTER CONSIDER SMEs IN MTD PLAN, SAY MPs

HM REVENUE & CUSTOMS (HMRC) "is alone in its confidence" that all one million businesses will be ready for Making Tax Digital (MTD) in April 2019, and should be delayed, say politicians.

That is the sobering conclusion of the Lords Economic Affairs Committee, which has been looking at the impact, implications and process of introducing MTD for VAT.

The taxman has "inadequately considered the needs and concerns of smaller businesses" in its MTD plans. The committee wants MTD for VAT delayed by a year, and further MTD introductions such as for individuals under the self-assessment regime delayed until at least 2022 "in order for lessons to be learned before the programme's implementation".

"It must slow down its Making Tax Digital programme and listen carefully to the concerns raised by this Committee, small businesses and accountants," said Lord Forsyth, chairman of the committee. Read more about MTD on pages 12 and 20.
→ **tinyurl.com/ifa-7053**

ILLICIT FINANCE

# New strategy to tackle serious and organised crime


The Home Office has launched a new strategy to tackle serious and organised crime.

It sets out how the government will build the UK's defences against serious and organised crime, track down the perpetrators and bring them to justice.

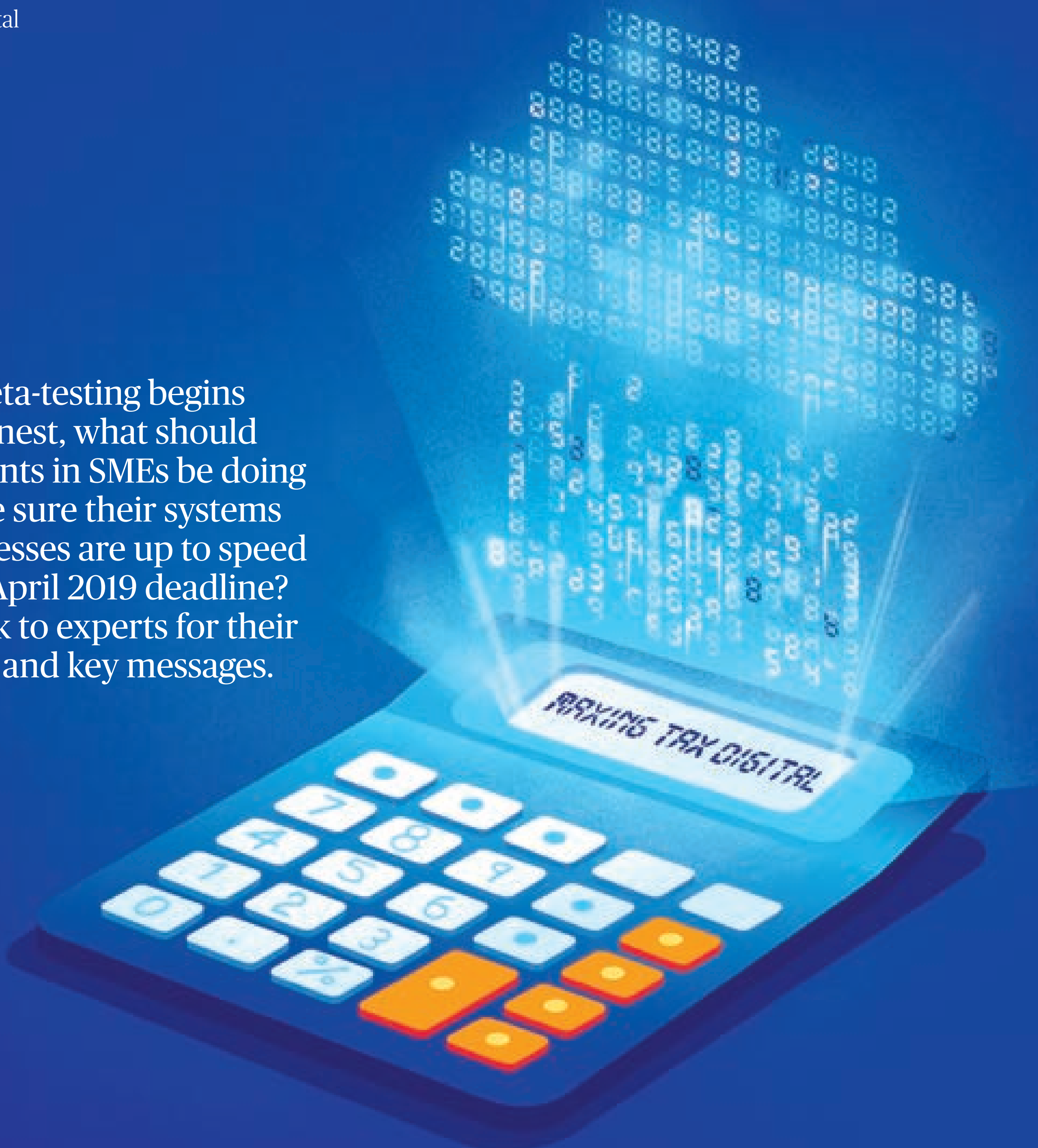
The strategy is backed by funding – of at least £48m in 2019/2020 – to ramp up law enforcement capabilities to specifically tackle illicit finance.

The new measures in the strategy include additional investment in the multi-agency National Economic Crime Centre (NECC), which is now operational, and includes officers from the National Crime Agency, HMRC, the City of London Police, Serious Fraud Office, Financial Conduct Authority, Crown Prosecution Service and the Home Office.

**£48m**
IN FUNDING PROVIDED TO TACKLE ILLICIT FINANCE

→ **tinyurl.com/ifa-7062**

As beta-testing begins in earnest, what should accountants in SMEs be doing to make sure their systems and processes are up to speed for the April 2019 deadline? We speak to experts for their insight and key messages.




# THE FINAL COUNTD

OWN

As part of a wider governmental drive, HM Revenue & Customs (HMRC) is gradually taking more of its relationship with UK taxpayers online.

From April 2019, its flagship Making Tax Digital (MTD) initiative comes into effect, and will initially impact UK VAT-registered businesses over the £85,000 threshold. While MTD doesn't change the VAT schemes that businesses are on, it does have a significant impact on how records are kept, how data used for transactions is handled, and how the process of filing with HMRC is managed.

For those businesses that are using spreadsheets, desktop software or bespoke systems, it is unlikely that these will be compliant unless additional software or upgrades are purchased and installed.

It has taken a while for HMRC to communicate out to all those affected, with the first formal communications via social media in late October, followed by letters a month later, leaving the possibility that many small businesses could be unaware or unprepared.

So if you are not sure if you are compliant, or ready for the new digital tax world, what do you need to do?

## Bookkeeping technology the key

At the very heart of your financial management, and of MTD for VAT is bookkeeping. Believing that the tax gap can be partly explained not just by fraud, but also through human error, HMRC is attempting to minimise, if not eliminate as much manual processing as possible. Ensuring everyone is keeping their records digitally, and not even copying and pasting data between systems is a key part of this.

It is possible to check if your bookkeeping system is MTD ready - or not.

## Cloud systems

Over the last 10 years, cloud-based technology, where programs and data are stored online, has led the way in creating connected systems. VAT is already largely a digital tax with mandatory filing through the government gateway, so bookkeeping systems which are also online have the advantage of being designed with the capability of connecting with other online systems in mind.

"If you are using one of the major cloud players like Xero, QuickBooks Online, or Sage Business Accounting Cloud, then you can be fairly confident that the system you are using is ready to go", says Andrew Perrett, cloud accounting manager of taylorcocks Chartered Accountants.

