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Professional conduct: maintain your standards

Interview with Shahram Moallemi, AIA President

The highlights of the Spring Budget

Offshore planning: the key anti-avoidance legislation

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In this issue

Contributors 2
Meet the team

News and views 3
Crypto assets: FASB consultation on proposed accounting improvements

AIA news 4
AIA announces The Great North Air Ambulance Service as charity partner

Students 6
Developments in Auditing and Assurance
The Developments in Auditing and Assurance paper is now into its fourth session and students should be familiar with the new syllabus and examination approach. Sadly, this is not translating into increasing universal success. How do you prepare properly for this scenario-based exam?

Professional conduct 9
Giving advice to clients
Busy accountants can overlook critical issues and it's surprising how many miss some basic tax issues. This puts them at risk of professional negligence claims. *Mark Lee* (Tax Advice Network) asks whether your standards are as professional as they need to be.

Budget 12
Spring Budget 2023
Chancellor Jeremy Hunt delivered his Spring Budget on 15 March 2023. We report the key changes, including corporation tax, pensions tax, personal tax and capital gains tax.

Interview 16
Meet Shahram Moallemi, the AIA President
Shahram Moallemi shares the experiences that led him to the role of AIA president. We ask what inspired him to become an accountant and embark on his current journey, and what he sees as the role of AIA as a professional accounting organisation.

Sustainable economy 20
Winners in the new economy
Larger companies are already required to report on their ESG impact and soon smaller organisations will need to follow suit. In the first of a four part series, Transforming Accountancy to Create a Sustainable Future, AIA council member *Dr Peter Ellington* (Triple Bottom Line Accounting) urges accountancy firms to take advantage of the new sustainable economy.

Offshore planning 22
A cautionary tale
Aggressive offshore tax structuring is rarely 'international' and is increasingly perilous for clients and professional advisers alike. *Tim Keeley* (Specialist Taxation Services (Europe) Ltd) examines the key anti-avoidance legislation and potential issues that could lead to an HMRC investigation.

Recruitment 26
Are you still searching?
Digital transformation is revolutionising a number of day-to-day tasks within the financial industry, changing the nature of the job. *Janine Hunt* (Kura) explores the strategies for addressing recruitment challenges in the financial sector, and the benefits of a stable workforce.

Dates for your diary 28
Upcoming events

Technical 29
Global updates

Editorial Information
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What tempted you to choose a career in tax?

Mark Lee, Guest editor

How many of us chose to become accountants so that we could prepare accounts and tax returns? There's nothing wrong in focusing your practice around such tasks. But is it what you dreamed of doing when you chose your career?

I was prompted to ask this question after reading some of the articles that appear in this issue. By way of background, I should mention that accountancy was my back up choice of career after I concluded that I wouldn't be able to make a living as a children's party entertainer and magician!

In the event, after (eventually) qualifying as a chartered accountant I chose to specialise in tax work and enjoyed a successful career in practice for about 25 years. This included time as a partner in two large firms.

I stopped giving tax advice after a redundancy in 2006. I chose instead to focus thereafter on those aspects of my career that I more enjoyed: Writing, Speaking for and Mentoring accountants.

The exams that students face these days are unrecognisable from those I would have sat 40 years ago. This is especially clear from the student article in this issue, which explains how to prepare for the scenario-based exam question in the Developments in Auditing and Assurance paper. This focus on 'real- life' scenarios is crucial and yet, as ever, simply passing an exam does not mean anyone is immediately ready to advise clients or to run their own practice.

In this regard, I was struck by a key piece of advice given by AIA President Shahram Moallemi at the end of his interview (see page 16 of this issue). He reminds us that we need to help clients appreciate that they are paying us to provide them with advice, not simply to prepare their accounts and tax returns.

A similar point is evident from Dr Peter Ellington's article, which explains the importance of integrating sustainability, environmental, social and governance factors into accounting firms' practices.

And then there are two tax focused articles. One summarises key elements from the recent UK budget. The other is (coincidentally) written by an old colleague of mine, Tim Keeley, who explains why it is more important than ever to review your clients' offshore tax structures.

In some ways, Tim's advice also reflects the views I share in my article about professional ethics. This includes a recommendation to seek out external support when clients need advice that goes beyond your level of experience.

Let's be honest. None of us chose to become accountants because we wanted to risk being sued for negligence!

Contributors to this issue

DR PETER ELLINGTON

Peter Ellington is CEO and Founder of Triple Bottom Line Accounting, a UK based digital practice providing a range of services to SMEs, including accounting, taxation, management accounting, sustainability advice and financial control and direction. Peter is Associate Professor at the Norwich Business School at the University of East Anglia.

JANINE HUNT

Janine Hunt is Client Partnership Director at Kura. Janine has worked in the contact centre industry for over 20 years and has worked in many senior posts with both national and international business process outsourcing organisations.

TIM KEELEY

Tim Keeley is a consultant to Specialist Taxation Services (Europe) Limited. His advice is practical, drawing heavily on his experience, lateral thinking and common sense. Tim also provides technical advice in tax investigation cases where there is a genuine 'offshore' element and complex anti-avoidance legislation to be analysed.

MARK LEE

Mark Lee is Chair of the Tax Advice Network that runs FindaTaxAdviser.online. He is an accountancy focused speaker, mentor, influencer, author and debunker. His career spans more than 30 years, during which time he stood out as a top accountant and one of only a handful of accountancy qualified magicians.

CRYPTO ASSETS

FASB consultation on proposed accounting improvements

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The Financial Accounting Standards Board (FASB) has published a proposed Accounting Standards Update (ASU) intended to improve the accounting for and disclosure of certain crypto assets. Stakeholders are encouraged to review and provide input on the proposed ASU by 6 June 2023.

'During the FASB's recent agenda consultation process, stakeholders from all professional backgrounds identified digital assets as a top priority area for the board to address,' stated FASB Chair Richard R. Jones. 'The proposed ASU would provide investors greater transparency into the fair value of crypto assets held by entities, as well as additional disclosures about the types of crypto assets held and changes in those holdings.'

The FASB heard feedback that the accounting for crypto assets as indefinite-lived intangible assets, which is a cost-less-impairment model, does not provide investors with decision-useful information or reflect the underlying economics of those assets.

The amendments in the proposed ASU would improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognised in net income. The proposed amendments also would improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, restrictions, and changes in those holdings.

The proposed ASU, including information on how to submit comments, is available at www.fasb.org.

GLOBAL ESG

International awareness issues continues to grow

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The largest global companies are continuing to show progress on corporate reporting and related assurance involving environmental, social and governance (ESG) issues, according to a new report from the International Federation of Accountants (IFAC) and AICPA & CIMA.

However, 'The State of Play in Sustainability Assurance' report states that 'significant hurdles remain … when it comes to providing consistent, comparable and high-quality sustainability information for investors and lenders'.

Some 95% of large companies reported on ESG matters in 2021, the latest year available, the study found, up from 91% in 2019. It found 64% of companies obtained assurance over at least some ESG information in 2021, up from 51% in 2019. 'The inability so far to coalesce around agreed upon global standards continues to create challenges, however,' the report noted.

'Even as we see companies increasingly report on ESG and sustainability, the data we're tracking reveals continuing fragmentation around the world in terms of which standards and frameworks are used,' said IFAC CEO Kevin Dancey.

'Eighty-six percent of companies use multiple standards and frameworks. This patchwork system does not support consistent, comparable and reliable reporting. Importantly, it also does not provide the necessary foundation for globally consistent, high-quality sustainability assurance.'

The report also examines the extent to the way companies plan to reduce their emissions. It said while two-thirds of companies disclosed targets, they lag the rate at which companies report their historic greenhouse gas emissions (97%).

'Steady increases in reporting and assurance are significant, yet more companies need to take the additional step to obtain assurance to build trust and confidence in what they report,' said Susan Coffey, AICPA & CIMA's CEO of public accounting. 'Our profession's role in providing that assurance is crucial. CPAs have unquestioned competence, professional judgment and operate within a robust system built with public protection in mind. We should be the clear choice for instilling trust and value in ESG data around the world.'

The report also said that while accounting firms conduct more engagements, their market share – 57% of sustainability/ESG assurance engagements – has declined from 63% in 2019.

