The Institute held its ‘Accounting and Auditing for Charities’ event in September 2019. Speakers included Eamon O’Halloran of the Charities Regulator, and Paula Nyland of Benefacts.

BREXIT IMPACT FOR SMALLER BUSINESS CLIENTS

Akriti Gupta, Advocacy and Voice writes:

There are less than eight weeks to go to the 31 October Brexit deadline. According to recent reports, 70 per cent of smaller businesses believe that Brexit will adversely impact their business, affecting not only on trade, but business sentiment and investment as well. Ireland is a small open economy, heavily reliant on the UK market as its trade-testing ground. Small businesses that trade with the UK will be affected by supply chain disruption, currency risk, trade tariffs and the requirement to operate within dual regulatory frameworks; the principal risk is the disruption of any continued trade post-Brexit. Practitioners need to liaise with their clients on Brexit-related issues now if they have not already done so.

With Brexit timelines still not established and future business models remaining unclear, smaller businesses and their professional advisers are strongly advised to consider the following five points:

1. Assess and develop customs capacity

We are encouraging businesses across Ireland and the UK which are currently trading with each other to ensure that they can continue to do so post-Brexit. To do this, they must understand the rules that will apply for importing and exporting.

While some businesses have experience of the customs formalities required to import and export outside of the EU, for many, particularly the smaller business, it will be their first exposure to them.

All business should first apply for a customs registration, i.e. an Economic Operator Registration and Identification Number (EORI). It takes between three and five minutes online to acquire this (see below). Statistics from Revenue and HMRC suggest that thousands of small businesses on the island of Ireland have not applied for one; such business should be encouraged to acquire this without delay.

Regardless of whether customs duties apply to goods moving between Ireland and the UK and the UK and the EU, customs declarations must be submitted to Revenue and HMRC respectively. Businesses should also use the time between now and 31 October to improve their knowledge of customs procedures, and close off any gaps in their customs knowledge that could prevent them from completing customs returns and declarations necessary to keep goods moving.
Businesses will need to have customs expertise and relevant software to file these declarations, or should hire an agent to do this on their behalf. It is important to remember that tax authority officials will check that the proper declarations are in place; goods will be detained at ports and borders if they are not. There are various government supports to help do all of this.

2. Review your supply chain and market
Tariff barriers and border control will cause delayed investment and barriers to trade for small businesses. Businesses must conduct a SWOT analysis of their existing supply chain and consider alternative suppliers and markets outside the UK. We would also recommend speaking to all customs agents and goods transport services as there will also be changes to transportation and logistics between Ireland, the UK and other EU countries. Post-Brexit, businesses that use the “landbridge” will face new rules when using the customs transit procedure, causing delays that will especially impact goods with a short shelf-life. Businesses should consider applying to Revenue/HMRC to avail of customs supports which may allow goods to be moved in an easier manner.

3. Review all your certification, regulation and licensing
It is essential that businesses check that their products or services are fully compliant with all relevant regulation for sale on the UK or EU market post-Brexit. Businesses in highly regulated sectors such as medical device manufacturing, construction and transportation must be particularly sure that their registrations, certifications and licensing are still valid. Where appropriate, they will need to ensure that their UK supplier has appointed an EU-based authorised regulator, as EU registrations issued to UK companies prior to Brexit may no longer be valid.

4. Manage currency and cash flow
Volatility in currency markets, particularly around the euro/sterling exchange rate, will present a key challenge for businesses post-Brexit. It is imperative for both importers and exporters to assess their currency exposure. Both importers and exporters should hedge their future transactions to give themselves certainty and a concrete base from which to price their goods and services. Businesses should also be availing of government supports to help manage cash flow and mould their business plans accordingly. One such government support is the Brexit loan schemes; however, only ten per cent of these loan schemes have reportedly been accessed. The Irish Government is now communicating via emails, letters and customs workshops to smaller businesses to encourage them to avail of this facility in order to help them prepare.

5. Protect and inform staff
The responsibility to check potential visa requirements for staff, and the recognition of professional qualifications and licences required to practice, remains with the employer. Where relevant, businesses must account for these requirements and keep their staff informed of any developments. With a talent shortage in many areas, businesses must invest in learning and development for staff as a priority.

In addition to taking the above steps, smaller businesses and their professional advisers are strongly encouraged to attend all possible government events and working groups, and ensure that they are maximising government-run Brexit preparation programmes and supports.

Read all our updates in our Brexit web centre at https://www.charteredaccountants.ie/brexit and our page dedicated to no-deal Brexit planning at https://www.charteredaccountants.ie/knowledge-centre/brexit/no-deal-Brexit-planning.