## Desktop applications

However, no desktop solution is MTD compliant unless it has received a specific upgrade.

"There are not only many providers out there, but also lots of versions. Understanding which one you are on will help identify if it's a simple upgrade you need, or if you will have to purchase a whole new version", continues Perrett, adding "some older versions are simply not supported, and you need to know if this will impact you or not".

## Spreadsheets

In a late concession, HMRC accepted that spreadsheets are an acceptable form of digital record keeping but in order to be compliant they must use 'bridging software' to complete the filing process. These solutions are primarily being marketed to accountants in practice in order to help them service as many clients as possible; and

## THREE TOP TIPS

**Our experts' top three 'MTD prep' recommendations:**

1. **Talk to your current software provider -** contact them to find out if your current system is MTD Ready, and if not what your options are and the costs.
2. **Work with your accountant to find a solution -** this will allow you to look at things more holistically, and ensure you are complying to the full extent of the regulations, as well being able to provide suitable software.
3. **Move away from spreadsheets at the earliest opportunity,** leaving plenty of time to research, implement, and test bridging software if a stop gap is needed.

## KEY MTD REQUIREMENTS

✔ Keep records digitally
✔ Use 'digital links' to connect data sources
✔ File your return directly from your software

**Which means you won't be able to:**

✘ Type returns data directly into the government gateway
✘ Manually type or copy data from one system to another
✘ Use spreadsheets, without 'bridging software'
✘ Use manual records for bookkeeping

Illustration: Thomas Pullin

while there are some solutions available directly to businesses, their reliability and pedigree are yet to be proved.

There is a longer-term issue with spreadsheets that Matt Flanagan of IT systems specialist BlueHub is quick to point out: "As more taxes become digital in the future, no one can be exactly sure for how long they will be acceptable. I would use this as an opportunity to consider a cloud-based option. It can often prove to be cheaper, allow you to spread the cost with a subscription, and you benefit automatically from upgrades in the future."

Regardless of what your current approach is, unless you have an appropriate subscription or support package it seems inevitable that there will be a cost implication.

## Reviewing your financial process

The term 'digital link' is an important one in the world of digital tax, and as we move forward will become increasingly so. Digital links are a way of automatically passing data, such as totals for the VAT return, without rekeying or even copying and pasting.

As an example, if you have data that needs to be collated from several different sources in order to complete your return, or you perform a calculation in Excel for partial exemptions, these need to be handled carefully through digital links.

"While there is a soft-landing period for business that rely on data from multiple sources to create the required digital links, there is no soft landing for filing. It is essential that you view your whole process of how your bookkeeping data is handled from filing all the way back to the source data. In years to come VAT inspections will include looking at this whole process", says Perrett.

## Thinking beyond April 2019

It is worth considering that MTD for VAT is actually only the first wave of change, with plans for both income and corporation tax, as well as any necessary changes caused by Brexit.

For Adam Prince, VP product management, compliance and migration at Sage, reviewing your technology options now provides a considerable opportunity to minimise disruption later.

"Aim to have a fit-for-purpose solution beyond MTD for VAT, and in particular one which is in the cloud so that implementing regulatory and process change later just happens for you," says Prince.

"The message here is to not think about accommodating for individual changes, but plan for broader change. This will also allow you to focus on business wealth generation and customers, rather than constantly trying to stay on top of software updates." FA

**Richard Sergeant** *is a freelance journalist*

## THE IFA'S VIEW ON MTD

**MTD represents probably one of the most significant changes to the UK tax system in living memory. The scope of the proposed changes are far-reaching and will affect all IFA members, their clients and the wider community.**

We are supportive of technology; however, there has to be a business benefit to its implementation which goes beyond tax compliance.

MTD for VAT should only be launched once robust testing has been undertaken and concerns from the pilot resolved. As a member organisation representing the views of accountants working in small practices and SMEs we have fed back your concerns to HMRC in our representations: **ifa.org.uk/representations**

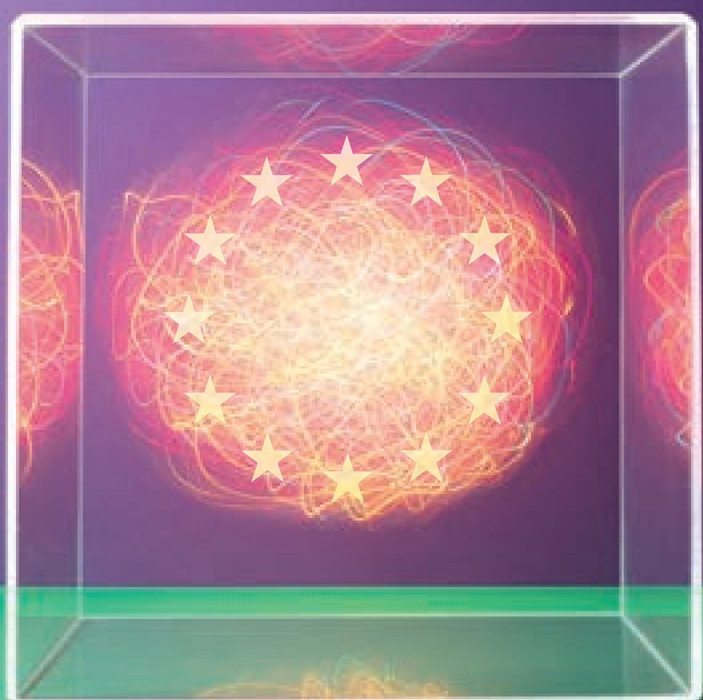
These concerns have included the rapid pace of change, lack of awareness and understanding of MTD, as well as mixed views on opportunities and threats, and are consistent with HMRC's recent research on agents' views towards MTD: **gov.uk/government/publications/agents-views-towards-making-tax-digital-for-business-and-the-single-financial-account**

From a practical perspective, we urge you and your clients to engage in the pilot: **gov.uk/guidance/use-software-to-submit-your-vat-returns**

We will continue to support you through our representational work and by providing relevant member benefits: **ifa.org.uk/benefits**

# BREXIT FOR SMEs: MINIMISING RISK, MAXIMISING OPPORTUNITIES

As Brexit nears, accountants are critical in helping their business manage risk - and potential opportunities - as the UK's relationship with the EU sets to change fundamentally. Michelle Perry asks experts about the planning process.



With just months to go before Britain splits from the European Union, for business owners key details of the final agreement are still to be ratified. The uncertainty impacting small and medium-sized enterprises (SMEs) - the backbone of the British economy - should not be underestimated.

The urgency is such that the Institute of Directors (IoD) has called on the chancellor to issue Brexit planning vouchers.

"It's difficult for many SMEs to make contingency plans because they don't know what they are planning for. And they don't have the additional resources to invest in the way that larger companies do. That said, there are key things that finance chiefs at SMEs should be advising on," says Tej Parikh, senior economist at the IoD.

Some of those involve scenario planning, based on the threats and opportunities of the different possible outcomes, reviewing your own supply chains - as well as those of your suppliers - and ensuring alternate funding is available in the event of an increase in costs, says Parikh.

"The first thing for any business to consider is what exposure their customers have to Brexit. If a company thrives from selling its products overseas or if their business is to sell to other companies or individuals who do, then it's important to work out what the consequences might be," says Mark Taylor, director, chartered accountants Duncan & Toplis.

Most owners, says Rebecca Wilkinson, director at Menzies, will be working on contingency planning, but what fewer SME directors may be aware of are the potential tax changes and extra costs and administration that will occur as a result of a no-deal Brexit.

