MAKING THE CHARTERED BRAND WORK FOR YOUR FIRM

Claire Percy writes

Members consistently tell us that “protecting and promoting the Chartered brand” is one of the key services that Chartered Accountants Ireland can provide to them. Often, this feedback relates to student recruitment and the continuity of the profession. However it is also critical in terms of helping consumers, employers and business decision-makers understand the value of choosing a Chartered Accountant.

The Institute supports the brand year-long across all its services and through a range of promotional activities. This includes the annual brand advertising campaign, “Make Sure your Accountant is a Chartered Accountant”, which is currently running. The key message of the campaign is that businesses can have confidence in the training, standards and experience of Chartered Accountants in every sector.

This “confidence” message is being carried across radio, press and online. This year, in order to maximise the local benefit to our firms and members nationwide, a number of regional innovations have been introduced, with regional press and radio in use alongside national outlets.

In order to connect the advertising even more directly with our network of 1,500+ practices around the island, the campaign is also supplemented by a direct mail initiative. All firms should by now have received a pack containing two high-quality window vinyls for use on their offices windows or doors. The purpose of this is to promote visibility of the recently-refreshed Institute logo on the high street. This will help consumers link the advertising message to their own local Chartered Accountant – and create a “multiplier effect” that builds the confidence message for all members.

The pack also provides access to co-branded marketing materials and gives links to download logos for use on firms’ own websites and promotional materials. There was also an online competition to win a table at this year’s annual dinner – simply by showing the Chartered logo in action.

The design of this campaign was greatly assisted by the input of the Members in Practice committee and Strategic Communications committee. We are very keen to hear wider feedback, and in particular may look at offering a more permanent signage option in future. Please take a look at www.charteredaccountants.ie/Brand for more information or to get in touch with feedback on the campaign or how we can assist you to make the Chartered brand work for your firm.
For many years we in Practice Consulting have assisted members to buy, sell and merge their practices. During the recession years, and for some time afterwards, there was very little activity, but in recent times we have been receiving more enquiries and helping more practices. A firm with a recurring fee base has a value based primarily on its goodwill. It is usually preferable to arrange succession from within a practice, but in the absence of this, a sole practitioner approaching retirement age might consider realising the value of the firm by selling the goodwill to a growing practice. There are other circumstances where a practitioner may be interested in selling their practice. On the other hand, many practices have informed us of their intent to purchase, if an opportunity arises. In other cases practices may come together by way of acquisition or merger in order to pool resources and leverage the benefits of increased size and more diverse skillsets.

Many mid-sized practices would be interested in offering a senior position or partnership to a dynamic sole practitioner. This possibility might be of interest to a member who has set up on practice relatively recently. The member has found that he or she has the ability to run a business and acquire clients, but the pressures of being entirely alone are just too much.

This profession is a people business and in any deal, the human element is always crucial. More important than top line valuations is the ability to trust your counterparty, to establish open communication and a good working relationship. The value of a practice still tends to be based on a multiple of its fee income and the classic 1:1 ratio of recurring fees to practice value is the starting point of many conversations. That said, buyers and sellers should be aware of the changes and pressures arising in recent years due to market forces. The general skill shortage in the profession means that the staff of the practice may be the most important element in judging the inherent value of the practice. Specific purchasers may be interested in purchasing a niche practice with clients that fit specific criteria.

There is any number of ways to structure the deal. If a capital sum changes hands, then this may be based paid in stages over time. There may be a clawback based on clients who do not transfer. Separate arrangements need to be made to deal with WIP and debtors that are outstanding at the date of transfer. In general every aspect can be varied by either party to suit the circumstances of the deal.

Practice Consulting assists practices to come together. We work in complete confidence. If you are interested discussing any of the matters in this article, please contact Conal Kennedy or Jeremy Twomey at the contact numbers on the back page.

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**Companies (Statutory Audits) Bill 2017 – provisions on audit exemption and filing extensions**

The Statutory Audits Bill was published in early November and is available to read here: www.dbei.gov.ie/en/Legislation/Companies-Statutory-Audits-Bill-2017.html

The Bill contains provisions relating to the performance of statutory audits and the regulation of statutory auditors.

Heads of Bill had already been published in the Spring. Some members were concerned by the proposals at Head 167.

Head 167 proposed an amendment to section 343(5) of the Companies Act 2014 such that there would be an automatic loss of audit exemption for companies applying to the District Court for an extension of the annual return filing deadline. Together with the Consultative Committee of Accountancy Bodies, Ireland (CCAB-I), we wrote, in May 2017, to the Department of Jobs, Enterprise and Innovation (“DJEI”) in relation to this matter and also met with representatives of DJEI during the summer to discuss our concerns in this regard. Our written representation is available at www.charteredaccountants.ie/Member/Technical/Representations1/2017. We note that the Bill moves away from the automatic loss of audit exemption on application to the court for extension to the filing deadline suggested by Head 167 but it changes the court which can consider such applications. The proposal in the Statutory Audits Bill (section 9) will require the High Court to hear such applications (it is currently a choice between the District Court or the High Court since the commencement of the Companies Act 2014).

