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The tax staff in the Chartered Accountants Ireland Advocacy and Voice Department write:

REPUBLIC OF IRELAND TAX DEVELOPMENTS

Finance Bill 2019

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The Help to Buy (HTB) scheme has been extended, unchanged, for a further 2 years to the end of 2021.

The Living City Initiative, which is a scheme of property tax incentives which applies to certain special regeneration areas has been extended until the end of 2022.

A number of anti-avoidance changes to the Real Estate Investment Trusts (REITs) and the Irish Real Estate Funds were also introduced in the Bill.
Capital Taxes
The Group A CAT threshold for gifts or inheritances from a parent to a child has increased by €15,000 to €335,000 and takes effect on or after 9 October 2019.

The Bill amends the Dwelling House exemption following the High Court decision in the Dwelling House case in 2018. The conditions of the relief are amended such that all properties inherited from the same estate are to be considered. A clawback is provided for where a beneficiary subsequently inherits an interest in any other dwelling house from the same disposer.

The Bill provides for changes to the information to be provided to the Revenue Commissioners and the Probate Office in respect of the estate of a deceased person and the method for providing that information. This change will facilitate the collection and transfer of the data between Revenue and the Probate office.

VAT measures
The change in the VAT treatment of food supplements was widely expected. The Bill details the measures announced as part of Budget 2020 relating to the Research and Development Tax Credit regime while also introducing several new measures.

The Bill covers several corporation tax measures which include changes to the R&D tax credit regime, the introduction of Anti-Tax Avoidance Directive anti-hybrid rules and a major overhaul of Ireland’s transfer pricing rules. The Bill also includes a number of amendments to reliefs which aim to keep the status quo in the event of a no-deal Brexit.

Corporation Tax measures
The Bill includes changes to the general rules (Section 81 Taxes Consolidated Act 1997) applying to tax deductible expenditure. Firstly, a tax deduction is not available for taxes on income. This is particularly relevant in the context of Irish companies that suffer foreign withholding tax on their business profits. The second amendment aligns the tax deduction for doubtful debts with impairment losses under the relevant accounting standards.

Section 16 amends section 774(6) of the Taxes Consolidation Act 1997 to provide tax relief for pension contributions made by a company to occupational pensions schemes set up for employees of another company in certain defined circumstances. This amendment is to accommodate cases of a merger, division, joint venture, reconstruction or amalgamation where an issue could arise as to whether contributions are being made in respect of employer’s own employees. The contributions made in these cases will qualify if:

- they are made on foot of a legally binding agreement between two or more companies, under a scheme of reconstruction, under a merger, under a division or under a joint venture;
- the scheme members are current or former employees of the parties to the agreement, or parties which are subject to the agreement; and
- the contributions would be deductible under section 774(6) TCA if the person making the contribution was the employer of the scheme members in respect of whom the contributions are paid.

The Bill details the measures announced as part of Budget 2020 relating to the Research and Development Tax Credit regime while also introducing several new measures. A summary of the new legislative amendments are:

- Grants funded by any State and/or by the European Union must be deducted when calculating the amount of qualifying R&D expenditure.
- A company which outsources to third parties must now notify in advance of, or on the day of, payment, if that company intends to make a claim for the R&D tax credit. Revenue has said that the purpose of this amendment is to ensure that the sub-contractors do not receive such notifications after their R&D claims have been filed. How this notification by the company will work in practice needs further consideration and guidance from Revenue.
- The application of a penalty for an over claim of the R&D tax credit has been aligned with the procedure for over claims of other credits.
- Where a payable amount or amount surrendered to a key employee is later withdrawn, any offset of losses or credits cannot be used to shelter the clawback on this amount.
- Amendment to capital expenditure on scientific research to ensure that relief for capital expenditure on buildings or structures cannot be claimed in respect of the same expenditure.
Investment tax supports

The Bill confirms the welcome enhancements to the Key Employee Engagement Programme announced on Budget Day. However, complex conditions added seem likely to limit the practical application of the enhancements. For example, the definition of a qualifying group includes only a qualifying holding company, its qualifying subsidiary/subsidiaries and its relevant subsidiary/subsidiaries. The qualifying group (excluding the holding company) must be wholly or mainly carrying on a qualifying trade, must have at least one qualifying subsidiary and all the companies in the group must be unquoted. It seems that the definition does not extend to scenarios where the parent company in a group is a trading company with multiple subsidiaries or where a holding company holds cash or undertakes certain activities. There may be existing KEEP claimants that will no longer qualify due to the changes in the Bill.

Section 25 of the Bill provides for the amendments to the Eil that were flagged by the Minister as part of Budget 2020. The main changes are to section 502 of the Taxes Consolidation Act 1997;

• From 8 October 2019, full tax relief will be available in the year in respect of which the investment is made.
• From 1 January 2020, the overall maximum investment relief amount allowed is increased from the current maximum of €150,000 to €250,000 and €500,000 depending on the length of the investment (4 years and 10 years respectively).
• A qualifying investor is obliged to provide information that Revenue may require in order to verify details of the investment, through electronic means that Revenue makes available.