"I don't think there's been enough attention on the potential tax implications from Brexit that might impact if you're part of an EU group of companies. There is likely to be some impact on withholding taxes after 29 March. If we have a hard Brexit, the EU directive on dividends, which exempts us from withholding taxes, will cease to apply overnight," Wilkinson says.

The UK has double tax treaties with most EU countries but some such as Italy and Germany do not offer the full exemption. The same would apply to interest and royalties' payments. Presently they are covered by an EU directive and can be paid without withholding taxes in most cases, but if the UK faces a hard Brexit, exemptions will disappear overnight. What this means is that some SMEs would face significant amounts in withheld taxes that could take as long as two years to recoup and, in some cases, may not be recoverable at all, Wilkinson adds.

Image: Getty

## So, how should accountants help their business prepare?

**1** The first step is a SWOT analysis of the threats. A range of different scenarios based on the different potential outcomes is vital. Prepare for the scenario that would cause the most disruption to business continuity in the short to medium term.

**2** Scope out alternative funding sources. This will come from an awareness around cashflow. The business may need additional financing. Finance heads should be projecting cashflow for the year ahead and advising directors of spend parameters, and to curb any capital investment plans until the outcome is clearer.

**3** Review and understand any tax changes that might ensue following Brexit, in particular withholding taxes.

**4** Consider your supply chain and be aware of any pressure points along the chain. Make sure your suppliers are Brexit-ready, too. Also review business contracts.

**5** Tariffs and customs duties could rise. Net importers are likely to experience additional costs due to increased tariffs and potential VAT payable on customs duties. You could also be hit by customs delays and the knock-on effect on your customers and suppliers will be significant.

**6** Some FDs could take a more offensive stance and look for new markets. Exporters should be currently taking advantage of the exchange rate and selling more.

**7** Overseas investors might be looking to gain a foothold in UK businesses given the attractive exchange rate. If you're looking for a cash injection to grow, now is a good time to secure inward investment.

Clarity and a strict timeline will be the greatest gifts that the government can provide business in 2019. In the meantime, accountants should be ensuring owners and directors are fully aware of all the risks - and making the most of any benefits. FA

**Michelle Perry** *is a freelance journalist*

## 'CORE' FOCUS

**How Henry Howard Finance (HHF), business finance provider, and the largest independent finance house in Wales, is approaching Brexit.**

HHF has proactively focused its operations on its core business units, both retail/vendor and asset. The business wound down its commercial property entity, as well as selling its cashflow business earlier in the year. By taking these actions the company has ensured that it is best placed to meet the needs of its partners, directing funding to where HHF can add the greatest value both in the near term and post-Brexit, says Mark Tweed, chief financial officer at HHF.

Tweed adds: "Liquidity risk is driven by funders' actions around Brexit. HHF has a diversified funding structure across several providers, including the British Business Bank, which allows for flexibility in the route to market (such as broker or by own-book funding), and resilience to be able to look beyond any Brexit-driven market dislocation.

"Business investment confidence has waned through 2018 as Brexit moves to a near-term risk. Upon a smooth Brexit transition, there is a potential upside as confidence returns and businesses move to accelerate investments through 2019," he adds.

The CFO also recommends giving consideration, among others, to funders, suppliers and customers and their susceptibility to negative impacts. This is as important as assessing one's own direct exposures.

Finance functions are being tasked with making more out of the data they have at hand... but can you go a step further? In his new book, **Stylianos Kampakis** discusses how to automate decisions based on setting up algorithms that analyse the data with much less human input.

# THE APPLIANCE OF DATA SCIENCE

### What is 'data science'?

Data science is about using data to do useful stuff. Short and to the point. That's exactly what data science is all about. The methods we use are important, of course, but the essence of this discipline is that it allows us to take data and transform it so we can use it to do useful things.

Data science involves everything from statistics and pattern recognition to business analysis and communication. It requires creative thinking as much as it requires analytical thinking.

Data science also involves discovering which data is useful as well as effective ways of managing it.

Furthermore, business acumen is also a necessity because while data science can be applied to any field of business, it is critical to know what types of answers the business needs and how to present said insights so leadership can understand them.

### Being 'data-informed' and 'data-driven'

Let's start off by looking at the difference between being data-informed and data-driven. When we say that an

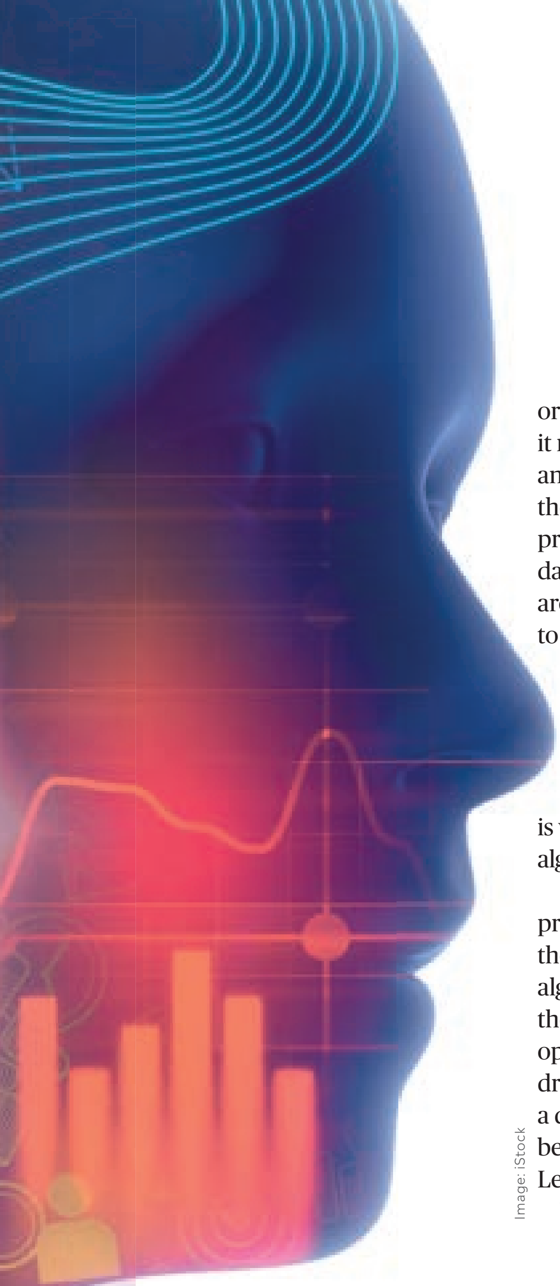


Image: iStock

organisation or a person is data-informed, it means that they are actually using data and the context of data as inputs into their conversation and decision-making process. So, if you're using things such as dashboards and KPIs, for example, then you are data-informed. Nowadays, it's very easy to be data-informed.

You can use Excel or another simple tool and it's not that difficult to make a few charts to see what's happening within your organisation. Being data-driven means taking it to the next level. This is when you start using more intelligent algorithms and methods to get the data.

Then you transform the decision-making process by using the algorithm to make the decision for you, or by taking the algorithm's output into account. What's the opposite of this approach? Well, the opposite of being data-informed or data-driven is when you use your guts to make a decision. Or tradition, which isn't much better in terms of accuracy or effectiveness. Let's take a look at a few more examples.

When you are data-informed you might be using a dashboard or Excel to collect data from multiple sources. You have, of course, organised the data appropriately.

The data is also accessible, and all your employees know about it and are aware of where it can be located and how they can use it. Being data-driven means taking things a step further. This is where most companies should strive to be in the future.

When you get to this point, it means that you are allowing the data and data science to help you make potentially disruptive decisions. In some cases, they might even completely replace human decision-making. So, if you trade using algorithms, for example, then you are data-driven.