Some 1,350 companies were reviewed, 100 from each of the largest six economies. The current report includes data from 2019 to 2021.

Companies included in the survey were based in Argentina, Australia, Brazil, Canada, mainland China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Mexico, Saudi Arabia, Singapore, South Africa, South Korea, Spain Turkey, the UK and the USA.

AIA NEWS

CHARITY PARTNER

AIA announces The Great North Air Ambulance Service as charity partner

AIA is proud to announce The Great North Air Ambulance Service (GNAAS) as our chosen employee nominated charity for 2023.

As an association, we are committed to our corporate social responsibility, part of which encourages AIA employees to annually choose a charity to raise money for. Previous nominations have included the British Heart Foundation, WaterAid, Bliss and the Sir Bobby Robson Foundation.

GNAAS brings pioneering pre-hospital care to the scene, rescuing hundreds of severely injured or ill patients every year. They operate a 365/24 hour service from their two bases, Eaglescliffe and Langwathby, between two helicopters and two response vehicles.

Each mission (callout) costs £4,478 and they annually attend a total of over 1,700 calls. Currently they require donations of around £8 million a year to provide their services to the North East, North West and North Yorkshire area of the region.

GNAAS have expressed their gratitude for support to AIA: 'We are not NHS funded and are 100% charity funded so we rely on our supporters to keep us up in the air and on the road.

'Without the help and support of our business partners, we simply wouldn't be able to take off. Thank you for your support.'

AIA's Chief Executive, Philip Turnbull commented: 'We are so pleased to choose GNAAS as our employee nominated charity for 2023. The service GNAAS provides makes a vital difference to many people's lives, which is why we are honoured to be contributing to such an excellent cause.'

For more information about GNAAS, see www.greatnorthairambulance.co.uk.

INTERNATIONAL WOMEN'S DAY

AIA embraces equity on International Women's Day 2023

On International Women's Day, AIA celebrated our female membership and council members.

International Women's Day 2023's #EmbraceEquity campaign is to get the world talking about why equal opportunities aren't enough. Equity isn't just a nice-to-have, it's a must-have and a focus on gender equity needs to be part of every society's DNA.

It is critical to understand the difference between equity and equality. Equality means that each individual or group of people is given the same resources or opportunities, whereas equity recognises that each person has different circumstances, and allocates the exact resources and opportunities needed to reach an equal outcome.

People start from different places, so true inclusion and belonging require equitable action. Join with AIA in #EmbraceEquity and celebrate the achievements of women.

Here at AIA, 46% of our global membership is female and the AIA Council currently stands at 35% with current female Council members Sharon Jandu, Ranjana Bell OBE, Gloria Murray, Venetia Carpenter, Rebecca Hossain, Linda Richards and Kim Robinson.

AIA is committed to achieving gender balance and reach 50% by 2025 at the latest.

STRATEGIC PARTNERSHIP

AIA announces strategic partnership with climate experts Net Zero Now

AIA is pleased to announce its latest strategic partnership with climate experts Net Zero Now, enabling accountancy firms to measure and reduce their carbon emissions.

This new partnership between AIA and Net Zero Now will provide members with access to an industry-backed standard for carbon reduction and the ability for accountancy practices to take action on climate and get 'Net Zero' certified.

With the climate crisis upon us, those businesses acting now are not only the ones creating a brighter future for us all but are also able to take advantage of the many commercial benefits from becoming a more sustainable business.

The UK government has set a target for our whole economy to reach Net Zero by 2050, so we all need to take action to play our part in this transition. By being seen to act on climate and by getting certified with Net Zero Now, accountancy firms will:

- gain a competitive advantage;
- win more business;
- generate considerable savings from energy use, reducing waste, use of paper, staff travel, office refurbs, etc.;
- hire and retain better staff; and
- be more likely to secure investment.

Net Zero Now are delighted to offer AIA members a **25% discount** on the price for the first year of their use of the platform. Just enter code **AIA25** on sign up.

Announcing the partnership, AIA Sales and Marketing Director Carl Jepson said: 'We are very pleased to welcome leading climate platform, Net Zero Now, as a new strategic partner. Net Zero Now will offer our members an industry-backed, sector specific platform providing our members with a clear, simple route to make an immediate impact on the climate crisis.'

Neil Ross Russell, Net Zero Now Managing Director, added: 'We are delighted to be partnering with the AIA and look forward to working closely with both the Association and its members.

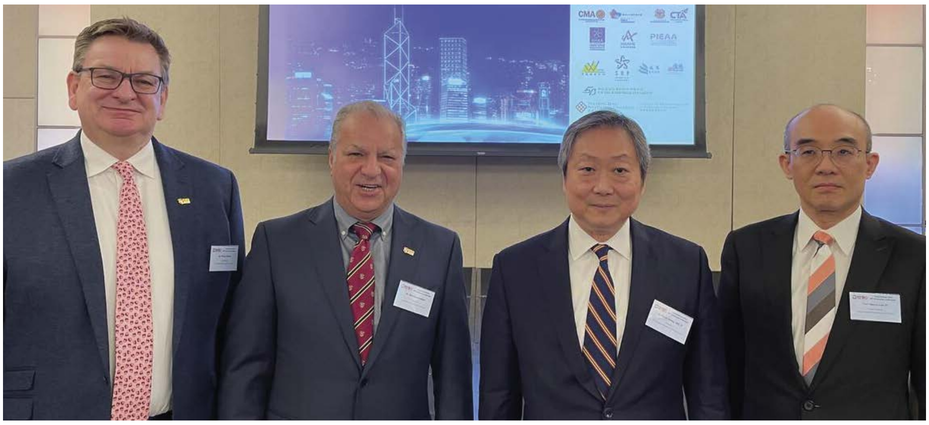
'We're excited to see more and more accountancy practices starting to calculate their emissions and get on the road to Net Zero – creating a brighter future for their businesses and for the planet.'

AIA Hong Kong Branch 50th Anniversary Dinner

On 24 March 2023, we celebrated the historic occasion of the AIA Hong Kong Branch 50th anniversary at the AIA HK Annual Dinner 2023. The Hong Kong branch holds the honour of being the first overseas branch for AIA, having been founded in 1973.

AIA is delighted to have welcomed Chairman of the Accounting and Financial Reporting Council, Dr Kelvin Wong, as Speaker and Guest of Honour for the evening.

AIA's Chief Executive Philip Turnbull and AIA Council President Shahram Moallemi also delivered speeches in celebration of the anniversary.



Congratulations to the Branch Executive Committee, branch employees, and to all our members and students for being such fantastic ambassadors for AIA and for Hong Kong.

And thank you to all those who joined us!

Developments in Auditing and Assurance

We offer some advice and support to those students sitting the exam in May 2023. How do you prepare properly for this scenario-based exam?

The Developments in Auditing and Assurance paper is now into its fourth session and students should be familiar with the new syllabus and examination approach. Sadly, this is not translating into increasing universal success. This article aims to give some advice and support to those candidates sitting the exam in May 2023.

As is clear from the structure of the AIA qualification, the examination builds upon the 'Principles of Governance and Audit' paper from the Professional 1 level and the other related elements of the Foundation level, and then aims to extend and deepen the student's understanding of auditing and auditing techniques.

The examination therefore explores auditing and assurance procedures to consider more challenging reporting areas and issues. It examines and critiques current practices and explores emerging and future developments in auditing and assurance. In addition to providing a thorough professional grounding in audit, other assurance areas are also discussed, applying audit techniques to emerging areas.

The specific aims are to develop and examine the candidate's ability to:

1. present, discuss and critique advanced auditing approaches and techniques;
2. demonstrate how these can be applied in different situations, mainly (but not only) in relation to financial statement audits; and
3. discuss and critique developments in auditing and accountability.

Note that wider aspects of accountability are also covered within this paper.

What does this mean in practice?

The paper is examining your ability to analyse issues and then to develop appropriate audit or other responses, as well as demonstrating your ability to critically appraise current practice and future developments. It is based around a complex real-world scenario from which audit and assurance issues arise.

The paper is split into three questions, all of which are compulsory, and which may or may not always relate to the same scenario. The first question, worth 50% of the marks, will always be based on this scenario and will generally be focused on advanced audit and assurance techniques.