NORTHERN IRELAND TAX DEVELOPMENTS

HMRC announce application process for extra time to satisfy Making Tax Digital digital links requirement

In an unexpected move, last month HMRC announced that it has opened up a new process which will allow some businesses more time to meet the digital links requirement under Making Tax Digital (“MTD”) for VAT, once the one year soft landing period from the original mandation date ends (either 1 April 2020 or 1 October 2020). The business must apply for more time to meet the digital links requirement and must do so by the end of the relevant soft landing period. The application must also be accepted by HMRC. The communication received from HMRC setting out this announcement in more detail is set out below.

“For periods starting on or after 1 April 2019, most VAT-registered businesses with turnover above the threshold have been required to keep their records digitally and send their VAT returns to HMRC direct from the underlying data in those digital records. In recognition of the fact that some businesses would need more time to digitise the links between their internal systems to fully meet the requirements of Making Tax Digital (MTD), we allowed a year ‘soft-landing’ period from their original mandation date for these digital links to be in place. Today we opened the process for customers to apply for additional time, if needed, to put digital links in place in order to comply with the requirements of MTD. This additional time will be provided for businesses with complex or legacy IT systems, who are unable to comply with MTD digital links requirements by the end of the initial soft-landing period. Businesses need to ensure that by the end of their soft-landing period their systems are digitally linked where any data is transferred or exchanged. Through our engagement with stakeholders we are aware that some businesses, with complex or legacy IT systems, may require a longer period to put digital links in place across their MTD software to meet their legal MTD for VAT requirements. Therefore, we have opened a process for customers to apply for additional time. The criteria for making an application and how to apply are set out in the VAT Notice 700/22, section 4.2.1.3 - www.gov.uk/government/publications/vat-notice-70022-making-tax-digital-for-vat. Applications must be received by HMRC by the end of a business’ soft-landing period.”

CPD COURSES FOR MEMBERS IN PRACTICE

As you look to catch up on your CPD before the year end, the Practice Consulting team would like to remind you of our CPD courses for Practitioners that we will be running in Dublin and Belfast during December. Full details, as well as booking information, are available on the Professional Development area of the Institute website (https://www.charteredaccountants.ie/Event-Calendar).

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<th>Date</th>
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<td>4 December (a.m.)</td>
<td>New Practitioners’ Forum</td>
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<td>6 December (all day)</td>
<td>Going into Practice</td>
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<td>10 December (a.m.)</td>
<td>Financial Reporting for small and medium sized companies</td>
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REVISED ELIGIBILITY CRITERIA FOR FIRMS ON THE
IRISH AUDIT REGISTER

The Professional Standards Department writes:
The Institute’s Professional Standards Department (PSD) recently wrote to audit compliance principals to inform them of a change in the requirements regarding the composition of the management body of an Irish registered audit firm. The letter reminded firms of the requirement for the management body of a firm with Irish audit registration, to be composed of a majority of members (by headcount rather than voting rights) who hold the appropriate audit qualification. This requirement is set out in the Companies Act 2014 and will be reflected in the revised Audit Regulations to be issued in January 2020. Firms who do not currently meet these revised control criteria should begin to address this issue if the firm wishes to continue to be included on the Irish audit register. PSD will subsequently write to any firms where our records indicate the firm might not already be compliant with this requirement seeking further information in this regard.

Audit compliance principals with any queries on this issue can contact aq@charteredaccountants.ie for assistance.

RENEWING YOU PII

Conal Kennedy writes:
Recent contacts that we have had with the insurance industry would indicate that insurers are looking more closely this year at underwriting risks. This is against a background of some insurers leaving the Professional Indemnity Insurance (PII) market recently. The practical result of this is that some firms may experience more difficulty than before in obtaining or renewing their PII cover. This may be relevant to firms who would be perceived as higher risk by insurers, because of the profile of the practice, or a history of notified claims or legal action. All firms are obliged to have minimum levels of PII cover at all times as set out in the Public Practice Regulations.

The action point for firms is to review their processes for renewing PII. Start the process of renewal in good time; a typical recommended timeframe would be 60 days before the renewal date. Engage fully in the communication process with your insurance broker. As part of the process, question and consider whether your insurance broker has the requisite expertise in this sector to ensure that you receive the best assistance and advice. If an event such as legal action occurs, then you should communicate this to your insurer in accordance with the terms of your policy as failure to notify could invalidate the policy.

REGISTER OF BENEFICIAL OWNERSHIP (ROI)

Conal Kennedy writes:
At the time of going to print, we understood that compliance with the Register of Beneficial Ownership (RBO) was still low, ahead of the deadline of 22 November. Based on feedback from practices, the low compliance level is mainly caused by lack of awareness/engagement by company directors, combined with a cumbersome website. However, another piece of legislation will impact on this issue. The Department of Justice has published heads of a bill to amend the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 (‘CJA 2010’), The Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Bill 2019. We understand that it is intended to have this legislation passed by 31 January 2020. Head 8 below requires a designated person to obtain proof of identity of the beneficial ownership of a company, from the RBO, before establishing a business relationship. Designated persons include banks, other financial institutions, auditors, external accountants, tax advisers and legal advisers. Companies would appear to have a critical economic interest in ensuring that they are properly registered on the RBO, if not by 22 November, then by 31 January at the latest.