If your app or website uses a recommender system, then you are data-driven.

Obviously, being data-driven does not mean that an algorithm needs to make every decision, but it does mean that you use algorithmic outputs in some parts of the organisation and in the decision-making process. So, why would you want to do this?

Being data-driven improves efficiency and can actually improve decision making. For example, a recommender system can make better decisions than humans as to what the client might want. Also, if you want to sell at a massive scale, after a certain point you need to have an algorithm that can actually replace humans when recommending items or curating content. This is just one example, but there are many others in different industries. FA

*Author* **Dr Stylianos Kampakis** *is a data scientist who is living and working in London. He holds a PhD in Computer Science from University College London, as well as an MSc in Informatics from the University of Edinburgh. The book* 'The Decision Maker's Handbook to Data Science – A guide for non-technical executives, managers and founders' *can be purchased via Amazon. Dr Stylianos runs website* **thedatascientist.com**

## MONEYBALL… AND YOUR BUSINESS' DATA CULTURE

**I'd like to talk a little about the movie *Moneyball*. I'm not sure how many of you have seen this film, but if you haven't, I urge you to do so… it's all about building a data-centric culture within an organisation.**

The film is based on the book with the same name and, basically, describes Billy Beane's work at Oakland Athletics. This baseball team was pretty much one of the worst teams in the American baseball championship.

However, thanks to Billy Beane's efforts, the team basically goes from the bottom of the pile to being one of the best teams and actually a lead contender. Bean did this by using analytics and statistics.

Essentially, he analysed players and even though their individual performance was poor, he saw that together, they would make a great team. So, he acquired them and because of their poor individual performance, other teams thought they were losers and they were cheap to acquire.

He managed to put together an amazingly good team on a budget. Throughout the team, you see the resistance Brad Pitt – who plays the role of Billy Beane – encounters because of the traditional ways of thinking practised by veterans in the club. They simply will not accept the new approach he's trying to implement. Of course, he proves them wrong.

It's vital that practitioners get their heads around the pain points that MTD conversion will bring for clients – and communicate to them as smooth a path as possible.

# A TAXING NEW PROCESS

Practitioners will be aware that all businesses with UK taxable supplies in excess of £85,000 per annum will be required to adopt MTD for VAT purposes with effect from 1 April 2019. This means UK-based businesses that are compulsorily UK VAT registrable plus any non-UK-based businesses that are both compulsorily registrable (as Non-Established Taxable Persons/NETPs) and have a UK taxable turnover in excess of £85k per annum will have to ensure their systems comply with MTD.

'UK taxable supplies' means all income that has a UK place of supply and is subject to UK VAT at the zero, reduced or standard rate of UK VAT. It also includes 'deemed' supplies, for example where a UK business receives services from overseas that would have attracted VAT if bought from a UK supplier (commonly referred to as reverse charge services).

If a business that was compulsorily registrable in the past is now below the threshold but has chosen to stay VAT registered, it will not be required to implement MTD unless/until its UK taxable turnover exceeds £85k on or after the MTD go-live date of 1 April 2019.

MTD has been deferred by six months until 1 October 2019 for certain businesses with more complex VAT accounting needs. These are: trusts; 'not for profit' organisations that are not set up as a company; VAT divisions; VAT groups; public sector entities required to provide additional information on their VAT return (government departments, NHS trusts); local authorities; public corporations; businesses based overseas (non-established taxable persons); and those required to make payments on account and annual accounting scheme users.

All other businesses required to implement MTD will need to

be ready for their first VAT return period starting on or after 1 April 2019.

While all VAT records must be stored digitally, VAT records in the context of MTD do not include invoices, stock books, transport documents or even the required calculations such as partial exemption, capital goods scheme, apportionments, blocked input tax recovery, and so on. What is required is the tax point, the net amount and the rate of VAT for each purchase and each sale. In addition, there is a requirement for the business name, address of principal place of business, VAT registration number and any VAT accounting schemes used.

MTD for VAT will work on the basis of an interface with HMRC known as the Application Programming Interface (API). The VAT information which is stored digitally must be transferred automatically into the API interface via a digital link. Bridging software can be used for this, and a list of providers of bridging software is shown on HMRC's website.

In addition to accounting packages, Excel spreadsheets can continue to be used to keep the VAT information provided it is digitally linked to the API.

HMRC has confirmed that there will be a 'soft landing' in the first year, meaning that digital links will not generally be required. HMRC also confirms that cutting and pasting information into the API interface will be acceptable until 31 March 2020.

Practitioners will also have an opportunity to make changes to the figures before they are submitted via the API to HMRC. This will be necessary when the results of calculations performed outside the electronic records (see examples above) are required or other adjustments need to be made. Errors, however, will continue to be accounted for in the same way as before MTD for VAT, either by written disclosure or by including them in the next VAT return as appropriate.

There are also special rules for schemes (for example, retail schemes, flat-rate schemes) that simplify the requirement to keep records digitally. FA

**Vaughn Chown** *is managing partner and head of VAT at Gabelle. Find out more about the tax consultancy and its services at* **gabelletax.com**

Image: iStock

## FREQUENTLY ASKED QUESTIONS

**Will HMRC tell clients that they need to move to MTD?**
No. It is up to businesses and their agents to recognise which businesses are caught by MTD and to register (via gov.uk website) for the new MTD portal. HMRC plans to write to businesses that appear to be affected (for example those with a Box 6 figure exceeding £85k per annum) but will not follow this up.

**What happens if clients don't comply with the new requirements?**
There will be penalties for non-compliant businesses, which are likely to be behaviours-based, but the mechanics and timings of this have not been publicised at the time of writing.

**My clients use paper records at the moment and are useless with IT. Can they request exemption on the grounds of age and lack of IT awareness?**
Businesses that have already been granted exemption from online filing under the current rules (for example on grounds of religious, age, disability or internet access issues) are expected to be granted exemption from MTD requirements as well.

**My client is an overseas company and is compulsorily registered due to the zero threshold for non-established businesses, but only has UK taxable sales of £20k per annum. Is it still caught by MTD?**
No. MTD for VAT is only mandatory for businesses with UK taxable (that is, zero, reduced or standard rated) income exceeding the standard VAT registration threshold at the go-live date or after. This is 1 April 2019 for most businesses, but for traders based overseas, the date is 1 October 2019.

**What if I or my client has a software issue and can't submit the data on time?**
As with the current rules, if there are any issues submitting VAT return data, call the HMRC helpline as soon as possible, and by the return due date at the latest; otherwise a surcharge liability notice will be issued and late payment penalties may be issued.

**Do my clients need to supply all VAT records to HMRC?**
No. There are two parts to MTD for VAT: a) keeping records digitally and b) submission of VAT returns digitally. Under b) the only information that will need to be sent to HMRC each VAT return period is the nine VAT return box figures: that is, the same information as is currently required. If and when HMRC requests additional information for compliance checking purposes however, they will expect certain information – as required under a) above – to be available in digital format.

# THE GOOD CLIENT

Winning good clients is hard enough, but what about those that eat up your time and become unprofitable? **Nick Huber** finds out how to lose the clients you don't want and spend more time in valuable and rewarding business relationships.

Clients, hmm? Getting enough of them can be hard – particularly in the first couple of years of trading. Then, one day, you realise that you've too many clients of the wrong kind: low fees, argumentative, over-demanding, and unresponsive to your helpful suggestions.

How can you get clients who you enjoy working for? And how can you spend less time with bad clients, or even ditch the ones on your books?