One of the key areas that students seem to have been struggling with relates to the issues around practice management and how to ensure the quality of the audit. Links to governance ideas also seem to have proved problematic for some.

The remainder of this article is aiming to help students prepare for this first unseen practice scenario-based question and repeats much of the advice issued to support prior papers.

Key skills

The key skill that you are being assessed on within this question is the ability to apply your professional knowledge and skills to the specific issues arising in the audit/assurance engagement described. To maximise your marks, you must address the specific issues in the scenario against relevant professional auditing standards, professional codes or quality guidance and illustrate that you appreciate the key risks and problems within the issue.

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Nature of the scenario

The scenario will give details of an entity subject to an audit or assurance assignment. Students will be asked to place themselves within a professional service team – usually as the audit manager or engagement partner – and to respond to the issues raised from this practical perspective.

These topics always require the assessment of the audit risk and will represent the audit of an accounting estimate. You must be familiar with the new ideas in ISA 315 'Identifying and Assessing the Risks of Material Misstatement' (see below) and ISA 540 'Audit of Accounting Estimates (revised)', reflecting the move by IFAC to embed increased professional scepticism and evidence of management challenge in the work done.

They also always require an ability to assess risk and management bias within the context that the entity is operating; and for the specific accounting balance or issue being explored. You will need to appreciate the impact that the context in which the entity operates has upon these risks. This assesses your ability to identify risks and develop appropriate responses in the professional assignment. As the standard on risk assessment has been significantly updated, ensure that you understand and can apply this as a framework to your risk assessment.

The examiner tries to ensure that the issues are as relevant as possible and will therefore contextualise the entity in challenges that are contemporary and familiar to the student, and the entity described will be in a business that most students should be able to relate to.

All the information that students need to analyse the risks and understand the unique problems facing the entity will be detailed in the scenario – and so at the start some diligent reading is advised to extract the key issues! Credit will be given if students include additional understanding from their own studies in the answers but sufficient information will be given in the scenario to explore the issues in depth.

Approach of the examination

The key weakness in answers remains the lack of detailed development of the issues. This may reflect some lack of detailed reading of the scenario or a lack of detailed knowledge of the relevant standards being examined. Whilst lack of knowledge can only be resolved by detailed preparation (and I hope the tips below help), a lack of application can be resolved by exam technique. The paper is 70% application and 20% evaluation and synthesis, and your answers must reflect this.

We advise students to ensure they understand the key issues in accounting and auditing standards, professional codes, quality standards, etc. and then apply these to the question diligently. Reiterating the question does not score marks and stating the theory without application also scores poorly. Instead, link to the professional standards and show how they would apply in the given scenario.

The examiners' main observation on students' performance in most papers has concerned the lack of depth that they have brought to their answers. Where students did have a grasp of the issues, they often failed to develop the discussion to show their application to the case in the question.

You need to make explicit links between the professional requirements applicable to the issue and the issue as described. Side headings are useful. You can either structure the answer around the individual issues within the question that are applicable or against the sections of the standard or code you are using to determine your professional response – but only include those sections that are relevant!

Using the scenario

The exam lasts for three hours plus 15 minutes reading time. As all the questions are compulsory, this time is for you to slowly read the information in the scenario and to read the three questions to understand the issues that you are required to consider in your responses.

Obtaining an understanding of the scenario

Your preliminary analysis of the scenario should always apply the indicators of problems in ISA 315 'Identifying the Risks of Material Uncertainty' (revised) and ISA 570 'Going Concern'.

A useful checklist to ensure that you have identified key issues would be that extracted from: 'Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control'. The following side headings taken from ISA 315 (revised) will help you to identify the key issues:

a. The following aspects of the entity and its environment:
   i. the entity's organisational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of IT (para A56–A67);
   ii. industry, regulatory and other external factors (para A68–A73); and
   iii. the measures used, internally and externally, to assess the entity's financial performance (para A74–A81);
b. The applicable financial reporting framework, and the entity's accounting policies and the reasons for any changes thereto (para A82–A84); and
c. How inherent risk factors affect susceptibility of assertions to misstatement and the degree to which they do so, in the preparation of the financial statements in accordance with the applicable financial reporting.

The revision to ISA 315 to the standard also requires a split between assessing inherent risk and control risk, requires much more in-depth consideration of IT controls and requires the auditor to specifically 'stand back' and reconsider where items have not been considered as significant.

Within the assessment of inherent risk, the revision to the standard includes five new inherent risk factors to aid in the risk assessment: subjectivity; complexity; uncertainty; change; and susceptibility to management bias or fraud.

The standard also gives detailed checklists on:

- considerations for the understanding of an entity and its business model;
- understanding inherent risk models;
- understanding the system of internal control;
- understanding an entity's internal audit function;
- understanding IT; and
- understanding general IT controls.

A good working knowledge of the details of this standard mean that you will have good templates for analysing any assurance or audit engagement.

Understanding the questions

You must understand the overall context for the question. Ensure you identify the following:

- What role have you been assigned (engagement partner, audit manager, ethic partner, etc.)?
- What sort of firm are you working for? Is it an international LLP? Does it have a lot of offices nationally or internationally?
- Are there any issues with staff changes?
- Are there any indicators of problems with the quality or competence of the staff?
- Are there any development issues in the light of new standards or practices?
- What aspect of the engagement does each sub part of the question require you to address? And how do the issues you have identified in your planning relate to and affect these?
- Are any specific accounting standards or issues being explored in the question?
- What are the issues in applying those standards in practice and what issues in the question may make these difficult? Is there management bias? How will it potentially affect the way in which the accounting estimates are treated?

If the question asks for specific guidance on the conduct of the audit work, be as specific as possible around the evidence that you will obtain – and link this into the ideas from ISA 500 'Audit Evidence' and ISA 540 'Audit of Accounting Estimates (revised)'.

The paper is focusing on the more complex issues and your ability to synthesise information. You will be potentially pulling information from a lot of sources in the question and from a lot of different auditing and accounting and other professional standards. This reflects the real world of a working auditor – it is rare to get a real-life problem which sits in only one aspect of accounting or auditing!

Writing your answer

Having identified the issues and decided upon the correct response, write the answer clearly showing the link between the two. Ensure that you address the specific requirements of the question. Use side headings, including an introduction and conclusion or recommendations (depending upon the requirements) to signpost the marker around the answer. Use full sentences not bullet points.

Concluding thoughts

The Developments in Auditing and Assurance paper is not designed to trip you up or to trick you. The examiner has written a scenario that allows you to show your professional knowledge and skills and to demonstrate that you have the necessary competence to be in charge of an audit or assurance assignment in the real world. Whilst the exam cannot cover all aspects of an assignment, and the context and the specific issues being examined will change between each sitting, the paper is testing your ability to act professionally. All papers will therefore require your ability to demonstrate the fundamental skills and knowledge of an auditor. ●

Giving advice to clients

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Mark Lee asks whether your standards are as professional as they need to be.

Mark Lee FCA, CTA (Fellow)
Chair, Tax Advice Network

How confident are you when it comes to giving advice to clients? Do you think you are more or less confident than fellow members of the AIA?

There are generally three approaches here: you could be professional, you could be naive or you could be arrogant. You could also be all three (or any combination). I'll explain what I mean and then move on to consider the importance of professional standards when it comes to giving tax advice so as to avoid professional negligence claims.

'Professional'

Professional accountants have the confidence borne of experience and knowledge. They know what they don't know and so don't pretend otherwise. More on this later...

'Naive'

Naive accountants don't know what they don't know. They answer their clients' questions quickly, often without any awareness that the client's specific situations and circumstances could impact what would be the most appropriate advice.

A common example of this is when someone asks whether they should run their business or property investment activities through a company. It can be naive to offer advice without first clarifying their ambitions, plans and attitudes to company admin, etc. Simply comparing the impact of current rates of tax on the two options is naive.

In my experience, naive accountants tend to be younger and less experienced. But there are plenty of older and more experienced accountants whose naivety lets them down when clients need help or advice on issues that go beyond what the accountant has dealt with previously.

'Arrogant'

Arrogant accountants are those who believe they know it all. They forget that their knowledge may not be up to date, they believe that 'beating' HMRC is always in their clients' interests and they are proud of operating at the borderline of professional ethics.