The CCAB-I Insolvency Committee intends to issue a technical guidance paper on the implications of the RBO on insolvency practitioners shortly.

NETWORK GROUP LOOKING FOR MEMBERS

The Orwell network group, based in south Dublin, comprising 9 chartered accountancy firms, is looking for new members following the retirement of some existing members. The group meets on the second Tuesday of each month at 8am to discuss issues affecting their practices. If interested in joining, please email jim.stafford@frielstafford.ie
Update from the Accounting Standard Setters

Attendees representing Institute members and other stakeholders were in Chartered Accountants House on 30 October to meet with representatives of the International Accounting Standards Board (‘IASB’) and the Financial Reporting Council (‘FRC’), and hear presentations on IFRS and UK/Irish GAAP.

The first presentation was from Gary Kabureck, IASB Board member, who presented on current and upcoming developments in IFRS, including the Board’s projects on the Disclosure Initiative, Primary Financial Statements, IBOR Reform, Business Combinations, and Goodwill and Impairment.

Anthony Appleton, Director of Accounting and Reporting Policy at the FRC then discussed the key findings from the FRC’s Annual Review of Corporate Reporting, which had just been issued that morning, while Jenny Carter, Director of UK Accounting Standards at the FRC reminded attendees of the recent changes in UK/Irish GAAP that are effective this year, recent narrow scope amendments and planned developments in UK/Irish GAAP. Phil Fitz-Gerald, Director of the Financial Reporting Lab at the FRC, introduced the work of the Lab, which brings together companies and investors to support improvement and innovation in reporting, discussed recent Lab reports, and invited those interested in being involved in Lab projects to contact him.

An article in this month’s edition of Accountancy Ireland by Terry O’Rourke, chair of the Institute’s Accounting Committee, and Barbara McCormack from the Institute’s Advocacy and Voice team, discusses the update and the presentations in more detail.

Some new auditing standards and guidance from IAASA and the FRC

At the end of September, the FRC issued a revised going concern standard (‘ISA (UK) 570 (Revised September 2019) Going Concern’), which is effective for audits of financial statements for periods commencing on or after 15 December 2019, with earlier adoption permitted. IAASA, towards the end of October, also issued a revised version of ISA (Ireland) 570 Going Concern (‘ISA (Ireland) 570 (Revised October 2019) Going Concern’), with the same effective date as the UK standard.

IAASA also recently issued two new Guidance Notes, Guidance Note 01/2019 ‘The Duty of Auditors to Report to the Director of Corporate Enforcement’ and Guidance Note 02/2019 ‘The Audit of Credit Unions’ (as flagged in the last issue of Practice Matters).

All of the above are available on the FRC and IAASA websites, as applicable.

Reponses to consultations

The Institute has provided responses on the following recent financial reporting consultations:

- The FRC’s Financial Reporting Exposure Draft (FRED) 72 ‘Draft amendments to FRS 102 — Interest rate benchmark reform’;
- The IASB’s Exposure Drafts (EDs), ED/2019/2 ‘Annual Improvements to IFRS Standards 2018 – 2020’, and ED/2019/4 ‘Amendments to IFRS 17’; and
- EFRAG’s invitation to comment on their assessments on ‘Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)’.

The Institute also responded to the FRC’s Feedback Statement and impact assessment relating to its review of 2016 Auditing and Ethical Standards.

The responses are available in the ‘Knowledge Centre’ section of the Institute’s website, at the following link: https://www.charteredaccountants.ie/Member/Technical/Representations/2019

Future of audit debate – Institute President meets with Sir Donald Brydon

Readers will recall mention in the last issue of Practice Matters that a meeting had been arranged between the Institute President and Sir Donald Brydon. In October, Institute President Conall O’Halloran met with Sir Donald Brydon and discussed his review on behalf of the UK government into the quality and effectiveness of audit. The discussion ranged from the extent to which the audit reports in future should inform as well as assure stakeholders, to consideration of how to enhance the audit process by having greater collaboration between audit committees, company management and the auditor. The meeting was the third element of a series of engagements by the Institute, both in writing and in meetings, with the Brydon review team.

Sir Donald Brydon’s report is expected by the end of the year.

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Queries, comments and suggestions are welcomed. The opinions expressed are solely those of the writers and not to be construed as those of the Institute. The purpose of technical articles is solely to draw the attention of the reader to issues, and these should never be construed as guidance or relied on. To the fullest extent permitted by law, no liability is accepted by the institute or the authors for persons acting or failing to act as a result of anything contained in this publication. © Copyright, Chartered Accountants Ireland.

TECHNICAL SIGNPOST

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