In the past few years, accountants in practice have had to deal with a wave of change that has washed over them, including the new accounting frameworks in the UK and Republic of Ireland. In both jurisdictions, small and micro company regimes have been introduced which are generally welcome, but like any change in standards, can present challenges in just getting it right first time. In Practice Consulting we have given assistance and support to a large number of members and firms as they applied the new frameworks. Most of the firms that we have encountered have been successful in the transition process. However, we thought that you would be interested in a list of some of the more common issues that we have encountered, with a view to avoiding them, of course!

OK, so here’s what we have observed...

**Directors’ remuneration disclosures.** In ROI, including the directors’ remuneration information on the face of the profit and loss account does not mean it can be omitted from the abridged financial statements. Section 353 of the Companies (Accounting) Act (‘2017 Act’) specifically requires this information to be included in the abridged financial statements filed with the CRO.

**Mixing and matching.** Care should be taken when early adopting the ‘specified provision’ of the 2017 Act. For instance, we came across some ROI companies preparing statutory financial statements under the small companies regime but using the old abridging rules.

**Departure from FRS 102 or Company Law.** This is expected to be rare and only to arise in very unusual circumstances. We have seen instances where preparers departed from legislation or standards to account for relatively straightforward transactions and balances.

**Non-disclosure of critical accounting judgements and estimates.** FRS 102, when applied in full, requires these to be disclosed in the notes to the financial statements. Section 1A of FRS 102 encourages entities applying the small companies regime to disclose critical accounting judgements (but not estimates). We have seen cases where these disclosures were omitted altogether, or where standard boilerplate wording was used, not reflecting the circumstances of the preparing entity.

**Connected entity or connected person loans.** Under FRS 102, loans which are interest free or are low interest may be required to be classified as financing transactions and valued at the present value of future payments discounted at a market rate of interest if
they are due after more than one year. This is a difficult area and some preparers have struggled to apply the accounting standard correctly. In some instances, a loan whose terms were undocumented was mistakenly treated as being due after more than one year. A loan whose terms are undocumented may be considered to be repayable on demand, notwithstanding the intentions of the parties to repay it over a longer period. The solution: if the loan is repayable on demand, then, unless there is an impairment issue, it should be carried at the original transaction price with no adjustment, and as an amount due in less than one year. In ROI, reference may also need to be made to the Evidential Provisions in Sections 236 and 237 of the Companies Act. See also the new concession applying to small entities for loans from persons who are within a director’s group of close family members (including the director), when that group contains at least one shareholder in the entity - for details, please see the Amendments to FRS 102 publication issued by FRC in December 2017 (this publication is also mentioned later in Technical Signpost).

We hope that this article will prove useful in identifying issues. Naturally, it is not a comprehensive list in part because we have concentrated on errors which are completely new and particular to the new frameworks. The article has been written in general terms, and should be viewed as a pointer towards issues that may have been overlooked and should not be relied upon.

THE YEAR THAT WAS... AND LOOKING AHEAD

Jeremy Twomey writes

As we begin a new year, it is timely to look back at the year just gone and also plan ahead for the upcoming year. Last year saw key regulatory and legislative changes for the profession, including:

• IAASA adopted the new Auditing Framework for Ireland, introducing a new distinct Ethical Standard and Auditing Standards for the Republic of Ireland (ROI).
• The Companies (Accounting) Act 2017 took effect in ROI. This Act introduced a simplified financial reporting regime for certain micro and small companies (already in place in the UK), featuring more relaxed disclosure requirements, as well as increased size thresholds for qualification of a company or group as small or medium.
• The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force in the UK, implementing the EU’s 4th Directive on Money Laundering.

With such an amount of change, it was also a very busy year for the Institute’s Practice Consulting team, as we worked with practitioners across the island to assist them in meeting both the challenges and opportunities that arose:

• Our Training courses were particularly popular, as we developed and provided a series of tailored courses (including in-house courses) in the areas of Auditing and Financial Reporting to meet the needs of practitioners in implementing these new regulatory and legislative requirements.
• Our new suite of Pro Forma Financial Statements was launched in July, helping practitioners apply the new small & micro company accounting frameworks. We have also recently launched our update to the Procedures for Quality Audit (POAs), to reflect the new and separate Auditing Frameworks applying in the UK and in Ireland, as well as changes in Accounting Standards and Company Law.
• Our Compliance services, which include Cold File, Audit, Investment Business and/or Insolvency Compliance Reviews, continue to be a core service that we provide. A number of firms have also engaged our assistance on specific projects, including preparing for or responding to Professional Standards monitoring visits and the implementation/update of practice procedures such as Quality Control (ISQC 1).
• Our Practice Management activities have continued to grow over the last year. We organised two well attended Going into Practice courses, as well as a Small & Mid-Size Practice Day. Practitioners called upon our services in relation to such matters as going into partnership, practice incorporation, and advice in relation to practice development.
• Practice Consulting assists members to buy, sell and merge their practices under our Practice Link service.