*Financial Accountant* asked accounting firms and consultants for tips.

When Alexandra Bond Burnett began working as a bookkeeper, she was probably too eager to sign clients.

"I ended up working to please - often working over the billable time that they would pay me, and until the early hours of the morning trying to wade through piles of paperwork," she says.

Burnett was reluctant to end the contract because she worried whether she'd manage without the regular income.

"I felt like a teacher who spends all her

## FIVE TIPS FOR BETTER CLIENTS

1 **Create a brief description of your ideal client –** how much they pay you, the type of work, the client's personality and business goals.

2 **Review your clients.** Divide them into the good, average and bad.

3 **Update your marketing** and sales information and strategy to focus on your ideal customer.

4 **Spend more time with your most valuable clients.** Understanding their quirks and business dreams could help you sell them more consultancy work.

5 **Don't be afraid to end work** with low-paying and difficult clients.

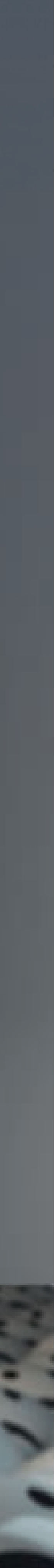


Image: iStock

attention on the badly behaved, while students who do the work early get ignored. I was feeling low every time I went in, and worse when I left."

Eventually, Burnett – who now advises accountants and other finance professionals on communication and finding their ideal client - became more assertive.

"Once I got rid of them I realised I was able to respond to clients that really needed and appreciated my help, on my terms."

What are her tips for weeding out difficult clients and finding rewarding ones?

"Firstly I would look at their character type, their business structure and their key intentions. When I say key intentions, I mean an understanding of what drives them, and also what morals they hold."

Other things to consider include whether a client is organised, responds promptly to your requests or questions and is prepared to take your advice.

Amanda Watts, head of TwentyTwo Agency, a marketing agency that helps accountants increase revenue, advises accountants to avoid 'vampire' clients (who drain you of enthusiasm) and seek 'radiator' clients who give you a warm feeling and with whom you work well.

One of Watts's clients runs a "brilliant" accounting firm. But when he contacted Watts he was struggling.

"He came to me serving everyone, and was burnt out and underpaid," Watts says.

After five months her client had passed on his 'vampire' clients to someone else and now only takes clients he likes and who value him.

He spends more time with his family and this year had his first holiday in five years. Undertaking a financial analysis of your clients could be key in helping you fund your own holidays.

Track profitability per client and you'll see who warrants special attention, who should have a new price - or less time and effort from you and your team, says Paul Shrimpling, managing director of Remarkable Practice, a consultancy that advises accounting firms.

"It's the relationship work that maintains and builds loyalty and therefore also results in additional sales and recommendations too," Shrimpling says.

Simon Dolan, an entrepreneur who set up SJD Accountancy more than 25 years ago and sold it for £100m in 2014, advises practitioners to budget for how long they expect each job to take - and then stick to it.

"For example, when a client switches from another accountancy firm they often expect you to complete the company accounts for the year previous, but sometimes will not mention this in the hope you'll do them for nothing. Of course, you will need to make them aware they will need to pay balancing fees."

What about getting rid of the annoying clients?

Pricing work high can deter clients with low budgets. And if that fails? "Man up!" says Shrimpling.

"Every hour you invest in a low-value high-maintenance client is an hour you can't train your team or spend with a high-value client you enjoy working with." FA

**Nick Huber** *is a freelance journalist*

## UNDERSTAND YOUR CLIENT, ARTICULATE YOUR VALUE

**Alastair Barlow is a founding partner of flinder, an accounting firm in London.**

It focuses on fast-growing businesses with a good potential for growth.

"It's one of our criteria," Barlow says. "Our fees increase organically as the business grows. In several cases, we engage with clients that are seed-funded or pre-start-up."

When clients get bigger, their revenue grows and they'll appoint a board of directors, which usually creates more work for flinder.

The better you understand your clients (their challenges, objectives and values) the more likely you are to pick up more consultancy work, which is usually higher margin, Barlow says.

For example, when talking to a client, he realised its chairman was struggling to articulate the company's strategy. Flinder organised a workshop to help the client reach clarity of purpose.

**Sunflower Accounts is a practice near Chippenham. It's run by husband and wife Steph and Mark Rickaby.**

It meets clients every month, or quarterly, to discuss their goals and strategy.

"We actively encourage our clients to keep in touch with [us] on a regular basis to let us know what's happening in their business," Steph Rickaby says.

The firm prioritises advisory work, such as tax planning, cashflow planning and forecasting, over compliance work.

Doing this has helped Sunflower increase its average fee.

The firm uses cloud-based software called GoProposal to help it explain its business proposals to clients.

The software helped it turn some of its least profitable clients into more profitable ones, by helping Sunflower better explain the value of its services, Rickaby says.

# DIRTY MONEY

The government's 2015 National Risk Assessment (NRA) of money laundering and terrorist finance assessed the key money laundering risks in the accountancy sector.

## FLAG IT UP

### KNOW THE SIGNS, REPORT THE CRIME

- Are transactions unusual because of their size, frequency or the manner of their execution, in relation to the client's known business type?
- Do activities involve complex or illogical business structures that make it unclear who is conducting a transaction or purchase?
- Does it appear that a client's assets are inconsistent with their known legitimate income?
- Has a client taken steps to hide their identity, or is the beneficial owner difficult to identify?
- Is the client unusually anxious to complete a transaction or are they unable to justify why they need completion to be undertaken quickly?

The key money laundering risks seen by the NRA were: complicit professionals facilitating money laundering; collusion with other parts of the regulated sector; professionals coerced by criminals; the creation of structures and vehicles that enable money laundering; the provision of false accounts; failure to identify suspicion and submit suspicious activity reports (SARs); and mixed standards of regulatory compliance, with relatively low barriers to entry for some parts of the sector.

The NRA also assessed accountancy services to be at high risk of exploitation for money laundering. It saw the inherent risks and vulnerabilities of accountancy services arising from the value of these services to those engaging in high-end money laundering.

High-end money laundering is defined as the laundering of large amounts of criminal funds (often the proceeds of serious fraud or overseas corruption) through the UK financial and professional services sectors. It typically exploits the global nature of the financial system, often transferring funds through complex corporate vehicles and offshore jurisdictions. And the size and global nature of the UK financial industry mean that both money laundering, and the criminality that creates the need to launder money, present significant ongoing risks to the UK.

In 2017 the government announced its decision to create an Office for Professional Body Anti-Money Laundering Supervision (OPBAS) to oversee those professional body supervisors (PBSs), such as the IFA, with responsibility for supervising their members' anti-money laundering (AML) systems and controls. The announcement recognised that, while PBSs' knowledge of innovations and emerging risks in their sectors brought substantial benefits to the regime, having several organisations supervising the same sectors and issuing guidance could create inconsistencies which criminals might try to exploit.

In December the Financial Action Task Force (FATF), the global standard setter for AML and counter-terrorist financing, published its report on its mutual evaluation of the UK's AML regime, setting out the level of effectiveness of the UK's AML/CFT system and its level of compliance with the FATF recommendations.

The UK has always had an all-crimes approach to money laundering. So fraud, which generates criminal proceeds needing to be laundered, is just as much a predicate offence as, say, supplying drugs. The true scale of fraud is difficult to assess as it is known to be under-reported, often because the victim is embarrassed to have been caught out, from concern for a business's reputation, or even because the victim has not realised they are a victim of fraud. But the NRA, which identified fraud as one of the two offences in the UK that generate a significant scale of criminal proceeds, estimated the annual cost of fraud as £8.9bn. It also highlighted fraud and tax offences (which often involve fraud) as the largest known source of criminal proceeds from offending in the UK.