Examples of each of these approaches are all too common: giving clients advice that is out of

What can go wrong?

Busy accountants can overlook critical issues and it's surprising how many miss some basic tax issues. This puts them at risk of professional negligence claims, not to mention failing to give their clients the service and advice they are paying for.

Here are ten common mistakes that could put you at risk:

1. Omitting to consider the VAT implications of significant property transactions
2. Missing the deadline to claim research and development tax credits or property related capital allowances
3. Giving an incorrect valuation of business assets, shares or goodwill as part of a sale or purchase transaction
4. Omitting to reorganise group companies to reduce 'avoidable' tax charges
5. Failing to advise clients to correct their payroll procedures so as to reduce penalties
6. Not providing 'standard' tax planning advice on arrival or departure from the UK
7. Ignoring the consequential adverse implications leading to avoidable tax liabilities (e.g. VAT, stamp duty land tax, inheritance tax, NIC, customs duties, etc.) when giving commercial or 'basic' tax advice
8. Omitting to compute and report the tax consequences of transactions such as disincorporation
9. Failure to ensure that all relevant criteria are satisfied to facilitate a claim for specific reliefs
10. Assuming that there would be no liability to inheritance tax and failing to advise as to how the real liability could be reduced

> ‘As a professional accountancy organisation, AIA promote and encourage all members to strongly protect public interest and at all times uphold ethics and professional practice. This is embedded in everything we do, from our qualifications, processes and procedures to our business values.
>
> ‘Professional ethics cannot be simply defined or put into practice through rules and regulations alone, however, but must also involve a deep sense of personal conviction and emotional understanding of what is right and wrong. It highlights the importance of a strong ethical compass in guiding professional behaviour and emphases the need for ongoing reflection and self-awareness in maintaining ethical standards.’
>
> Phillip Ford
> AIA Vice President

date and ineffective; charging fees for fighting lost causes that are eventually conceded; and helping clients to evade (rather than avoid) tax, with all the negative consequences that follow down the line.

I have met a lot of arrogant accountants over the years. They are not my favourite kind of people.

Professional ethics

Members of the AIA are required to operate to the same high professional standards as are members of other decent professional accounting bodies.

This is because ethical compliance is key to maintaining public confidence in the accountancy profession. Thus all AIA members are bound by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). This means, as I am sure you know, that every AIA member must operate in line with five key principles:

- integrity;
- objectivity;
- professional competence and due care;
- confidentiality; and
- professional behaviour.

What each of these means is clearly set out in the Code itself.

Professional Conduct in Relation to Taxation

Over 20 years ago, I was part of a working party that updated the Guide to Professional Conduct in Relation to Taxation (PCRT) for those working in tax. Although I am no longer involved, that guide (still regularly updated) has been adopted much more widely – including by the AIA.

PCRT provides a lot of clarity about what constitutes appropriate professional behaviour that members are expected to follow. It also addresses both common, as well as more complex and difficult, situations with expert commentary. And it is PCRT that leads us into the main point of this article.

Avoiding negligence claims

No accountant wants to have their competence or professional ethics brought into question. Most of us feel that it is an outright insult to question either of these – and yet, many accountants take bigger risks than is necessary. The arrogant ones may do this knowingly; the naive ones perhaps unknowingly.

All such risk taking can lead to disciplinary action, negligence claims or worse! Sadly, many have gone before you who will testify about the time, effort and mental anguish involved in defending allegations of negligence, etc. and the lost billable time this also causes. This is why you want to avoid being in a situation where anyone is inclined to make a claim or to report you – regardless of how good a defence you might have.

Professional competence

Professional competence is one of the fundamental principles mentioned earlier, although a couple of related obligations in PCRT are not well known:

> ‘A member must carry out their work with a proper regard for the technical and professional standards expected. In particular, a member must not undertake professional work which they are not competent to perform unless they obtain appropriate assistance from a suitably qualified specialist.’

> ‘A member who is giving what they believe to be a significant opinion to a client should consider obtaining a second opinion to support the advice. Where the second opinion is to be obtained externally, due regard must be had to client confidentiality.’

Each accountant has to decide for themselves whether their level of expertise and knowledge allows them to claim to be competent; for example, when clients require advice on specialist areas that are outside the accountant’s day to day experience. It’s also worth noting that professional indemnity policies generally exclude cover for duff advice given that was beyond the accountant’s knowledge and experience.

The challenge is to be open and honest enough to recognise when help is required from an appropriate specialist.

Uncommon issues

One of the pressures that many accountants endure is the need to advise on issues that do not arise every day.

Pretend the client seeking your advice is a close family friend. Would you be happy for them to act on the basis of your advice?

The Tax Advice Network, which I chair, lists over 100 areas of specialist tax expertise on its website. Some of the expert tax members specialise in one aspect of tax, some in multiple areas, but none could address all of them. Neither can any non-tax specialists.

The more experience you have, the more confidence you gain to know whether or not you have enough knowledge to give tax advice without double checking that it's correct.

Double checking might simply involve checking the rules in a book on the shelf or online (ensuring the resource is up to date, of course) or asking a colleague. It may also involve sourcing a vetted independent specialist tax adviser with an appropriate degree of expertise in the matter at hand. That may require you to approach different tax specialists depending on the tax issues in question.

There is no shame in not knowing. You cannot know everything and it's a mistake these days (and probably always was) to claim to be the font of all knowledge on any accountancy or tax related subject. None of the real experts would make such a claim, so why should a generalist feel it necessary to do so?

If you're not sure though, here's a simple solution. Pretend the client seeking your advice is a close family friend, parent, sibling or someone else you really care about. Would you be happy for them to act on the basis of the advice you are giving? If you'd want to double check before letting them follow your advice, then you know you should double check regardless.

The lesson is clear. If a client needs help and you're not confident that you have the necessary knowledge and experience to give definitive advice, don't wing it. Find someone who does have the necessary experience and knowledge to give definitive advice with confidence.

External support

Where can you turn when you need help or a second opinion? Please do not simply attempt to search online – unless you are confident that what you find is up to date and reliable. Search engines typically prefer popular results, which means that older (out of date) pieces often rank higher than up-to-date material.

Your wider options may include:

- colleagues in your own or in other offices of your firm;
- specialist tax consultancies – though it's not always obvious who to approach there;
- training support providers;
- larger firms of accountants if you know someone with the specific expertise you need;
- tax helplines – limited to members of a certain body or subscribers to certain publications or to professional fee policies;
- random independent tax specialists; and
- vetted independent specialist tax advisers in a trusted network (e.g. FindaTaxAdviser.online).

When you seek third party input, you have a choice to either engage them on behalf of your client or to let them contract directly with your client. Your choice has both billing and liability issues in the event that the client isn't happy with the outcome of the advice.

What about professional indemnity insurance?

It's all very well feeling quite relaxed in the knowledge that you have a professional indemnity policy to cover you in the event of a negligence claim. What you must not forget is that you can only rely on the policy if you have complied with all the terms.

One of these is all too often breached. That is the ubiquitous obligation to notify your insurers as soon as you become aware of circumstances that could lead to a claim. Do you have processes in place to ensure that all such circumstances are recorded for notification to the insurers?

The professional indemnity contract is one of utmost good faith and the onus is on you, the insured, to disclose all information that might be relevant or material to the insurer.

As indicated earlier, you will probably also find that you are only insured for advice and activities where you have sufficient expertise and competence. This is another reason to outsource advice on topics that go beyond your expertise.

Summary

I hope that this article has alerted you to risks that you may have been unaware you were taking in your practice. And that I've reminded you of what it takes to be professional as regards the advice you give clients. What actions will you be taking and what changes will you be making?

Mark Lee is Chair of the Tax Advice Network that runs FindaTaxAdviser.online and publishes a weekly tax tips email for accountants in general practice. He also runs an online Sole Practice Club alongside his main focus on mentoring sole practitioner accountants. ●

Author bio
Mark Lee is Chair of the Tax Advice Network that runs FindaTaxAdviser.online

Spring Budget 2023

Chancellor Jeremy Hunt delivered his Spring Budget on 15 March 2023. The key announcements are detailed below.

