

BusinessMatters

A Newsletter for Chartered Accountants in Business

NAMA – monster or saviour?



Minister for Finance, Brian Lenihan TD, architect of NAMA, speaking with journalists at the annual briefing for the Chartered Accountants Ireland Leinster Society

NAMA (the National Asset Management Agency) is going to dominate the Irish economic landscape for some time to come. It is of vital strategic importance for the nation as a whole. For some it is seen as a boon, for others a threat, and for the general population it is regarded as a possible economic millstone that may hang around the neck of current and future taxpayers. Internationally, it is seen as a model structure which others might emulate. The EU has given it approval, within certain constraints.

NAMA's potential powers will include: CPO, Lending and Investment of equity and working capital in joint ventures. It will have the ability to dispose of assets at an early stage; hold them with a view to disposing of them when the market improves; or develop them to enhance the return.

So who are the people immediately impacted by NAMA? Borrowers and lenders, but also the accounting, taxation, audit and insolvency practitioners and business advisors. Chartered Accountants are at the frontline in these matters and will have to learn fast and be prepared for matters as they unfold.

A group of Chartered Accountants in Business, under the chairmanship of Ronan King FCA, is inaugurating a CA NAMA Forum. The first event will be held in Chartered Accountants House on 24th March, 4 – 8pm. The speakers are Mark Barr, Partner in the Property Group of Arthur Cox, specialising in all aspects of commercial property and advisor to NAMA; Patricia O'Brien, Partner in PJ O'Driscoll, and advisor to the Construction Industry Federation; and Michael McAteer FCA Insolvency specialist with Grant Thornton. The seminar will be followed by discussion groups representing the various sectors of the membership – developers, bankers and practitioners.

If you are interested in attending, access full details on www.charteredaccountants.ie/events

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Turning the Corner



At the Conference launch were Brendan Lenihan, Kieran Wallace, Niamh Brennan and Vincent Sheridan, who will be debating the issues of Ethics and Governance.

Welcome to the 2010 Annual Conference, located for the first time in Chartered Accountants House, Pearse Street, Dublin 2, facilitating a fantastic price for members of €350 per person – encompassing 11 hours CPD and the Gala Dinner, AND with discounted places for training ticket holders. The support of our sponsors, Lexis Nexis and Sage Ireland is essential in this, and our media sponsor The Irish Times. The conference takes place on Thursday afternoon, 6th May and all day Friday 7th May.

But that's not all. The Conference will be opened by An Taoiseach, Brian Cowan TD. Plenary speakers include Dan O'Brien, Senior Economist and Editor at the Economist Intelligence Unit and Matt Cooper, broadcaster and journalist. A debate on Ethics and Governance will be moderated by former President Vincent Sheridan FCA, with participants Professor Niamh Brennan FCA, Kieran Wallace FCA of KPMG, and Brendan Lenihan FCA, Chair of the Chartered Accountants in Business Committee. This will be followed by reflections on the changed business of banking by Cormac McCarthy FCA, Chief Executive of Ulster Bank Group. The closing plenary will be led by Sean Fitzpatrick, former All Blacks rugby captain.

Chartered Accountants House allows for a wider selection of streams than previously – Blueskies, Technical, Tax (RoI and NI), Business, Practice and Financial Services. A morning or afternoon guided networking session on the loneliness of the long-distance leader will be facilitated by Ian McClean, Ian McClean & Partners.

The dinner on Thursday night will be held in the Round Room of the Mansion House. Bookings are coming in thick and fast, so for full details and to secure your place at this great conference, go to www.charteredaccountants.ie/annualconference

Young Professionals Adding Value

It's been a busy couple of months for the Young Professionals. January saw a packed attendance for an Interactive Life Coaching Session with Mary Curran. In early February the Young Professionals teamed up with the Society of Young Solicitors for a repeat of the successful table quiz emceed by comedian Jarlath Regan. Great fun was had by all at Café en Seine, the host/sponsor, and over €2500 was raised for charity. There will be another joint event focusing on Forensic Accounting towards the end of March. Forensic accounting is a growing area where both professions work closely together.

The **Young Professionals Conference** programme has been finalised for Friday 23rd April, 9.00am to 5.30pm followed by a networking reception until 7.30pm. Locating the event in Chartered Accountants House has resulted in a price drop to €195 with an early bird discount to €175 for bookings received by 1st April. Entitled 'Adding Value – Professionally & Personally' the conference is all about making a difference. With the huge amount of change in the business world over the last couple of years, now is the time to regenerate, to move forward, to cultivate new ideas, to grow and to succeed, to Add Value. Chartered Accountants are at the forefront of business and are pivotal in identifying and facilitating organizational improvements.