An additional proposal at section 10 of the Statutory Audits Bill would allow the District Court to waive the late filing fee but not to hear an application for an extension which would delay the loss of audit exemption. Whilst we acknowledge that DJEI revised its proposals originally contained in Head 167 in response to our representations, and that the revised proposals are somewhat less restrictive, we still consider the overall proposed approach with regard to companies applying for an extension to the filing deadline to be disappointing. The cost of going to the District Court only to seek to have late fees waived and/or the High Court to retain audit exemption is likely to be prohibitive compared to the savings to the company resulting from a successful application. It seems that the high price of loss of audit exemption when an annual return is filed late is one that will continue to be borne in most cases.
Technical Alerts and Releases

In recent months, the following technical publications were issued by Chartered Accountants Ireland to provide guidance to members:

**Technical Alert 03/2017, ‘Companies (Accounting) Act 2017: Changes to the filing requirements’**

The purpose of TA 03/2017 is to update members regarding the changes to the filing requirements for certain companies arising from the Companies (Accounting) Act 2017.

The changes affect the following types of companies, in particular:

- Unlimited companies – a broader group of unlimited companies will now have to file financial statements.
- Subsidiaries with Section 357 guarantees – there is a change to the breadth of the guarantee from the holding company.
- Investment companies - new requirements for certain investment companies to file financial statements, director’s report and audit reports with the CRO.
- External companies with branches.

**Technical Alert 04/2017 ‘Illustrative Auditor’s Report on the financial statements of a credit union for accounting periods beginning on or after 17 June 2016’**

The ISAs (Ireland) are applicable for use in auditing statutory financial statements of Irish entities with periods beginning on or after 17 June 2016. Therefore, auditors reporting on the financial statements of credit unions for years ending 30 September 2017 are applying ISAs (Ireland) to those audits for the first time. The format and content of the auditor’s report on financial statements has changed as a consequence of the introduction of ISAs (Ireland).

The purpose of this Technical Alert is to provide an illustrative auditor’s report on the financial statements of a credit union which are audited in accordance with ISAs (Ireland). Auditors of credit unions will also find it helpful to refer to Technical Alert 02/2017, Guidance on the new ISAs (Ireland) Auditing Standards issued by the Irish Auditing and Accounting Supervisory Authority, which highlights the key new requirements of the ISAs (Ireland).

Please also see the article in this month’s Accountancy Ireland on the audit of Credit Unions.

The above technical documents are available in the “Technical” section of our website and on CHARIOT.

Consultation Paper on supplementary standards and guidance

The Irish Auditing and Accounting Supervisory Authority (IAASA) has issued a consultation paper seeking the views of stakeholders regarding IAASA’s intended policy on additional standards and its intended policy with regard to guidance documents.

For financial periods beginning before 17 June 2016 the FRC issued a number of Practice Notes and Bulletins designed to provide additional guidance to auditors, including some developed specifically for the Irish market. Those specifically relating to Irish entities have since been withdrawn by the FRC and have not been issued by IAASA.

In addition the FRC have two additional auditing standards and five Standards on Investment Reporting (SIRs) which have not yet been adopted by IAASA.

IAASA proposes that it is appropriate to review the Practice Notes and Bulletins relating to Ireland previously issued by the FRC. This is with a view to updating and reissuing those Practice Notes and Bulletins with continued relevance to auditors of Irish entities.

IAASA is also considering the two additional auditing standards and the five SIRs in order to determine whether it is appropriate to amend and adopt those for use in Ireland.

The consultation paper can be viewed at www.iaasa.ie/News/2017/IAASA-issues-Consultation-Paper-on-supplementary-s. Responses are requested by 12 January 2018.

Dublin Metropolitan District Court – Licence Renewals

We notified members, in eNews, on a number of occasions in August/September of the problems associated with the prescribed format of reports required by the Dublin Metropolitan District Court from auditors/accountants of licensees applying for a renewal. It has come to our attention that reports from some firms prepared in a fashion consistent with the alternative report format we suggested are being rejected by the Court.

We strongly re-iterate our advice to members against signing reports confirming “up to date compliance with all filing and tax requirements pursuant to the Companies Act 2014”. We recommend that members inform their clients of their Accountancy Body’s advice, explain the reasons for not signing such certificates and encourage them to advise their legal advisors to challenge the Court’s decision to reject the application.