TECHNICAL SIGNPOST
The technical staff in the Chartered Accountants Ireland Advocacy and Voice Department write:

Financial statements of primary schools
Requirements relating to the preparation of and submission of financial statements by primary schools have been issued by the Department of Education and Skills. Supporting guidance on the format and content of those statements being set out in a booklet ‘Preparation of Accounts for Primary Schools’, issued by the Financial Support Service Unit (FSSU). The FSSU has requested that reports are submitted by early 2020. However, Chartered Accountants Ireland and other members of CAIB-I have raised a number of significant concerns about the examples set out in this booklet with both the FSSU and the Minister for Education and Skills, including the absence of any reference to a recognised accounting framework and the wording of the proposed accountant’s report. At present, these concerns have not been resolved, nor has the FSSU indicated that it will make any amendments to its guidance. Until a satisfactory revision to the
Reporting on internal control of service organisations

Audit reform – views from Chartered Accountants Ireland
Chartered Accountants Ireland has issued its comments on the proposals made by the Brydon Review group into the quality and effectiveness of audit (available at https://www.charteredaccountants.ie/Member/Technical/Representations/2019). A meeting has been arranged between the Institute President and Sir Donald Brydon to discuss the Institute’s approach.

Financial Reporting Council developments
The FRC has issued a number of papers relating to proposed new or updated requirements, as follows:

1) A consultation on proposed revisions to the FRC Client Assets Reporting Standard, setting out updated requirements and guidance for auditors who are required to report to the Financial Conduct Authority on an entity’s compliance with client asset rules;

2) Comments on the IASB’s Exposure Draft of amendments to IFRS 17 ‘Insurance Contracts’;


The FRC has also issued a revised version of Practice Note 19 ‘The Audit of Banks and Building Societies in the United Kingdom’ (available at https://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/practice-notes), reflecting:

• revisions to UK auditing standards (ISAs (UK)), in particular ISA (UK) 540 (Revised December 2018), Auditing Accounting Estimates and Related Disclosures, which is effective for audits of financial statements for periods beginning on or after 15 December 2019 (early adoption is permitted);

• guidance relevant to the audit of estimates for expected credit losses (ECL). Auditors may find this guidance helpful for the audits of periods ending before 15 December 2019 even if they have not early adopted ISA (UK) 540 (Revised December 2018);

• changes in relevant legislation and regulation (at the time of publication, there are EU regulations, including binding technical standards, that apply directly to UK banks and building societies. References to these are made in this revised PN. When the UK ceases to be a member of the EU these references will be updated accordingly); and

• the establishment of the of the Prudential Regulatory Authority (PRA) and Financial Conduct (FCA) in place of the Financial Services Authority (PSA).

Charities
Whilst no specific new requirements have been issued since the last issue of Practice Matters, it is worth noting that charities established in the Republic of Ireland are facing into a period of potentially significant change. In particular:

• the Charities (Amendment) Bill 2019 and related Regulations will make significant changes to financial reporting, including a requirement to apply the Charities SORP in relation to charities with gross income or total expenditure exceeding €250,000. Planning for the steps needed to meet the SORP’s requirements will need to be addressed by charity trustees and their advisors in the near future;

• the Charities Governance Code was issued in 2018: implementation is required in 2020 with a report on compliance to be issued – on a ‘comply or explain’ basis – in 2021. It is expected that the Charities Regulator will provide training later this year to help support trustees fulfil their obligations under the new Code: it has also issued a supporting Toolkit, available on the Regulator’s website at https://www.charitiesregulator.ie/en.

Credit unions
As readers will be aware, IAASA consulted (in May 2019) in relation to a proposed Guidance Note on the audit of credit unions. The comment period ended on 14 June 2019. At the time of writing, the final Guidance Note has not yet issued. Once issued, it will be available on the IAASA website, and we will inform members through eNews. (Also, please see details of Practice Consulting’s new Credit Union toolkit below)
TAX MATTERS
The tax staff in the Chartered Accountants Ireland Advocacy and Voice Department write:

NORTHERN IRELAND TAX DEVELOPMENTS
Automatic allocation of EORI numbers
The Chancellor of the Exchequer has announced that HMRC began automatically allocating EORI (economic operator registration and identification) numbers to more than 88,000 VAT registered businesses in the UK to allow those businesses to continue to trade with the EU after Brexit. This process began in late August. Chartered Accountants Ireland has been advising businesses of the importance of applying for an EORI number for some time now as part of the actions businesses should be taking to prepare for Brexit. Businesses which are not VAT registered but which trade with EU customers should urgently apply for an EORI number.

The EORI is a unique ID number allocated to businesses to enable them to be identified by Customs authorities when doing business with other traders. If businesses do not have an EORI number post-Brexit, they will be unable to continue to trade with EU Member States. Letters informing businesses of automatically allocated EORI numbers should have started arriving towards the end of August.

Updated guidance on importing for UK businesses that move goods from Ireland to Northern Ireland in a no-deal Brexit has also been published.

Subsequent to the Chancellor’s announcement, HMRC issued the following update on Brexit:-

"The Government has said that the UK will be leaving the EU on 31 October whatever the circumstances.

Leaving the EU without a deal means there will be immediate changes to the way UK businesses trade with the EU that may impact your business.

• UK businesses will have to apply customs, excise and VAT processes to goods sold into the EU (these are the same rules that already apply for goods and services traded outside of the EU).

• Trading partners in the EU will have to apply customs, excise and VAT processes to trade they carry out with you, in the same way that they do for goods and services traded from outside of the EU.