Business taxes

Corporation tax rates from 1 April 2024

From 1 April 2023, the rate of corporation tax depends on the level of augmented profits of a company and is based on a comparison of the company's augmented profits against the corporation tax thresholds of £50,000 (the lower limit) and £250,000 (the upper limit). The rate of corporation tax is 19% if profits do not exceed the lower limit (known as the small profits rate) and 25% where profits are greater than the upper limit. Where a company's profits fall between the lower and upper limits, it will pay tax at the main rate of 25% but be entitled to marginal relief. The government has confirmed that the same main rate and same profits rate will apply for the financial year beginning 1 April 2024.

Research and development

The government had previously published draft legislation providing for a number of changes to the research and development (R&D) tax reliefs which are due to apply to accounting periods beginning on or after 1 April 2023.

The draft legislation included the following major changes:

- Two new categories of expenditure qualifying for relief will be introduced. These are the costs of data licenses and cloud computing services. A data licence is defined as one to access and use a collection of data services. Cloud computing services include providing access to, and maintenance of, remote data storage, operating systems, software platforms and hardware facilities. Amendments are also to be made to the patent box legislation, which applies the R&D definitions of qualifying expenditure in its calculations, to include data and cloud computing costs.
- Relief for subcontracted work and externally provided workers will be limited to focus on UK activity. Expenditure must either be 'UK expenditure' on R&D in the UK or 'qualifying overseas expenditure' undertaken

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outside the UK because the necessary conditions are not present in the UK due to geographical, environmental or social factors (for example, deep ocean research) or due to legal or regulatory requirements (for example, clinical trials).

- All claims to R&D reliefs will have to be made digitally. Claims will have to include certain additional information to be valid, including a breakdown of costs across the qualifying categories and a description of the R&D. A claim will have to be endorsed by a named senior company officer and will have to include details of any agent advising on the claim. Additionally, companies will be required to inform HMRC in advance that they intend to make a claim within six months of the end of the accounting period to which it relates by making an online 'claim notification'. There will be an exception to the latter requirement for companies which have claimed in any of the three preceding accounting periods. Secondary legislation will detail the information to be included with a claim or a claim notification.

In addition to these changes, the government also announced that from 1 April 2023, an increased rate for the repayable tax credit for loss-making R&D intensive small and medium size enterprises (SMEs) of 14.5% (rather than 10%) will apply. To qualify, at least 40% of the SME's total expenditure must relate to R&D. The change will be legislated for in Finance Bill 2024 and eligible companies will be able to claim once the legislation is in place. This effectively means that eligible companies can claim the current 10% rate that applies from 1 April 2023 and submit an amended claim once the legislation is in place or delay submission of their claim. Relief will be claimed as normal on the return, but on the additional information form (see above) companies should indicate whether or not they are claiming as R&D intensive companies.

Capital allowances

New temporary first-year allowances (FYAs) for companies only will be introduced in the Finance (No 2) Bill 2023. The FYAs will apply to expenditure on new and unused plant and machinery incurred on or after 1 April 2023 and before 1 April 2026.

For main rate expenditure (which would otherwise qualify for a writing-down allowance at the main rate), the FYA will be 100%, so that the expenditure is 'fully expensed'. For special rate expenditure, the FYA will be 50%. The existing exclusions from FYAs will apply, notably for cars and for plant and machinery for leasing. There will also be an anti-avoidance rule to deal with contrived or abnormal arrangements or those lacking a genuine commercial purpose.

Special rules will apply on disposal of assets which have benefited from the FYA. An immediate balancing charge will be made, equal to 100% of the disposal value for main rate assets and 50% of the disposal value for special rate assets.

The new FYAs replace the existing super-deduction and special rate allowance which expire on 31 March 2023.

OECD Pillar 2

As announced in the Autumn Statement 2022, the government will legislate in Spring Finance Bill 2023 to implement the globally agreed G20-OECD Pillar 2 framework in the UK. The government will introduce:

- a multinational top-up tax which will require large UK headquartered multinational groups to pay a top-up tax where their operations in a foreign jurisdiction have an effective tax rate of less than 15%. The measure would also apply to non-UK headquartered groups with UK members that are partially owned by third parties or where the headquartered jurisdiction does not implement the Pillar 2 framework, and
- a supplementary domestic top-up tax which will require large groups, including those operating exclusively in the UK, to pay a top-up tax where their UK operations have an effective tax rate of less than 15%.

These changes will apply to large groups with over €750 million global revenues and will take effect in relation to accounting periods beginning on or after 31 December 2023.

Personal taxes

Annual allowance

The annual allowance will be increased from £40,000 per tax year to £60,000 per tax year. The annual allowance effectively limits the income tax relief on pension contributions made by, or in respect of, an individual in the tax year; and where the pension input amount exceeds the annual allowance, an income tax charge applies.

Currently, the amount of the annual allowance is tapered for individuals with adjusted income of over £240,000. The amount of the annual allowance is reduced by £1 for every £2 of the excess over £240,000 down to a minimum of £4,000. The adjusted income threshold is to be increased to £260,000 and the minimum annual allowance is to be increased to £10,000.

These changes will apply from 6 April 2023 onwards.

Money purchase annual allowance

Like the annual allowance discussed above, the money purchase annual allowance limits the income tax relief on pension contributions made by, or in respect of, an individual in the tax year by applying an income tax charge to the excess contributions. The money purchase annual allowance applies to individuals who have taken pension benefits from defined contribution or money purchase arrangements and exists to prevent individuals from recycling pension benefits into further tax-relieved pension contributions.

The money purchase annual allowance is increased from £4,000 to £10,000. This takes the money purchase annual allowance back to its pre-6 April 2017 level.

The change will apply from 6 April 2023 onwards.

Lifetime allowance

The lifetime allowance is to be abolished.

Currently, the lifetime allowance limits the total tax-relieved value that can be accumulated into registered pension schemes by levying an income tax charge on pension benefits in excess of the lifetime allowance. The income tax charge is 55% if the excess is taken as a lump sum and 25% if the excess is retained in the pension fund to pay pension benefits.

A number of individuals currently hold various lifetime allowance protections: enhanced protection, primary protection, fixed protection and individual protection. This is because when the lifetime allowance was first introduced and later reduced on a number of occasions, individuals with pension pots in excess of the allowance or those who expected their pension pots to exceed the allowance at retirement could protect their funds. Those with protections in place are usually not able to contribute to a pension scheme and making a contribution (even by accident due to auto enrolment) may invalidate that protection. Although in theory those with lifetime allowance protections may be able to contribute to a pension once the lifetime allowance is abolished, it is recommended that individuals wait until the relevant legislation is published (likely to be in a future Finance Bill) to ensure that there are no unintended consequences from the contribution. For example, making a pension contribution on or after 6 April 2023 may trigger the application of the pension commencement lump sum standard upper monetary limit to the individual.

The lifetime allowance charge will be removed from 6 April 2023 onwards, although the technical amendments to the legislation to abolish the lifetime allowance will be made in a future Finance Bill. This is presumably due to the complexity of the existing legislation.

Pension commencement lump sum

When an individual becomes entitled to pension benefits from their pension scheme, up to 25% of the fund can be taken as a pension commencement lump sum. Although this is also referred to as a tax-free lump sum, effectively it is only free of income tax where the amount taken is up to 25% of the lifetime allowance. Where the lifetime allowance is exceeded, any excess taken as a lump sum suffers a 55% income tax charge.

Although the lifetime allowance is to be effectively abolished from 6 April 2023, the government does not want individuals to be able to take 25% of their entire pension pot tax-free. Therefore, a pension commencement lump sum upper monetary cap of £268,275 (which is 25% of the 2022/23 standard lifetime allowance) will apply to limit the amount that can be taken tax-free. Those with lifetime allowance protections (discussed above) will have a higher upper monetary cap.

The policy paper notes that changes will also be made to the serious ill-health lump sum, defined benefits lump sum death benefit and uncrystallised funds lump sum death benefit, but no details are provided.

These changes will apply from 6 April 2023 onwards.

Capital gains assessment time period

The government will introduce changes to the rules for capital assets disposed of under an unconditional contract which, where applicable, will amend the operation of the period in which taxpayers must notify HMRC that they are chargeable to capital gains tax or corporation tax, the time limits for assessments in relation to chargeable gains and the time limits for claiming allowable losses. The amendments have been introduced to close a perceived avoidance loophole where there is a delay between an unconditional contract being entered into and an asset being conveyed or transferred.