Again, we note that alternative evidence with regard to tax matters can be provided to the Court by the client in the form of a tax clearance status from the Revenue’s ROS system with the licensee’s application for renewal.
Chartered Accountants Ireland considers this to be a serious matter as the Court is requiring auditors / accountants to sign ‘certificates’ offering a degree of certainty that they are not in a position to provide and will again engage with the Court and the Licensing Office on this.

To review the original advice and to access the suggested alternative report format, please see the Institute’s news item on our website from 24 August.

Representations
Chartered Accountants Ireland has responded to the following consultation:

Representation 08/2017
Consultation on Second Edition of the Central Bank Investment Firms Regulations including changes related to MiFID II: Consultation Paper CP11 (“CP 11”).

Representations are available to read in the “Representations” section of our website.

Occupational pension schemes in the UK

FRS 101 Annual Review

General Data Protection Regulation (‘GDPR’)
As mentioned in October’s Technical Signpost, the (GDPR) will come into force on 25 May 2018 and will result in a significant overhaul of the existing European data protection regime. Readers may be interested in a guidance document issued by Accountancy Europe entitled ‘What do the new EU data protection rules mean for you?’ which can be found at the following link: https://www.accountancyeurope.eu/wp-content/uploads/170424-General-Data-Protection-Regulation.pdf

Ethical and Auditing Standards 2017
Now available to members in a single, printed volume, this new publication from Chartered Accountants Ireland contains the Irish Auditing & Accounting Supervisory Authority’s:

- Ethical Standard for Auditors (Ireland);
- the International Auditing Standards on Auditing (Ireland); and
- the International Auditing Standard on Quality Control (Ireland). The above standards are effective for engagements relating to periods commencing on or after 17 June 2016, for which opinions are issued on or after 1 February 2017.

This book is available for €75 plus P&P from our online bookstore at www.charteredaccountants.ie or, to enquire further about its contents and place an order over the phone with a credit/debit card, please contact the Publishing department on: +353 1 637 7204

CPD COURSES FOR MEMBERS IN PRACTICE
Look out for the following courses designed with you in mind, all of which can be booked online through the Professional Development area of our website:

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<tr>
<th>Date</th>
<th>Course</th>
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<tr>
<td>6 December (morning)</td>
<td>Financial Reporting Seminar</td>
<td>Belfast</td>
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<tr>
<td>6 December (afternoon)</td>
<td>Audit and Assurance Seminar</td>
<td>Belfast</td>
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<tr>
<td>11 December (all day)</td>
<td>A small firm’s guide to accounting for small and micro companies</td>
<td>Dublin</td>
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<tr>
<td>12 December (all day)</td>
<td>Compliance and Practice Management Tips for 2018</td>
<td>Belfast</td>
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<tr>
<td>14 December (morning)</td>
<td>Audit and assurance seminar – The key issues</td>
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REPUBLIC OF IRELAND TAX DEVELOPMENTS

Finance Bill 2017
Finance Bill 2017 was published on Thursday 19 October 2017 and contains the tax measures announced in the Budget speech delivered by the Minister for Finance on 10 October 2017 along with a number of additional measures.

Personal tax measures
The Bill sets out details of the new employee share option scheme, known as the Key Employee Engagement Programme or KEEP for short, and details of the new BIK exempt electric vehicle. New provisions to tax any free or discounted health or dental insurance policy given to certain employees are also in the Bill.

KEEP: The aim of this new share option incentive is to enable SMEs reward, motivate, and retain employees in a tax efficient manner. Under KEEP, any gain realised on the exercise of an option granted on or after 1 January 2018 and before 1 January 2024 will be exempt from income tax. Capital Gains Tax will apply on any gain arising on the disposal of the shares. This measure is subject to State Aid approval.

Provision of electric motor vehicles to employees: An exemption from the general benefit in kind charge will apply when an employer provides electric vehicles (cars and vans) for 2018. Any expense incurred by the employer in providing electrical charging points for use in the workplace for charging electric vehicles will also be exempt from a BIK charge, provided all employees and directors of the company can avail of the facility. The Minister for Finance subsequently noted that this measure may be extended for a number of years beyond the one year only exemption stated in the Bill.

Employees of health or dental insurer: Under a new section 112AA inserted into the TCA 1997, employees (or a member of the employee’s family) of health or dental insurers who get a free or discounted health or dental insurance policy will now be taxable on the market value of the policy.

Domicile Levy: The Bill adds a new subsection to Section 531AA TCA 1997 to clarify that worldwide income for the purposes of the domicile levy is income before deducting capital allowances and losses. This could potentially increase the number of taxpayers who fall within the bracket of the domicile levy. The definition of ‘final decision’ has also been removed and this has consequences for the definition of “liability to income tax”.

Employment taxes
The Bill provides the detail of PAYE Modernisation which essentially means the introduction of real time reporting from January 2019.