HMRC is helping businesses get ready for Brexit by automatically issuing them with a UK EORI (Economic Operator Registration and Identification) number. We have written to more than 88,000 VAT registered companies to let them know the UK EORI number they’ve been assigned. Businesses will not be able to move goods in and out of the UK without one.

If your business is not VAT-registered, you will still need to apply now for a UK EORI. HMRC cannot give you this automatically.

You can check the next steps you need to take to ensure that your business is ready for Brexit using our trader checklist.

We will continue to provide you with the latest guidance and support to help you prepare your business for the UK leaving the EU."

VAT notice 1003 sets out how to pay import VAT on goods you sell and send to UK buyers if you are based outside the UK, if the UK leaves the EU without a deal.

If you are based outside the UK and sell parcels to UK buyers worth £135 or less, you must pay import VAT. Parcels include letters, packages, packets and any other article that could be sent by post, even if they are sent by different methods.

To pay import VAT you can either:

• register with HM Revenue and Customs (HMRC) to report and pay the import VAT due yourself; or

• pay a parcel operator that offers a service to pay import VAT to HMRC on your behalf.

In a no-deal Brexit, the way that interest, royalties and dividends are paid between UK and EU companies may change. Tax may be deducted from some payments. HMRC are reminding interested parties to read their guidance in this area.

REPUBLIC OF IRELAND TAX DEVELOPMENTS
Phased Payment Arrangement system – improvements agreed with Revenue
Revenue launched its new phased payment system in March. Initial feedback from members raised concerns about the inflexibility of the new system for debt collection. The main issue was the reduced threshold of tax debt for informal repayment arrangements. We have made representations to Revenue to address members’ concerns. Efficiencies in the process have been agreed for debts under €5,000. Rather than completing four separate forms to apply for the scheme, only the following sections of Form ePPA1 need to be completed:

• 1A – Business details

• 2A – Repayment Capacity/Lending Commitments

• 2C – How the proposed repayment will be serviced

• the Declaration.
In addition, no supporting documentation is required at application stage; but may be sought by a Revenue case worker on review.

This reduction in the number of forms required should reduce the administrative burden in the application process along with speeding up the process for debts under €5,000.

Two Tier VAT system

Revenue are implementing a new Two Tier VAT registration system. The new system aims to separate domestic and intra-EU VAT registrations. Under the new system EU VAT registration applicants will need to supply information such as; due diligence measures undertaken to verify customers and suppliers, transport arrangements and nature of supplies. The Domestic only registrations should be straightforward and relatively instantaneous. We raised concerns with Revenue around the narrow scope of the Domestic only number. It is likely to be restrictive for businesses and could present practical issues for domestic registrants who may need, from time to time, to purchase supplies from outside Ireland – in which cases VAT will become an upfront cost to these businesses. This new system is due to be in full effect by early January 2020.

NEW PRACTICE TOOLKITS

PQAs for Credit Unions 2019 (ROI)
The Credit Unions work programme has been updated to reflect the current Audit Framework, the requirements for statutory auditors, changes to FRS 102, and the amendments to the Credit Union Regulations resulting from the Credit Union Act 1997 (Regulatory Requirements) (Amendment) Regulations 2018.

Anti-Money Laundering Policies and Procedures 2019 (ROI & NI)
This toolkit includes an Anti-Money Laundering (AML) Manual and a set of Pro Forma Procedures containing a range of useful tools relating to the Firm-wide Risk Assessment, Customer Due Diligence, internal and external reporting, and much more.

If you have already purchased this toolkit and wish to obtain in-house AML training, please contact Practice Consulting.

Find out more about both of these toolkits in the members shop area of our website at https://www.charteredaccountants.ie/ProductCatalog/ProductCategory.aspx?ID=380 or email Bernie Walsh at practicemembers@charteredaccountants.ie

CPD COURSES FOR MEMBERS IN PRACTICE

Look out for the following courses over the coming months designed with small and medium-sized practitioners in mind.

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<thead>
<tr>
<th>Date</th>
<th>Course Details</th>
<th>Location</th>
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<tbody>
<tr>
<td>22 November (a.m.)</td>
<td>Accounting and Auditing for regulated entities</td>
<td>Dublin</td>
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<tr>
<td>26 November (all day)</td>
<td>Accounting, Audit and Tax for the smaller practice</td>
<td>Dublin</td>
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<tr>
<td>4 December (a.m.)</td>
<td>New Practitioners’ Forum</td>
<td>Dublin</td>
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<tr>
<td>6 December (all day)</td>
<td>Going into Practice</td>
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<tr>
<td>10 December (a.m.)</td>
<td>Financial Reporting for small and medium sized companies</td>
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<tr>
<td>11 December (a.m.)</td>
<td>Financial Reporting Seminar</td>
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<tr>
<td>11 December (p.m.)</td>
<td>Audit &amp; Assurance Seminar</td>
<td>Belfast</td>
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Also, the Institute will host a free event on 30 October 2019 at which representatives of both the International Accounting Standards Board (IASC) and the Financial Reporting Council (FRC) will present an update on current developments in their respective accounting standards, IFRS and UK/IRISH GAAP. Booking is essential.

All of the above can be booked online through the Professional Development area of our website.

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