Eric Chaloner will facilitate the interactive morning session and will discuss a range of topics including Mental Resilience, Self-Motivation and Leadership Skills. Practical application of these qualities will be abundant in the narrations of the afternoon speakers comprising Michael Cawley FCA (Ryanair plc), Mary O'Rourke (T.D.) and Bobby Kerr (Insomnia and star of Dragon's Den).

The conference is great value for 7 hours CPD and represents a wonderful opportunity to network. The conference sponsor is Sage Ireland.



Young Professionals Committee member Aisling Breathnach ACA with Aisling Byrne at the Charity Quiz.

Finance Bill 2010 – An Overview

Following Minister Lenihan's short budget statement last December one would have been forgiven for thinking the Finance Bill would be a relatively brief document. What was delivered on 4 February 2010, however, contained 155 detailed provisions, some of which had been flagged in the Budget Speech. Below is a summary of the key provisions.

Corporation tax: The Finance Bill contained a number of measures designed to enhance Ireland's marketability for Foreign Direct Investment, not least as a Holding Company location. Among the more positive measures were:

- the extension of unilateral relief in respect of withholding tax incurred on royalties from persons resident in non treaty countries to all trading companies, and
- the inclusion of a provision that allows unused foreign tax credits in relation to branch profits to be carried forward and credited against corporation tax in succeeding accounting periods.

From a domestic perspective, useful provisions included the removal of the imposition of a balancing charge where assets are transferred in the course of a reconstruction or amalgamation, and the confirmation that the start up exemption has been extended to qualifying companies which commence in 2010.

Income tax: The principal change in the Bill that will affect the majority of tax payers was the abolition of the tax credit for service charges which was worth up to €80 per annum.

Tax relief will now extend to charitable donations made to charities which are established in the EEA and EFTA jurisdictions. Such donations are 'Specified Reliefs' for the purposes of the 'High Earner Restriction', and the Bill confirmed the changes to the restriction as announced on Budget day. These changes broaden the net of those affected by the restriction and increase the effective income tax rate to 30% for those affected.

The Bill also announced the phasing out or abolition of a number of other tax reliefs and allowances including:

- capital allowances for childcare facilities,
- tax relief for investments in significant buildings and gardens,
- the BIK exemption on employer-provided art objects, and
- mortgage interest relief.

The Bill gave effect to the Budget announcement of a €200,000 Domicile Levy, which applies to certain individuals who are Irish citizens and Irish domiciled, and who have:

- Irish located property worth greater than €5 million,
- worldwide income in excess of €1 million, and
- an Irish income tax liability less than €200,000.

The Bill clarifies that Irish property is all property located in Ireland, but does not include shares in a trading company or a holding company which derives the greater part of its value from subsidiary trading companies.

The special assignment relief programme (also known as the limited remittance basis), which was introduced in Finance (No.2) Act 2008, was expanded. The change means that the scheme will now apply to both EU and EEA nationals, and the stipulation that the employees exercise their duties in Ireland for a minimum of three years is reduced to one year.

Unexpectedly, the Bill removed the entitlement to the remittance basis from non-ordinarily resident individuals.

Capital Gains Tax: The principal amendments to CGT relate to retirement relief, and the date of disposal for CPO sales.

With regard to retirement relief, the Bill provides that payments received as a result of redemption, repayment or purchase by a company of its own shares may be taken into account for the purposes of determining if the €750,000 threshold has been reached by the retiring individual.

With regard to CPOs the bill confirms that for land sold under CPO the date of disposal is deemed to be when the consideration is received by the vendor. This eliminates the possibility of an individual who has sold land by way of CPO becoming liable to pay the CGT before they receive their consideration.

The above is just a summary of the main changes provided for in the Bill. As noted at the outset there were some 155 provisions. Chartered Accountants Ireland will be making submissions to the Department of Finance regarding a number of the provisions. If there are any matters of particular concern to you, please contact any member of our Tax Department at Chartered Accountants House.



Business Insurance Matters

David Glennon, Corporate Consultant, Zurich Life

Financial planning is an essential part of any small or medium sized company and partnership. One aspect of this is their vulnerability to the death of a director, partner or key employee which can have serious financial consequences for those continuing to run the business.