The rules will apply for capital gains tax purposes where the conveyance or transfer of an asset takes place more than six months after the end of the tax year in which the disposal is treated as taking place. For corporation tax, the time limit is one year after the end of the accounting period in which the disposal occurs. Where the rules apply, it will mean that the relevant notification periods, assessment and claim time limits operate by reference to the tax year or accounting period when the asset is conveyed or transferred rather than the tax year or period in which the contract for the disposal was made. The measure is designed to allow HMRC additional time to assess the tax due. It should also allow more time for taxpayers to claim any allowable losses arising from the disposal.

These changes will apply to assets disposed of and acquired under an unconditional contract entered into on or after 1 April 2023 for companies and 6 April 2023 for individuals, trustees and personal representatives of estates.

Agent access to payrolling benefits

The chancellor has indicated that the government will introduce IT systems to enable tax agents to payroll benefits in kind on behalf of employers. An HMRC payrolling benefits agreement is a process operated in addition to standard PAYE tax deduction rules, which ensures that employees pay their taxes on a real time basis (as opposed to the P11D method which often sees employee taxes settled in arrears). It also removes the employer's P11D reporting obligation. No timescale was confirmed. However the new systems, when introduced, would see agents, as well as employers, able to file payrolled benefits returns directly.

Inheritance tax, trusts and estates

Simplification for trusts and estates

HMRC consulted on formalising an existing interim concession that removes trustees and personal representatives from income tax where the only source of income is savings interest and the tax liability is less than £100. It was announced at Spring Budget 2023 that from 2024/25 trusts and estates with income up to £500 will not pay tax on that income as it arises. If income exceeds £500, income tax will be due on the full amount of income. The legislation will be introduced in Finance (No 2) Bill 2023.

Where a settlor has a number of trusts, the £500 limit will be proportionately reduced for accumulation and discretionary trusts by the total number of the current trusts to a minimum of £100. Interest in possession trusts, settlor-interested trusts, vulnerable beneficiary trusts and heritage maintenance trusts will not be taken into account.

The measure also:

- removes the default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of discretionary trust income;
- provides that beneficiaries of UK estates do not pay tax on income distributed to them that was within the £500 limit for the personal representatives; and
- makes technical amendments to ensure beneficiaries of estates that their tax credits and savings allowance continue to operate correctly.

Tax administration

OECD Mandatory Disclosure Rules (MDR) and Automatic Exchange of Information (AEOI) powers consolidation

The government will legislate in Finance (No 2) Bill 2023 to consolidate five powers that allow AEOI regulations to be laid. AEOI regulations enable the automatic exchange of tax information between jurisdictions to support compliance, in line with international agreements. These powers cover the MDR, the Common Reporting Standard (CRS), Foreign Account Tax Compliance Act (FATCA), Country by Country Reporting (CbCR) and Reporting Rules for Digital Platforms (DP) regulations. The previous powers will be repealed once this consolidation has happened. At the same time, there will be a technical amendment to the power that allows MDR regulations to be laid so that these regulations work as intended. This measure will take effect from Royal Assent of Finance (No 2) Bill 2023.

HMRC and financial sanctions

Legislation will be included in the Finance (No 2) Bill 2023 to clarify HMRC's functions in relation to individuals and organisations subject to financial sanctions under the Sanctions and Anti-Money Laundering Act 2018 and entities owned or controlled by them. The intention is that HMRC will be able to withhold payments and repayments to such individuals, organisations and entities despite any statutory payment obligations. The legislation will apply to payment functions which have not been discharged before 15 March 2023. ●

Produced by Tolley

Shahram Moallemi has an extraordinary story to tell. After growing up in Iran and narrowly avoiding the Iranian revolution, he started up his own accountancy practice, initially earning just £150 a year. He went on to build a thriving multi-million pound company employing 20 staff.

Today, we have the pleasure of interviewing Shahram in order to get to know more about the crucial role he plays leading the AIA council and what ultimately drives his passion and enthusiasm for the AIA and the accountancy industry as a whole.

Meet Shahram Moallemi, the AIA president

We bring you an interview with Shahram Moallemi, as he shares the experiences that led him to the role of AIA president.

Can you tell our readers what inspired you to become an accountant? And the journey you took to achieving your goal?
Well, I had a natural affinity for maths as a child and a career in accountancy always seemed a logical choice. In Iran at the time, university places were limited and failure to make the grade meant national service, so my father had the foresight to send me to the UK to study and remove the risk of not receiving a university place in Iran.

I moved to Brighton in 1970, where I took my O Levels and A Levels before joining a local accountancy firm. The plan had always been to return home, but with the onset of the Iranian revolution and subsequent Iraq invasion, combined with having a young family who I needed to support, my plans changed. The decision was made that the UK would become home.

Then in 1986, I made the daunting decision to set up my own business with just one client and earning only £150 a year. Initially, the business was built around the local Iranian community, but over the years this has transformed to a diverse portfolio of clients from sole traders to large multinational businesses. I now run the business with my son, Amir, and we employ a team of 20. Whilst the practice has grown over the years, I have always and will always follow one key ethos; we operate as a family business with employees and client welfare at our heart of operations.

So, what inspired a successful and very busy practice owner to join the AIA council and latterly to take on the role of AIA President?
Joining the council wasn't on my radar when I was initially approached. Any spare time was a real luxury due to my practice commitments.

However, I felt it only right to consider the opportunity with an open mind, so I asked myself some questions. Is AIA aligned with my beliefs? Can I add value? And can I help to progress AIA and the wider industry? As soon as I had answered yes to these questions, I felt that I couldn't say no!

Taking the next step to become President was an absolute honour. It was an honour which I knew couldn't be undertaken lightly as there were some big shoes to fill in former President Les Bradley. And time yet again was a factor that could not be ignored. So, I have taken a (slight) step back from my practice, which has allowed me additional time to focus my energy on imparting some of my business knowledge on the AIA as we strive to seek further accreditation and recognition.

Can you share what skills you feel you bring to the role of AIA President?
Due to my heritage and unique background, I feel I bring a wealth of experience to the role. Building a practice from nothing is no mean feat – it takes great commitment and makes you very resilient, whilst at the same time it makes you value the importance of building and maintaining relationships. Over the years, I have dealt with hundreds of clients from varying cultures, religions and backgrounds, and I can and do draw on this valuable experience time and time again as I fulfil my presidential role.

AIA is a truly diverse association so in your opinion what does it mean to be an international accountant?
For me, this is quite a simple answer. It is about being part of a truly integrated global movement. AIA operate as one unified body across the globe, instead of separate entities in each country.

Given your unique position, what do you see as the role of AIA as a professional accounting organisation?
I think first and foremost that the role of a professional accounting organisation is to act in the public interest. If we ever waiver from this, we shouldn't be here… full stop!

The next question is what that entails, and for me I would break it down under the following headings: education standards, diversity and inclusion, and ethics.

Is AIA aligned with my beliefs? Can I add value? And can I help to progress AIA and the wider industry?

The European Federation of Accountants and Auditors for small and medium-sized enterprises

An IFAC Network Partner, the EFAA is an umbrella organisation for 15 national accounting, auditing and tax advisor organisations that collectively have more than 380,000 individual members.

These individual members are mainly small and medium-sized practitioners (SMPs), including a significant number of sole practitioners, that provide a range of professional services (e.g. audit and assurance, accounting, bookkeeping, tax and business advice) primarily to small and medium-sized entities (SMEs) within the European Union and Europe as a whole.

Formed in 1994, EFAA is a sectorial member of SMEunited and a founding member of the European Financial Reporting Advisory Group (EFRAG).

Provision of world-class educational qualifications is imperative to impart wisdom and knowledge on the next generation of accountants, which in turn helps to continually advance the industry. Our role is to work in the public interest to produce professional accountants of the highest calibre.

Diversity and inclusion is a topic close to my heart, and I am very pleased to see that it seems to be moving up the agenda in most walks of life. The more that these issues are tackled head on, the more chance we have of changing attitudes. It is the responsibility of the AIA that, regardless of background or circumstance, everyone deserves the opportunity to develop and nurture their talents to their full potential.