As we begin 2018, the general economic outlook remains optimistic, however key challenges are on the horizon (e.g. the approach of Brexit), that promise to make this a defining year. 2018 brings yet more changes in the regulatory and legislative environment, with, for example, the General Data Protection Regulation (GDPR) due to come into force in May, and new legislation to implement the EU’s 4th Directive on Money Laundering due in ROI.

While issues such as Brexit are largely beyond the control of individuals or business, as a practitioner you can take charge of your own direction and that of your firm, putting both yourself and your clients in the best possible position to respond to the challenges and opportunities that lie ahead. Some points of advice in this regard:

• Take some time over the coming weeks to identify the key issues that face your practice and draw up a plan to tackle these in 2018, starting perhaps with the top three.
• Consider joining a Practice Network. There are over 25 of these Networks across the island, offering excellent peer support and a means to learn and grow your practice by collaborating with your fellow accountants.

• Finally, be positive and proactive! I hope this article encourages you to identify the key issues that you or your firm may need to tackle in 2018, and to follow up and get working to address these issues as soon as possible.

The Practice Consulting team would like to wish you every success for 2018. As ever, my colleagues, Conal Kennedy and Michael McAllister, and I are available to contact (see details below) on any of your practice related queries or service requirements throughout the coming year.

HELPING PROFESSIONAL STANDARDS HELP YOU

The Professional Standards Department writes

The Institute’s Professional Standards Department (PSD) processes hundreds of applications and queries each year from members and firms in respect of practising certificate applications and the range of licences and registrations (e.g. audit, investment business, insolvency) available from the Institute. Applications are not only for new registrations or licences but often relate to the reorganisation or restructure of firms (e.g. from partnership to corporate practice) or principals moving from one firm to a completely different firm. Understandably, members are always keen that applications or changes can be considered and processed as expeditiously as possible. And so are we.

Such matters, however, can only be finalised when all required information and documentation is provided to PSD, processed and approval granted. The Secretariat of PSD is able to approve applications under delegated authority from the Quality Assurance Committee as long as all the eligibility requirements are satisfied. Where they are not, the Secretariat must forward the application to the Committee for consideration. As the Committee only meets every 6-8 weeks, this can lead to substantial delays in the approval process. For example, an existing principal may be applying for Responsible Individual status but has insufficient recent audit experience. Other matters giving rise to delays include applications where each section of the application form has not been completed or CPD records do not record dates, subject content or hours.

In addition to the above, PSD has to follow strict procedures before approving applications. Sometimes these procedures include internal Institute checks and external checks from other regulatory bodies. For example, a firm may be restructuring but has not organised the paperwork for the transfer of students, and PSD may be informed by the Institute’s Student Department that this needs to be completed before approval is granted. Another example for delay could be where a new partner has been admitted but his or her own practising certificate has yet to be granted, either by Chartered Accountants Ireland or another regulatory body.

Most firms are vigilant about their regulatory responsibilities and contact the Professional Standards Department as soon as they are aware of any changes. This gives the firm and ourselves time to ensure that the changes happen in an orderly manner and all eligibility requirements are satisfied. Some firms however have experienced the disappointment of contacting the Professional Standards Department after the event, only to be advised that the firm cannot practice as it does not satisfy the eligibility requirements.

To avoid disappointment we encourage firms to notify us of any impending change at least 8 weeks prior to the intended date of change where possible.

While such matters may appear to be administrative burdens, to meet statutory and external regulatory requirements, applications and/or amendments to licences or authorisations can only take effect when all information has been received, processed and approved. Firms should not hesitate to contact PSD if they wish to discuss any proposed change prior to submission of an application. We are here to assist members and firms as well as regulate.

PQA UPDATE

Practice Consulting have recently issued licence holders with an update to our Procedures for Quality Audit (PQAs) 2016 toolkit, to reflect the new and separate Auditing Frameworks applying in the UK and in Ireland, as well as changes in Accounting Standards and Company Law. Licence holders will shortly be receiving a new CD containing an amalgamated workbook incorporating the changes.

The new updated toolkit is also available to those who wish to take out a PQA licence for the first time. For more information, please see the shop section of our website or email Bernie Walsh at practicemembers@charteredaccountants.ie
Amendments to FRS 102 and to the other UK and Ireland accounting standards

When FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” was issued in March 2013 the FRC indicated that it would be reviewed every three years. The first triennial review is complete and in mid-December last the FRC issued “Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications”. This document sets out incremental improvements and clarifications to FRS 102 and amendments to the other UK and Ireland accounting standards.