The aim of Business Insurance is to purchase policies to protect against death and/or serious illness which are backed up by proper legal structures.

There are four main areas, Partnership Insurance, Co-Directors Insurance, Corporate Co-Directors Insurance and Keyperson Insurance. Each area is outlined briefly below. The legal structure and taxation of these types of insurances can be complex so professional advice should be obtained.

Partnership Insurance: On death of one individual within a Partnership, the share of the business attributable to that individual is payable to his/her personal representatives.

By having Partnership Insurance in place, the surviving partners receive a lump sum with which they may purchase that business share back from the deceased's personal representatives.

The insurance can be set up in two ways, Own Life in Trust or Life of Another. Using the 'Own Life in Trust' approach, each partner effects a life assurance policy on his own life arranged under Trust. Under 'Life of Another', each partner takes out a policy on the other partner's lives.

On the death of one of the partners, the policy proceeds are used to buy out the deceased partner's share of business from the next of kin.

With both arrangements, a legal 'buy/sell' agreement between each partner should be completed. These agreements come into force on the death of a partner, compelling the surviving partners to buy the business share back from the deceased's personal representatives and vice versa.

Co-Director Insurance: The death of a director who has a significant shareholding in a company can mean the surviving directors now have a new shareholder and the personal representatives now have shares which they want to sell.

Co-directors Insurance places funds in the hands of the surviving directors enabling them to buy back the shares from the personal representatives. The set-up of the insurance is again either 'Own Life in Trust' or 'Life of Another' arrangements.

Again, a legally binding buy/sell agreement facilitates the buying and selling of the shares at market value.

Corporate Co-Director Insurance: In this arrangement the company effects the policies on the lives of the directors, i.e. a Life of Another arrangement, to alleviate the same financial problems as Co-Director's Insurance, buying the shares of the deceased rather than the directors.

A legally binding contingent purchase contract, similar to a Double Option Agreement, will be required to facilitate the buying and selling of the shares at market value.

Keyperson Insurance: A Keyperson can be defined as an employee whose expertise is key to the continued financial success of the company. Keyperson Insurance is designed to compensate a company for any anticipated financial loss incurred if a Keyperson dies or is diagnosed with a serious illness.

Keyperson Insurance is set up on a Life of Another basis and must be agreed by special resolution by the company's board.

In conclusion, for small firms, medium sized companies and partnerships, Business Insurance will alleviate any financial consequences of death or disability and ensure the continued success of their enterprises.

This article does not constitute an offer and should not be taken as a recommendation. Advice should always be sought from an appropriately qualified professional.



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Blue Box Benefits



The Mid-West Society Christmas lunch raised €1,000 for the Limerick based children's charity "Blue Box", the Arts Therapy Centre which uses creative therapies to provide assistance to vulnerable children and young people. Pictured at the cheque presentation are Peter Keogh of Blue Box (centre) with Committee members (from left to right) Michael Duffy, Cathy McDermott (Administrator), Mary Halton and Rory O'Neill (Chairman).

Technical Signpost

Employment Subsidy Scheme: Chartered Accountants Ireland's Representation & Technical Policy team has recently agreed an extension of claim dates with Enterprise Ireland. The final claims dates for both company claims and their Accountants Report have been extended by one week for all 4 remaining claims periods of ESS Call 1. The Company Claim and the Accountants Report must be submitted separately and independently to Enterprise Ireland. For more on the extended claim dates, go to <http://www.charteredaccountants.ie/General/News-and-Events/News1/2010/January/>

The Future of UK and Irish GAAP: In July 2009, the Accounting Standards Board in the UK issued a consultation document containing proposals to replace current Irish and UK GAAP with a three-tiered approach, whereby companies would apply one of the following:

- EU-endorsed IFRS - for 'publicly accountable' entities;
- IFRS for SMEs - for non-publicly accountable entities;
- Financial Reporting Standard for Smaller Entities (FRSSE) - optional for 'small' entities as defined in the Companies Acts.

In its recent response to the ASB, RTP expressed support for the ASB proposals, whilst emphasising that the key determinant in the successful adoption of these proposals is that the definition of 'public accountability', which determines whether entities are required to adopt EU-endorsed IFRS or the IFRS for SMEs, is as clear and unambiguous as possible. The Institute also supports the continued availability of the FRSSE, which is aimed at very small companies, in the short to medium term.