Fraud is, in many ways, a unique crime covering a broad range of crime types, victims and perpetrators. It includes crimes against the public, private and charity sectors, and against both organisations and individuals.

The essence of fraud is unchanged, but the channels used to commit it are increasingly sophisticated and high-tech. Fraud is more and more being committed online or using online transmission methods after an initial offline

## THE RISE OF THE YOUNG MONEY MULE

**New figures from Cifas show a sharp increase in the number of under-21s acting as money mules in the past year (up by 26%).**

Cash-strapped students are targeted by criminals using social media sites such as Facebook and Instagram, lured by the prospect of earning some quick cash. According to the City of London Police fee-paying public school and foreign students are at particular risk.

A person becomes a money mule when they let their bank account be used by someone else to receive and transfer money. The problem is so great that Lloyds Banking Group has set up a dedicated 'mule-hunting team' to tackle it.

**For more information and advice, visit** *moneymules.co.uk*

## EVALUATING THE UK'S CONTROLS AGAINST MONEY LAUNDERING

**The FATF's latest mutual evaluation report, published on 7 December, revealed that the UK has a well-developed and robust regime to effectively combat money laundering and terrorist financing. However, it needs to strengthen its supervision, and increase the resources of its financial intelligence unit.**

Earlier last year the NCA published its latest assessment of serious and organised crime. Notably, the criminal exploitation of accounting and legal professionals involved with trust and company provision was identified as a significant threat.

Image: Getty

**The NRA estimated the annual cost of fraud in the UK as**

# £8.9bn

approach. Both approaches are used in bank account fraud (or APP fraud): for example, an initial phone call is made to the victim, who then unwittingly transfers funds to the fraudster online).

According to Europol's latest assessment, cyber crime is also becoming more aggressive and confrontational. And they see the tightening of data protection law across the EU through the GDPR as giving cyber criminals a new way of extorting money from their victims.

Violations of the GDPR can result in fines of up to €20m (£17.8m) or 4% of global turnover, whichever is higher. Europol research indicates that "hacked companies [may] rather pay a smaller ransom to a hacker for non-disclosure than the steep fine that might be imposed by their competent authority".

So there is clearly much for all counter-fraud professionals still to do to maintain and improve the defences against those who are out to steal money and data from all of us.

**Edna Young** *is a director of the Fraud Advisory Panel and an independent financial crime consultant*

IFA CHECKLIST

## ANTI-MONEY LAUNDERING COMPLIANCE CHECKLIST FOR PRACTICES

**Firm risk assessment**
Maintain a documented risk assessment to identify and assess the risks of money laundering and terrorist financing faced by your firm.

**Policies, controls and procedures**
Have written and up-to-date policies, controls and procedures on risk assessments, client due diligence, training, record keeping, reporting and ongoing monitoring.

**Client due diligence**
Identify and verify the client (and beneficial owners) and obtain information on the purpose and nature of the business relationship or occasional transaction.

**Simplified and enhanced due diligence**
Determine the degree of client due diligence measures to apply by considering the firm's risk assessment and risks associated with particular clients.

**Ongoing monitoring**
Conduct ongoing monitoring of the business relationship.

**Supervision**
Take reasonable steps to ensure no-one is appointed or continues to act as a beneficial owner, officer or manager (BOOM) if they have an unspent Schedule 3 Money Laundering Regulations 2017 criminal conviction.

**For a more detailed AML compliance checklist, see** *ifa.org.uk/technical-resources/aml*

YOUR VIEW

# Communication breakdown

IFA member **Cyd Smith** has some serious concerns about HMRC's approach to the important work undertaken by tax advisers – she wants communication levels drastically improved.

Where do tax advisers and their clients sit in the grand scheme of things, as far as HM Revenue & Customs is concerned? I really do wonder. There are so many issues my practice has in dealing with the tax authority that it's hard to know where to start.

One of the main issues is that of communication. HMRC has several different systems running that often don't seem to show them the same information on a client as what we can see from our end - a problem acknowledged by HMRC themselves.

And then there are communication timescales. They can take months to reply to us, but when they request information it MUST be back to them within a relatively short period, often before the letter is even delivered.

> **"It feels as if they are restricting advisers' access to information"**

It feels as if they are restricting advisers' access to information - and that's a shame, as we're the ones trying to get things right. We're the interface between them and taxpayers and trying to get it presented to HMRC properly.

When it comes to speaking to HMRC staff, well, it's a bit of a lottery. They try and multi-skill them but sometimes you do wonder who you're talking to. The clients also miss out because of the restrictive paths for communication. Technology is not for everyone and clients ask where they can go to speak to someone without being on hold for a long time. But there's no longer that direct local contact or, on HMRC's part, local knowledge.

There are some bright spots. The self-assessment and personal tax helpline for agents are very good... but for other taxes, tax experts get through to the same contact centres as everybody else.

Despite the impression HMRC gives, clients just want to get their tax right and not a lot of people are confident doing it themselves due to the increasing complexity of the system.

It would be nice if HMRC treated us with a commensurate level of respect and helped share information with us to complete what needs to be completed. FA

**Cyd Smith** *is managing director of Newcastle upon Tyne-based CS Accounting and an IFA fellow*

## WELCOME TO NEW MEMBERS AND FELLOWS

**We welcome the following who joined as new IFA members in November and December 2018.**

Congratulations to the following who have achieved Fellow membership. Being a Fellow is the highest level of membership attainable within the IFA. It enhances your credentials and demonstrates your commitment to the profession. Fellows benefit from certificates and dual membership designations from the IFA and IPA – FFA/FIPA.

**New members**

- Mr Olatunbosun Azeez AFA MIPA
- Mr Muhammad Abbas AFA MIPA
- Mrs Sabitiou Adjovi AFA MIPA
- Mr Faizan Ali AFA MIPA
- Dr Paul Baker AFA ATA
- Mr Andrew Chee AFA MIPA
- Mr Faseeh Chughtai AFA MIPA
- Mr Omer Farooq AFA MIPA
- Mr Achala Gallage AFA MIPA
- Mr Zulqarnain Haider AFA MIPA
- Mrs Belinda Hanby AFA MIPA
- Mr Syed Fahad Hashmi AFA ATA
- Mr Ayed Jamal AFA MIPA
- Mr Muhammad Kasana AFA MIPA
- Mr Shah Rukh Khan AFA MIPA
- Mr Dammika Kumarasiri AFA MIPA
- Mr Abdul Mannan AFA MIPA
- Mr Ddamulira Miiro AFA MIPA
- Mr Muhammad Mobin ATA AIPA
- Mr Mohammad Mustafa AFA MIPA
- Mr Sarwanand Panhwar AFA MIPA
- Mr Rizwan Rahat AFA MIPA
- Mr Rana Raza AFA MIPA
- Mr Lukas Somarakis AFA MIPA
- Mr Abdul Star AFA MIPA
- Ms Sehrish Waqas AFA MIPA

**New Fellows**

- Dr Joe Appiah-Kusi FFA FIPA
- Mr Alan Hind FFA FIPA
- Mr Jude Perera FFA FIPA
- Miss Nicola Tombs FFA FIPA

FAISAL SHEIKH

# YOUR STORY

**Faisal Sheikh** is a fellow of the IFA, and an accounting and business lecturer at Salford Business School. In our Q&A, he discusses preparing the next generation of accountants, and being an 'ardent remoaner'.