The FRC notes in the document that as a result of the amendments, FRS 102 will be clearer and easier to use, some accounting policies will be simplified and additional choices and exemptions will be introduced, that the overall impact will be more cost-effective financial reporting with no loss of significant information to users of the financial statements.

In announcing the issuing of the amendments document, the FRC confirmed the simplification of the measurement of directors’ loans to small entities, following the interim relief granted earlier last year, and noted that the “other principal amendments to FRS 102:

(a) require fewer intangible assets to be separated from goodwill in a business combination;
(b) permit investment property rented to another group entity to be measured by reference to cost, rather than fair value;
(c) expand the circumstances in which a financial instrument may be measured at amortised cost, rather than fair value; and
(d) simplify the definition of a financial institution.”

They noted too that amendments were made relating to gift aid payments by subsidiaries to their charitable parents, following the FRED 68 consultation on this matter; and also, to incorporate the new small entities and micro-entities regimes in the Republic of Ireland (the latter by amendments to FRS 105). See more on this below.

In general the amendments are effective for accounting periods beginning on or after 1 January 2019, with early application available. The amendments to incorporate the small entities and micro-entities regimes in the Republic of Ireland are effective for accounting periods beginning on or after 1 January 2017, again with early application available. The provisions regarding early application are outlined in the standards.

Section 1A of FRS 102

Of particular interest to users of Section 1A of FRS 102 “Small entities” will be the amendments made, primarily in that section of the standard, to incorporate the new small entities regime in the Republic of Ireland. Many of the UK legal references in this section, and in Appendices A and B to the section, are now footnoted with an Irish legal reference, or written separately in an Irish context. The previously named Appendix D to Section 1A “Additional disclosures encouraged for small entities” now becomes Appendix E. This allows for the introduction of a new Appendix D to Section 1A, “Disclosure requirements for small entities in the Republic of Ireland”, which is, as the name suggests specifically for small entities in the Republic of Ireland. The original Appendix C then is renamed “Disclosure requirements for small entities in the UK”, and is specifically for small entities in the UK.

The new Appendix D sets out the disclosure requirements for small entities based on the requirements of company law in the Republic of Ireland.

FRS 105

Similarly, amendments were made to FRS 105 “The Financial Reporting Standard applicable to the Micro-entities Regime” to incorporate the new micro-entities regime in the Republic of Ireland. Again, many of the UK legal references in this standard are now footnoted with an Irish legal reference, or written separately in an Irish context, and there is a new Appendix B to Section 6 of the standard “Company law disclosure requirements for micro-entities in the Republic of Ireland”, which sets out the disclosure requirements applicable to micro-entities in the Republic of Ireland based on Irish company law. The previous appendix to Section 6 now becomes Appendix A to Section 6 and is specific to micro-entities in the UK.

The changes made to FRS 102 and FRS 105 to incorporate the new small entities and micro-entities regimes in the Republic of Ireland should benefit in terms of simplifying the process of preparing financial statements for small entities and micro-entities in the Republic of Ireland.
The Triennial Review 2017 amendments are available on the FRC website and will be included on Chariot in due course.

The FRC expects to issue revised editions of all UK and Ireland accounting standards early in 2018 to reflect the Triennial Review 2017 amendments, and any others that have been made since the most recent edition was issued. These new editions of the standards will also include the updated Irish legal references appendices, now that the EU Accounting Directive has been transposed into Irish law.


We recently published Technical Release (TR) 01/2018 which provides guidance on the key aspects of the Irish Collective Asset-management Vehicles Act 2015 (“the ICAV Act”) as they relate to the auditor of an ICAV in order to assist auditors fulfilling their duties under the ICAV Act. This includes guidance regarding the auditor’s responsibilities in relation to the financial statements of an ICAV as well as the duties of an auditor of an ICAV to report to relevant enforcement authorities in specified circumstances. TR 01/2018 is available to read at the following link: https://www.charteredaccountants.ie/knowledge-centre/guidance/Technical-Releases-and-Technical-Alerts/Technical-Releases

Statements of Insolvency Practice (SIPs) – Republic of Ireland

SIP 14B “A receiver’s responsibility to preferential creditors – Republic of Ireland” and SIP 19B “Appointment as examiner or independent expert under Part 10, Companies Act 2014” were recently updated and take effect from 1 January 2018. The main purpose of SIP 14B is to govern assignments where the insolvency practitioner has been appointed as receiver over assets of a company, which are subject to a floating charge and, at the date of appointment, the company is not being wound up. In those circumstances, the receiver has statutory obligations to the company’s preferential creditors. SIP 19B addresses the insolvency practitioner’s responsibility when appointed as an examiner of a company, and the responsibility of an insolvency practitioner when acting as an independent expert.