The ASB's consultation document and the full text of the Chartered Accountants Ireland response are available on <http://www.charteredaccountants.ie/Members/Technical/Future-of-UK-and-Irish-GAAP/>

Clarification provided on SI 450: Statutory Instrument 450 ('European Communities (Directive 2006/46/EC) Regulations 2009') ('SI 450') was signed into law on 18th November 2009. SI 450 gave effect to new financial reporting and corporate governance disclosure requirements as contained in a European Directive of the same name. Since its enactment, considerable uncertainty has existed around the effective date of the new measures which has been the subject of ongoing discussion between the Institute and the Department of Enterprise, Trade and Employment ('DETE').

On 25th February 2010, the Tánaiste signed into law amending Regulations (Statutory Instrument 83 of 2010). SI 83 clarifies the effective dates of the various provisions, and their scope, contained in SI 450. It also aligns the role of the auditor in reporting on the new corporate governance disclosures with the provisions of the underlying EU Directive.

The amending SI has immediate effect and partially defers a number of the provisions of SI 450.

The requirement to make a corporate governance statement, including identifying the particular code applied and commenting on the extent of compliance applies to accounting periods which end on or after 18 November 2009.

Full details available on <http://www.charteredaccountants.ie/General/News-and-Events/News1/2010/March/>

Diary Dates

March	11	Annual Practice Day	Cork Society	
	11	Annual Dinner	Ulster Society	
	11	Luncheon: Matthew Elderfield, Chief Executive, Financial Regulator	Leinster Society	
	11	Toastmasters	Leinster Society	
	15	Accounting for Financial Instruments – IAS39 & IAS32	CPD, Dublin	
	23	Redundancy Matters/Revenue Audits, Thomond Park	Mid West Society	
	23	Spreadsheet Tools & Tips for Accountants	CPD, Dublin	
	24	Annual Daffodil Day Business Breakfast	Cork Society	
	24	Corporate Finance Review with a focus on SMEs	CPD, Dublin	
	24	CA NAMA Forum	Members Services, Dublin	
	24	Powers, Penalties, Procedures & PI	CPD, Belfast	
	24	Taxation of Foreign Profits	CPD, Belfast	
	24	Young Professionals Forensic Accounting with Young Solicitors	Members Services, Dublin	
	25	Toastmasters	Leinster Society	
	30	CPD Course, Body Language	London Society	
	April	8	Toastmasters	Leinster Society
		12	CPD Series	Cork Society
12		Introduction to the Regulatory Framework for Irish Investment Funds	CPD, Dublin	
13		Book Club	Leinster Society	
14		Luncheon: Christoph Mueller, CEO, Aer Lingus	Leinster Society	
15		Accounting for groups – Practical application	CPD, Dublin	
15		IFRS – The Core Standards	CPD, Cork	
15		Corporate Finance Review with a focus on SMEs	CPD, Belfast	
16		Report Writing for Accountants	CPD, Dublin	
16		Cross Border business – tax issues	CPD, Belfast	
19		CPD Series	Cork Society	
20		Corporate Governance in the Public Sector	CPD, Belfast	
20		Corporate Governance in the Not for Profit Sector	CPD, Belfast	
21		Business Plan Modelling using Excel	CPD, Dublin	
21		Corporate Recovery Strategies	CPD, Dublin	
21		Company Law & Insolvency Technical Update	CPD, Dublin	
22		Toastmasters	Leinster Society	
22	Inside the working of Lloyds & Reception	London Society		
22	Wine Tasting	Ulster Society		
23	Young Professionals one-day Conference	Members Services, Dublin		
23	Debt Restructuring	CPD, Dublin		
29	Corporate Governance in the Public Sector	CPD, Dublin		
29	Corporate Governance in the Not for Profit Sector	CPD, Dublin		
29	FRS & IFRS Update	CPD, Belfast		
29	Annual Conference, Copenhagen	Ulster Society		
May	5	Reduce Overheads without crippling the business	CPD, Belfast	
	5	Luncheon: Frank Daly, Chairman, NAMA	Leinster Society	
	6/7	Annual Conference: Turning the Corner	Dublin, CPD	
	11	Book Club	Leinster Society	
	12	Personal Insolvency & Bankruptcy	CPD, Dublin	
	13	Acquiring or selling a Business – Tax Issues	CPD, Dublin	
	13	Due Diligence	CPD, Belfast	
	13	Toastmasters	Leinster Society	
17	Market in Financial Instruments Directive (MiFID)	CPD, Dublin		
17	Company Law & Insolvency Technical Update	CPD, Cork		

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