### Describe yourself to us

I am an "accounting connoisseur, dreamer and future thought-leader". I currently serve as a university accounting lecturer, specialising in international financial reporting and forensic accounting. I have written a number of research articles and an accounting text book for the US market; my next book, which I am currently writing, will be on accounting fraud.

### Why's the future bright with the IFA?

The global economy has and will always be dominated by SMEs. The current disruption in finance will only strengthen their position as they will be able to offer genuinely bespoke goods and services at a highly competitive price.

I believe the IFA and IPA bodies and members are in an even stronger position to service the needs of SMEs globally. This is due to the coveted IFAC membership coupled with strong and responsive member networks that genuinely look after local industry and commerce.

I have facilitated two UK university alliances with the IFA to date, as I strongly believe in the respective brands.

### What's the most interesting part about your job?

The classroom is the 'theatre of dreams'. I love breaking down and sharing accounting concepts with my students and preparing the next generation of professional accountants or business people.

### Most embarrassing/funny moment in your career?

I left university in 1997 with a degree in economics and entered accounting practice. However, I detested training and qualifying as a chartered certified accountant, but when I changed careers in 2009 and joined academia I quite literally fell in love with accounting and the profession.

### Best/most inspirational moment in your career?

Recently a former student showed up unannounced at my doorstep with a box of donuts and informed me that he had achieved his dream job. I was absolutely delighted to see him; no amount of money can match that feeling.

### Who is your role model - in life or in your career... and why?

Without a shadow of a doubt, the 15th-century father of the Venetian bookkeeping system - Fra Luca Bartolomeo de Pacioli c. 1447-1517. It is interesting to note that Fra Pacioli was deeply concerned about accounting ethics even in the 15th century, and at the heart of the recent spate of accounting scandals is the lack of ethics.

### Favourite food?

I am a foodie so I am open to anything as along it is halal or kosher!

### Most useful tech tool or app - and why?

I am old school, so Microsoft Excel because I use it extensively across my teaching and it is proving to be very useful in my scholarly activities.

### How do you spend your time away from your role?

I am blessed with three small, gorgeous girls, so playing with them and losing money in the Disney or Smiggle store, closely followed by a Slush Puppie, is a great way to spend a Saturday afternoon. I am also training for the Manchester 2019 marathon.

### What is the future for the UK economy post-Brexit?

I am an ardent 'remoaner'; however, I am also a realist and when Brexit happens I predict there will be another market correction in the UK economy which will be worse than the 2008 crunch, as 90% of credit is controlled by four high-street banks. On the other hand, the UK economy including its highly flexible labour market will emerge stronger and SMEs including IFA/IPA members will lead the recovery. FA

Images: Alamy/Shutterstock

EVENTS

# BRANCH MEETINGS

Branch meetings are free to attend, keep you up to date with IFA news, important issues and developments, and contribute towards you meeting your annual CPD requirement.

To attend a branch meeting you must register your place through **ifa.org.uk/events**, otherwise you may not be admitted if the event is full.

## Become an IFA branch ambassador

Could you be the new branch ambassador for Bristol or Manchester? To be considered for this rewarding voluntary position you will need to:

- Be an IFA member
- Chair each branch meeting
- Be the local figurehead for the branch and promote the IFA regionally
- Organise up to six branch meetings per annum, find and book appropriate venues for each meeting, identify (with the help of IFA head office if needed) and contact suitable speakers
- Ensure all speakers provide full details of their presentation in a timely manner
- Encourage non-members to pursue IFA membership or to take required IFA Direct modules
- Complete necessary budgetary forms each year and submit to IFA head office.

You'll be fully supported by IFA head office, which will help you promote your meetings by email, social media, the IFA website and *Financial Accountant*.

If you are interested, please contact Jonathan Barber in the first instance by email at **jonathanb@ifa.org.uk** or call **07711 955939**.

## CPD requirements

All members must complete a minimum of 40 hours of CPD in any year, of which 20 hours must be verifiable, unless you are CPD exempt. Verifiable CPD shall be related to your roles, responsibilities and/or career, be supported by evidence and related to specific learning outcomes. Further information on the IFA's CPD requirements and CPD exemption is available at **ifa.org.uk/about-us/acting-in-the-public-interest/memberregulations**

NORTHERN IRELAND
**21 March 2019**
**14.00 - 16.00**
Antrim

CPD HOURS

**Dunsilly Hotel**
20 Dunsilly Road,
Ballymena BT41 2JH

1

SOUTH OF ENGLAND
**4 March 2019**
**16.00 - 19.00**
Bristol

CPD HOURS

**The Bristol Golf Club**
St Swithins Park,
Blackhorse Hill,
Almondsbury BS10 7TP

13

SOUTH OF ENGLAND
**18 February 2019**
**18.00 - 21.00**
London

CPD HOURS

**London South Bank University**
Keyworth Centre,
Keyworth Street,
London SE1 6NG

10

NORTHERN IRELAND
**21 February 2019**
**14.00 - 16.00**
Antrim

CPD HOURS

**Dunsilly Hotel**
20 Dunsilly Road,
Ballymena BT41 2JH

2

CENTRAL ENGLAND
**25 February 2019**
**18.15 - 21.00**
High Wycombe

CPD HOURS

**Holiday Inn High Wycombe**
Crest Road,
Handycross, High
Wycombe HP11 1TL

14

SOUTH OF ENGLAND
**12 March 2019**
**18.30 - 21.00**
Crawley/Gatwick

CPD HOURS

**Arora Hotel**
Southgate Avenue,
Southgate, Crawley
RH10 6LW

11

SCOTLAND

**27 February 2019**
**16.00 - 19.00**
Edinburgh

CPD HOURS

**David Lloyd Centre**
Newhaven Place,
Edinburgh EH6 4LX

4

CENTRAL ENGLAND

**13 March 2019**
17.30-20.30
Birmingham

CPD HOURS

**Birmingham City University**
**The Curzon Building,**
Room 407, 4th floor,
4 Cardigan Street,
Birmingham
B4 7BDS

15

NORTH OF ENGLAND

**21 March 2019**
**19.30 - 21.30**
Leeds

CPD HOURS

**Weetwood Hall Conference Centre and Hotel**
Otley Road, Leeds,
West Yorkshire
LS16 5PS

5

NORTH OF ENGLAND

**20 February 2019**
**18.00 - 21.00**
Newcastle

CPD HOURS

**UNW LLP Chartered Accountants**
1st Floor, Citygate,
St James' Boulevard,
Newcastle upon Tyne
NE1 4JE

6

CENTRAL ENGLAND

**20 March 2019**
**18.00 - 21.00**
Leicester

CPD HOURS

**Mattioli Woods**
1 New Walk Place
Leicester
LE1 6RU

8


NORTH OF ENGLAND

**19 March 2019**
**16.45 - 19.30**
Manchester

CPD HOURS

**University of Salford**
GH03, 69 Lady Hale
Building, Salford
M5 4WT

3

EASTERN ENGLAND

**4 March 2019**
**17.30 - 20.30**
Ipswich

CPD HOURS

**Ipswich Hotel**
Old London Road,
Copdock, Ipswich
IP8 3JD

7

CENTRAL ENGLAND

**26 February 2019**
**18.15 - 21.00**
Milton Keynes

CPD HOURS

**Holiday Inn**
500 Saxon Gate,
Milton Keynes
MK9 2HQ

9

EASTERN ENGLAND

**11 February 2019**
**18.00 - 21.00**
Brentwood

CPD HOURS

**Jupiter House**
Warley Hill Business
Park, The Drive,
Brentwood CM13 3BE

12

NORTH-WEST

# A 'big family' of clients to serve

IFA member **Maxim Cohen** manages Royce Cohen, a well-established accountancy firm within the Trafford borough of Greater Manchester. He discusses the 'Northern Powerhouse' and the area being like a 'big family'.