Finally, ethics. Anybody can open a business and call themselves an accountant… To me, this is wrong because without the necessary academic qualifications and experience you are not able to provide the relevant level of service which any client should expect. Clients trust you and provide you with a lot of responsibility in their life. Accountants must be accountable!

As a professional accounting organisation, AIA's ethical conduct is embedded in everything from qualifications, processes and procedures to business values. All our members are bound by the AIA constitution, which incorporates our Code of Ethics.

Having taken over the AIA presidency in November 2020 during Covid, can you briefly outline some of the challenges you have faced? And provide us with an insight into what you class as your key successes to date?

Covid, unsurprisingly, has been the main challenge within the first two years of my presidential tenure. The role by its nature requires a lot of interpersonal interaction – interaction which simply is not the same over a Teams call. However, we can now look forward on this front with renewed optimism in 2023. I say this as I am packing my bags for face-to-face visits with educational partners, branches and members in China and Hong Kong.

As for successes, I am very pleased to say I feel there have already been quite a few. One of these was joining the European Federation of Accountants and Auditors for small and medium-sized enterprises (EFAA for SMEs), alongside 15 national accounting, auditing and tax advisor organisations in June 2022. SMEs are the backbone of Europe's economy and small and medium-sized accounting practices (SMPs) are their most important provider of compliance and advisory services. We can now work with EFAA in supporting and promoting SMPs, contributing to their work in the promotion of professional standards, and advocating for sustainable, 'future ready' SMPs.

We have also recruited several new council members who bring vast experience in the fields of diversity, inclusion and sustainability, which aligns with AIA's vision, mission, values and strategy.

And finally, there is the launch of our scholarship programme (AIA Accountancy Scholarship UK and AIA Commonwealth Scholarship) in 2022. The programme reaffirms AIA's commitment to Access Accountancy. We want to contribute to longlasting change in the global accountancy profession by helping students from under-represented groups to reach their career goals. The programme represents one of the steps AIA are taking to develop financial education and provide students with a real chance to fulfil their potential.

What's next for the AIA President?

For me, the next 12 months will be about further strengthening relationships with regulators and overseas partners, and building upon the fantastic work the AIA team are doing in relation to the sustainable agenda. One thing for sure is that I won't be resting on my laurels in 2023.

In the years to come, what would you like to see as your AIA 'presidential' legacy?

I would like to be remembered as a president who called upon his life experience to inject new impetus into the AIA, proactively helping to facilitate and embrace change.

Finally, what would be one piece of advice you would give to any aspiring accountants out there?

I always tell people that with the advancements in technology software anybody (within reason) can produce accounts. They may not understand what they are producing, but they can produce them. The key for me is wanting to help clients, and for this you need to be able to provide advice. Become a sponge and understand business with a 360-degree approach. Don't pay me to do your accounts, pay me to give you advice. ●

Winners in the new economy

In the first of a four part series, 'Transforming accountancy to create a sustainable future', AIA council member *Dr Peter Ellington* urges accountancy firms to take advantage of the new sustainable economy.

Dr Peter Ellington
CEO and Founder, Triple Bottom Line Accounting and Associate Professor in Accounting at the University of East Anglia

Recording and advising on money-based transactions has been the 'superpower' of accountants for centuries. Accountants must now take account of natural and social capitals. Larger companies are already required to report on their environment, social and governance (ESG) impact. It is only a matter of time before smaller organisations are required to follow suit.

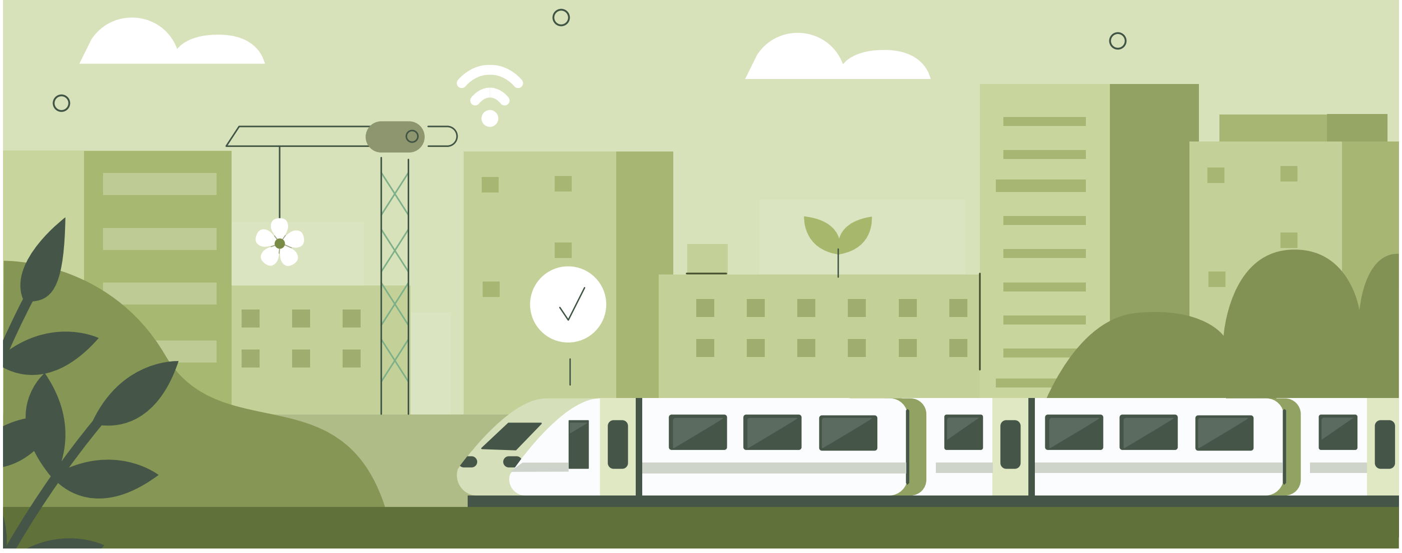
It is a mistake to wait for regulation before acting. Success is now influenced by the extent to which companies can mitigate the risks and take advantage of the opportunities in the new sustainable economy. Smart organisations (both big and small) are already implementing strategies that respect natural and social capitals in their business models. These will be the winners in the new sustainable world. The accountants advising the winners start by taking account of the impacts of natural and social capitals before they are reflected in financial or monetary transactions. They gain a strategic advantage by acting in advance of economic change.

The role of financial capital

Why will natural and social capitals inevitably be reflected in financial capital? The simple answer is that otherwise, society as we know it will likely fall into chaos as the natural world becomes uninhabitable in many places. Societies will be disrupted by water shortages, crop failures, biodiversity loss, pandemics and other disasters arising from climate change.

The following forces are driving natural and social capital into the accountant's remit.

Governments: Governments globally are taking action to encourage organisations to account for natural and social capital by laws, taxes and incentives that accelerate the transition to environmental and socially positive outcomes.



AIA is committed to educating its members in sustainability and green finance. As a professional body we are committed through our policy agenda to act as an authoritative voice within the accountancy sector to raise standards and education in green finance and sustainability. We also ensure that our members have the skills, knowledge and tools to promote sustainable business practices.

The natural world: Severe weather events cost money in numerous ways. Biodiversity loss has been linked to issues such as pandemics, which disrupt economies. Abuses of the natural world are costly and are making some operations uninsurable.
Society/consumers: People are starting to understand the issues relating to environmental and societal justice and are concerned for the future. Consumers are beginning to make choices based on the sustainability footprint of their purchases.
Investors: Environmental and social issues put investments at risk. Investors are starting to require that their money positively impacts society and the environment. Regulators are accelerating the shift to responsible and impact-led investment.
Business acquirers: Businesses are being sold for a premium if they can demonstrate that they are mitigating the risks and taking advantage of sustainability issues.
Economics: Scarce natural resources, the impact of climate change and the cost benefits of green technologies create compelling economic scenarios. These save money and create competitive value and wealth for risk-takers and breakthrough inventions.
Technology: Methods of harnessing natural resources such as solar, wind and waves are less harmful to the environment. The cost of new green technologies is decreasing rapidly.
Customers: Consumers, larger companies and governments are bringing sustainability factors into their procurement choices, so it is becoming harder for non-sustainable businesses to win.
Employees: People want to work for companies that positively impact their communities, society and the environment.
Cost of running a business: Sustainability often means less waste, the avoidance of unnecessary consumption, less travel and improved efficiency. Businesses use fewer resources for the same outputs, resulting in savings and improved profits.
Purposeful business: A focus on natural and social capitals and how these integrate with the organisation's goals and objectives brings about positive motivation and success.
Grant funding and bidding for tenders: Charities and businesses with sustainability credentials are being prioritised for grants over those that can't demonstrate net zero plans and ESG credentials.