The Bill also provides that employment income will be taxed on a receipts basis, (which is when it is received by the individual) rather than on an earned basis. This change will apply to Schedule E income from 1 January 2018. Transitional arrangements are included for income which may have been taxed in 2017 on an earnings basis but received in 2018.

If PAYE is not correctly operated by an employer, a new provision introduced in FB 2017 will treat the payment made to an employee as net of any tax amounts. This applies from 1 January 2018.

Corporation Tax measures
Finance Bill 2017 covers a number of corporation tax measures which includes starting the process by which Ireland will align its double tax treaties and double taxation relief rules to take account of measures arising from BEPS. Revenue practice in relation to section 247 TCA 1997 interest deductions for structures containing holding companies has been given the appropriate force of tax law.

The Bill also makes a number of amendments to section 76A TCA 1997 to deal with the replacement of former Irish generally accepted accounting practice (GAAP) standards (including FRSs and SSAPs) with current Irish GAAP accounting standards (FRS 100 to FRS 105).

Property measures
The Bill gives further detail to the provisions announced on Budget Day where the rate of stamp duty on non-residential property increased to 6 percent and also provides details of transitional arrangements for binding contracts entered into prior to 11 October 2017. In a move to protect the position where family farms are transferred, consanguinity relief is extended for another three years at a fixed rate of 1 percent and the 67 years age restriction for the relief has been removed.

Pre-letting expenses: A new section 97A has been inserted into the TCA 1997 to legislate for a deduction of up to €5,000 against rental income of revenue expenses incurred on a residential property vacant for at least 12 months prior to the first let. The premises must be let between the date of the passing of the Finance Act and 31 December 2021.
CGT – 7 year exemption: As announced on Budget day, the seven year CGT relief is amended to allow the owners of qualifying land or buildings to sell those assets between the fourth and seventh anniversaries of their acquisition and still enjoy a full relief from CGT on any chargeable gains as per section 604A TCA 1997. This will apply to sales from 1 January 2018. It appears that the relief as it originally applies will continue to apply to a disposal after the seventh anniversary of the acquisition date.

Capital gains tax (CGT)
The Bill contained a number of new sections that were not announced on Budget Day including the extension of the definition of a CGT group to include a company located in a country with which Ireland has a double tax agreement. There were also some anti-avoidance measures introduced into section 29 TCA 1997 related to share disposals by non-resident persons and to section 626B TCA 1997 for the purposes of establishing if a company derives its value from Irish land and buildings.

Tax legislation finally updated for Companies Act 2014
Tax law will finally reflect mergers and divisions legislation introduced in the Companies Act 2014. In addition a number of provisions in the Stamp Duty Consolidation Act, Taxes Consolidation Act and Capital Acquisitions Taxes Act are updated to reflect the provisions of the Companies Act 2014.

Sugar tax
The Bill provides more detail on the new tax known as the Sugar Sweetened Drinks (SSD) tax, which was announced in Budget 2017, and pledged in Budget 2018. The SSD tax is due to be introduced from 1 April 2018; however, the measure is subject to approval by the European Commission and the Minister’s commencement order.

NORTHERN IRELAND TAX DEVELOPMENTS
2016-17 self-assessment online filing exclusions - update
In the June edition of Practice Matters we advised readers of issues with online filing of 2016/17 self-assessment returns due to HMRC being unable, at that time, to update software to cope with changes in tax legislation which took effect from 6 April 2016.

This meant that due to a number of exclusions, paper returns would have to be filed instead. The 2016/17 paper self-assessment filing deadline was 31 October. However where an exclusion from online filing applies, this paper filing deadline is extended to 31 January 2018 if the taxpayer’s circumstances warrant that an online self-assessment return cannot be completed due to various exclusions published by HMRC.

Such paper returns filed by 31 January 2018 will be treated as having a reasonable excuse if accompanied by a reasonable excuse claim. If you intend to file a paper return after 31 October please ensure this is covered by one of the exclusions in the updated list published recently by HMRC.

HMRC have now implemented a fix for some of the previous exclusions (exclusions 48-56 and 58-59) which was released on 23 October 2017. According to HMRC, this covers “the majority of cases”. Software developers have also been notified.

Over the next few weeks, HMRC advise that it will work to automate the recovery of both online and paper cases, where a return has been filed prior to the fix and shows the incorrect tax position. This recovery will include an SA302 tax calculation and a letter to the taxpayer to advise them of the correction.

PQA UPDATE
As mentioned in October’s Practice Matters, Practice Consulting will soon be issuing an update to our Procedure for Quality Audits (PQAs) to paid-up licence-holders to reflect changes to the separate audit frameworks applying in the UK and Ireland as well as changes arising from the Companies (Accounting) Act 2017. Members will be informed as soon as the update is available.