### Tell me about the work you do – your job role and responsibilities...

In my time as an adviser I realised that lots of clients need mortgages and finance. As a firm we weren't having a great success referring people, so we decided to do it ourselves. We founded The UK Adviser, a national mortgage and finance franchise.

### What is the current business and economic climate like in the north-west? Are there particular sectors or areas that are performing well, and why? What isn't going so well and what can be done to remedy this?

The climate in the north-west is good here. A lot of infrastructure is being invested in the region, with lots of grants available to allow business to grow, a big plus. We're seeing the government try and incentivise people to go into manufacturing but, like anything, Brexit is creating uncertainty. I wish they'd stop playing politics – we need some stability.

### What does being an accountant in the north-west mean to you?

There's definitely a warmth in dealing with people up here, and we're very hands-on accountants and deal with many clients on a weekly basis. I went into practice with my dad, and that hands-on approach has been passed down from him.

### How does the IFA work with business, people and communities in the north-west?

The IFA has grown phenomenally and has gained more relevance. Up here especially, I can see the Institute becoming a major player – particularly with banks accepting the IFA as a benchmark for clients' figures.

Up here we've had great regional meetings, including HMRC representatives and the chief executive of Metro Bank. Some of our talks are product-focused, to gauge whether they'd be useful to utilise for our clients. There's a broad spectrum of things being discussed to make the financial accountant the best they can be. FA

## REGION IN FOCUS: THE NORTH-WEST

**Some have said that the Northern Powerhouse project, which aims to boost the area through investment in infrastructure and skills, is political puff. For example, figures point to transport investment in London dwarfing that of the north during the last four years.**

However, a scan of the latest business news for the north-west reveals a broad range of projects, initiatives and contract wins for the region.

- Chromition, a Manchester business developing a rapid diagnosis platform for cancer, has been awarded an £880,000 NHS development grant.
- Halewood Wines & Spirits is launching a £1m venue for gin-tasting and gin-making, alongside two bars.
- The Liverpool Arena has secured new sponsorship, with the venue to be renamed the M&S Bank Arena early next year. It has hosted more than 1,200 performances since opening in 2008.
- On the infrastructure front, a £12.5m link road in Oldham looks set to go ahead, which will provide access to a commercial site known as Broadway Green. The project will see 500 homes built and more than 715,000 sq ft of industrial space created.
- And the first images of the Eden Project North proposal in Morecambe have been released. The project will be the first Eden opened in the UK since Cornwall in 2001.

Image: Grimshaw Architects

PAKISTAN

# YOUR WORLD

**Abdul Shakoor** is chief financial officer at BOSS Home Appliances based in Gujranwala, Pakistan. Shakoor discusses the country's prospects and his work promoting the Institute.

**Tell us about yourself, your role and responsibilities...**
I am a CFO for a leading manufacturing company. I class myself as an experienced international education management professional and adjunct lecturer at the University of the Punjab for commerce students.

**What are your thoughts on doing business in Pakistan?**
Pakistan's economy is currently growing at 5.8%, and has excellent business prospects with its fantastic geo-strategic location, rapidly developing infrastructure - CPEC, OBOR - and investment-friendly policies. So it's good to do business and invest in Pakistan.

**What is your affiliation/ link to the IFA?**
I am representing IFA UK in Pakistan as regional director, a role I've held for nearly two years.

**What does it mean to be the regional director for Pakistan?**
It means having responsibility to help bridge the gap between the Institute and local members, and networking among members. This means holding local CPD events, liaising with local public bodies, and communicating with potential employers for member's placements and universities for professional development.

**What events do you run? What is coming next?**
We run CPD events specially designed for local members according to local laws and market requirements. We recently completed our second series of CPD events in three major cities of Pakistan: Lahore, Karachi and Islamabad. Now, as our membership base is growing, we are going to appoint local branch ambassadors.

**What do IFA members ask you about?**
Members ask about the level of recognition of the IFA in the local market and want maximum acceptance, which we are working towards.

**Why is being part of the IFA so important?**
I'm supporting my peers to excel in their career and profile them in what is a global market. As IFA members we can promote and support SMEs in Pakistan - they are considered the backbone of the economy. FA

## FACTS AND STATS

**US$305bn**
**GDP 2017**

**US$3.2bn**
**Trade deficit**

**5.8%**
**GDP estimated growth in 2018**
(from 0.8% in 2017)

**208m**
**Population in 2017**

**US$2.8bn**
**Lending** (from US$1.2bn in 2017)

**3.8%**
**Inflation**

Pakistan was described as one of the fastest growing e-commerce markets in the world by eBay chief executive Devin Wenig at the World Economic Forum (WEF) 2017. Chinese multinational Alibaba bought Pakistan online retailer Daraz in 2017.

WEF ranks 'water crises' as the number one risk for doing business in Pakistan, in its new 'Regional Risks for Doing Business' report. 'Unmanageable inflation' and 'terrorist attacks' are ranked second and third respectively.

An OECD delegation met with Pakistan minister of finance Dr Amshad Akhtar and tax officials to discuss the country's progress in implementing base erosion and profit shifting measures. The programme aims to counter harmful tax practices, improve tax treaty abuse and improve dispute resolution.

QUESTION

# Am I in public practice? What are my responsibilities to the IFA?

**A** Whether or not you are engaged in public practice depends on whether your activities fall within the scope of the definition of engaging in public practice. If they do, this will usually mean that you require an IFA practising certificate, professional indemnity insurance and supervision for compliance with the Money Laundering Regulations 2017.

## Meaning of public practice

The IFA's Statement on Public Practice included in the IFA's Public Practice Regulations details what is meant by public practice and which services are usually regarded a public practice, whether you work in a traditional public practice firm, have an interim role, are a sub-contractor or a volunteer in a not-for-profit organisation.

IFA's definition of public practice incorporates all types of work generally associated with an accountancy practice, such as: bookkeeping, assurance services, payroll, trust or company formation services, and tax.

You are engaged in public practice when personally and directly you provide or hold yourself out to provide accountancy services to the public for reward in the UK, whether in the capacity of sole practitioner, in partnership or through a corporate practice.

Employees of a public practice firm who don't directly have a business relationship (appointment) for the provision of accounting services to a client are therefore not usually regarded as engaging in public practice.

There are exceptions. If you are an employee, you will be regarded as being in public practice if you:

- Accept an appointment from the client for the provision of accountancy services for reward
- Sign or produce any accounts, certificates, reports, tax return or other services relating to the financial affairs of a client
- Hold yourself out to be a sole trader, partner or director of the public practice firm to the client.

But if you are providing accounting services for free or for a nominal amount of £100 or less per appointment to cover expenses, then you are not engaged in public practice.

Finally, don't forget your continuing professional development (CPD)!

As an IFA member, you must undertake appropriate CPD relevant to your role and career each year. All members, other than those who are CPD exempt, must complete 40 hours of CPD in any year, of which 20 hours shall be verifiable. FA

## WHAT TO DO IF IN PUBLIC PRACTICE... AND IF NOT

✔ If engaged in **public practice**, you will need an IFA practising certificate to adhere to our public practice regulations and confirm with us you're supervised for compliance with the Money Laundering Regulations 2017.

✘ If **not in public practice**, you must consider how contractual obligations between yourself and the firm are noted, PI insurance, tax status, and anti-money laundering status.