Consultation Paper on supplementary standards and guidance

As noted in the December 2017 issue of Practice Matters, the Irish Auditing and Accounting Supervisory Authority (IAASA) 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. The Institute responded to this consultation and the response is available on our website.

TAX MATTERS

The Chartered Accountants Ireland Tax Department writes:

REPUBLIC OF IRELAND TAX DEVELOPMENTS

Revenue treatment of professional subscriptions

Revenue guidance on the application of tax to professional subscriptions paid by employers on behalf of their employees has been amended. The updated operating practice which is published in Part 5 of Revenue’s Tax and Duty manual suggests that the Revenue interpretation of the application of the Schedule E deduction rules has tightened.

Finance Act 2011 abolished a general exemption from BIK (provided in Finance Act 2004) for professional subscriptions paid by employers on behalf of their employees. Since 2011, the administrative practice setting out Revenue’s interpretation of the general rule for deductibility of professional subscriptions as a Schedule E deduction (under TCA97 section 114) has largely followed the examples published in eBrief No. 19/11.

As the Revenue interpretation (though not the law) appears to have changed it may be worthwhile to review the updated operating practice as it applies to any professional subscriptions. The new Tax and Duty Manual note refers to related commentary published by Revenue which should also be read in this context.

This administrative revision to published guidance does not apply to the Schedule D rules for self-employed professionals.

KEEP relief

The Key Employee Engagement Programme (KEEP) for Irish SMEs recently got the green light from the European Commission for state aid purposes and Minister Donohue is expected to sign the commencement order to give effect to this new tax relief in the near future. KEEP was introduced in Budget 2018 and is available for qualifying share options granted between 1 January 2018 and 31 December 2023. The relief operates by only applying tax on the sale of share award in qualifying companies.
**NORTHERN IRELAND TAX DEVELOPMENTS**

**The trust registration service**

A new online service, known as the Trusts Registration Service (TRS), was introduced by HMRC for trusts with registration obligations from 2016/17 onwards. The TRS is designed to provide a single online route for trusts, and complex estates, to comply with their registration obligations and update their records online.

It replaces the paper 41G (Trust) form and the ad hoc process for trustees to notify HMRC of changes in their circumstances. The TRS is the UK Government’s response to the Fourth Money Laundering Directive. The TRS can be accessed on GOV.UK.

All express UK trusts with a tax consequence have to be registered along with non UK trusts with a UK tax consequence. This covers both new and existing trusts meaning the data on existing trusts is not being imported to the TRS.

The TRS is now the only way that trusts and complex estates can obtain their SA Unique Taxpayer Reference.

As part of this online process, agents are taken through the steps to create an Agent Services account before they can register on behalf of trustees. Remember, an Agent Services account is needed to represent clients for Making Tax Digital.

More information is available in the September’s Trusts & Estates Newsletter together with HMRC’s guidance on the TRS which is in the form of a FAQ note.

Chartered Accountants Ireland will also be publishing a briefing note on the trust registration service in 2018. In the meantime, please refer to HMRC’s guidance in this area.

**Making Tax Digital timetable unchanged**

The Autumn Budget confirmed that the timetable for Making Tax Digital (“MTD”) is unchanged from the revised timetable announced in July 2017. Under the current timetable, from April 2019, only businesses with turnover above the VAT registration threshold will have to keep digital records, and only for VAT purposes.

The scope of MTD will not be widened to other taxes before the system has been shown “to work well”, and not before April 2020 at the earliest. HMRC began piloting MTD for Business for VAT in December 2017, starting with small-scale, private testing.

A wider, live pilot is due to start in spring 2018. This should allow around a year of testing before any businesses are mandated to use the system. Limited MTD legislation is included in the Finance (No. 2) Act 2017 which received Royal Assent in November 2017 with the more detailed regulations now published in draft for consultation.

There may be one catch though – the MTD turnover exemption limit is linked to the VAT registration threshold. In the past this has increased every 1 April. In the 2017 Autumn Budget, the Chancellor announced that this will be fixed at £85,000 for two years from 1 April 2018. No further increases in the threshold or a fall in the threshold in future could mean more businesses move into MTD earlier as a result.

According to the Chancellor, the fixing of the threshold is a direct response to the Office of Tax Simplification’s report Value Added Tax: Routes to Simplification? which pointed out that the UK’s threshold is currently the highest in the EU and the OECD. In response to that report, the government plans to consult on the design of the threshold. The knock on impact of this on MTD timing for smaller businesses will need to be carefully considered.

Chartered Accountants Ireland recommends that firms and business continue their preparations based on the current timetable. The Institute is also currently developing a MTD hub which will be available soon once the more detailed legislation has been enacted.

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