These forces are changing organisational business models. Accountants that include their impact on financial plans, business cases, budgets and cash flow forecasts help their clients to succeed in the new sustainable economy. Failure to adapt to these changes will result in missed opportunities and possible business failure.

Accounting firms must adapt to remain competitive in the new sustainable economy. You need to demonstrate that your firm intends to make profound changes to address the challenge. **Appoint a senior partner or board member to focus on sustainability and ESG matters to inspire your teams and make things happen.** This ensures that necessary resource is allocated.

Embracing sustainability and ESG requires taking internal and client-facing actions to integrate ESG and sustainability into their practices.

Internal actions

1. **Offer staff training and development:** Invest in programmes to expand your team's ESG and sustainability knowledge. Encourage staff to pursue certifications in sustainability and undertake continuous professional development, such as AIA's free online CPD. This investment in training demonstrates your commitment to staying ahead in the field.
2. **Collaborate with experts and partners:** Partner with sustainability consultants and industry experts to expand your firm's knowledge base and services, providing comprehensive ESG advice to clients. These partnerships enable your firm to offer broader services and expertise.
3. **Implement a net zero plan for your firm:** Create a net zero plan for your accounting firm, detailing steps to reduce emissions, promote sustainability and achieve net zero status. Implement this plan and share your progress with clients, demonstrating your commitment to sustainability and your understanding of the challenges it presents. Service from companies such as AIA partner, Net Zero Now, is ideal for this.
4. **Craft an authentic sustainability narrative:** Develop a transparent narrative about your firm's sustainability journey, showcasing your expertise and dedication to creating a sustainable world. Highlight the challenges and solutions, thereby making it authentic. This narrative helps to build trust and credibility with clients and prospects.
5. **Understand behavioural aspects:** Familiarise yourself with The Behavioural Insights Team's work ('How to Build a Net Zero Society', Jan 2023, Toby Parkes et al.) (see bit.ly/3TNT7T0). This report provides valuable insights into how people adapt to a net zero sustainable economy. By understanding these patterns, you can better guide clients in making sustainable choices.
6. **Stay updated on regulatory and industry trends:** Monitor changes, trends and best practices related to ESG and sustainability,

providing informed advice and adapting to evolving standards. Staying informed helps you establish your firm as a trusted advisor.

7. **Leverage technology for sustainable solutions**: Embrace innovations that promote sustainability, such as tools for measuring carbon emissions or tracking supply chain sustainability. Integrating these technologies into your services can offer innovative solutions to improve their ESG performance.

Client facing initiatives

1. **Integrate ESG into financial reporting and advisory services:** Incorporate ESG factors into clients' financial reporting, risk assessments and performance analysis, providing a comprehensive understanding of their financial health and the potential impacts of ESG factors on their business.
2. **Identify material items for climate adaptation and risk management:** Use the SASB Materiality Map and GRI guides to identify material items for clients. Offer targeted advice and support on their journey toward sustainability. Invite clients to attend workshops where you can lead discussions and actions on how their industry can adapt and change to avoid the risks and seize the opportunities that arise.
3. **Develop tailored sustainability and ESG solutions:** Create customised sustainability and ESG solutions catering to your client's needs and industry requirements. By offering tailored services, you demonstrate a deep understanding of their business and help them navigate the complexities of sustainable practices.
4. **Offer sustainability benchmarking and target setting support:** Assist clients in benchmarking their current sustainability performance and setting ambitious yet achievable targets in line with international standards, such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement.
5. **Set up a net zero service:** Develop a net zero consultancy service utilising carbon emissions estimation tools like Normative, Sage Earth, or Ecologi Zero. Organise workshops to create tailored net zero plans for each client, addressing their unique circumstances and sustainability targets. Help them to develop an authentic narrative about their sustainability journey.
6. **Guide clients through ESG reporting:** Help clients to understand the various ESG disclosure frameworks, such as the Task Force on Climate-related Financial Disclosures (TCFD) and IFRS – International Sustainability Standards Board Sustainability (ISSB), and support them in developing transparent, accurate and comprehensive reports that meet stakeholder expectations.

What are the different capitals?

- **Financial/monetary capital:** The measurement of possessions gathered by creating monetary wealth and day-to-day movement in economic transactions.
- **Natural capital:** The essential resources on which humanity and all living things depend, including air, water, soil, plants, food, biodiversity, natural habitat and climate.
- **Social capital:** How we function together as people effectively. It includes collaboration, fair distribution, trust, participation and caring for each other.

7. **Provide tax and incentive advice related to sustainability**: Offer guidance on tax incentives, credits and deductions related to sustainable practices and investments. Help clients to identify opportunities to reduce their tax burden while improving their ESG performance.
8. **Facilitate access to sustainable finance and investment:** Connect clients with sustainable finance options, such as green bonds and impact investment funds, to finance their sustainability initiatives and enhance their ESG credentials.
9. **Develop your ESG audit function:** Enhance your audit function to include a service that assesses clients' reports and plans for adapting to sustainability and ESG issues.
10. **Educate clients on the benefits of sustainability and ESG:** Share success stories, case studies and insights demonstrating the benefits of embracing sustainability and ESG factors, such as cost savings, increased brand reputation and better access to capital.
11. **Encourage and support clients in setting up their own ESG committees:** Facilitate the formation of ESG committees within your clients' organisations, providing guidance on best practices, governance and the roles and responsibilities of committee members.
12. **Organise workshops and events to share ESG knowledge:** Host workshops, webinars and events to educate existing and prospective clients on sustainability and ESG topics, reinforcing your position as a thought leader and trusted advisor in this field.

Integrating sustainability and ESG factors into your accounting firm's practices can unlock new opportunities, drive business growth and help your clients to succeed in the new sustainable economy. Embrace the challenge and position your firm as a leader in the accounting industry, driving positive change for both your clients and the world.

Accountants have a crucial role in transitioning to a sustainable economy. By taking a proactive approach to incorporating natural and social capitals into your practice, your firm can capitalise on the opportunities presented by the new sustainable economy and help your clients become winners in this era of transformational change.

Author bio

Dr Peter Ellington is CEO and Founder of Triple Bottom Line Accounting, a UK based digital practice providing a range of services to SMEs.

A cautionary tale

Tim Keeley **examines the key anti-avoidance legislation and potential issues that could lead to an HMRC investigation.**

Tim Keeley
Consultant, Specialist Taxation Services (Europe) Ltd

The AIA rightly prides itself on its international coverage. However, aggressive offshore tax structuring is rarely 'international' and is increasingly perilous for clients and professional advisers alike.

Several changes in UK tax legislation – providing for greater information powers and extended time periods in which HMRC can assess tax relating to offshore matters – pose increased risks for clients and their advisers.

A typical tax structure might consist of an offshore trust, sometimes created by a UK resident and domiciled settlor, owning one or more offshore companies, which conducts a trade and possibly also holds UK and overseas investments. The objectives are usually to avoid UK tax on profits and capital gains. Sometimes a company alone, and occasionally a foundation (instead of a trust), are encountered.

Such planning was commonly implemented in the 1980s and 1990s and beyond, sometimes relying on non-disclosure for its success. Under close technical analysis, it would frequently fail because of contemporary anti-avoidance legislation (largely surviving to this day). Information powers and reporting obligations before the millennium were limited. For UK resident and domiciled individuals, most offshore planning was technically flawed but was often undetected. As explained below, such planning is now much more likely to be detected.

Offshore structures were challenged by the former Inland Revenue (now HMRC) and still continue to be; for example, by investigating:

- the tax residence of offshore companies and the location of their operations, especially if they were part of a structure established by UK resident individuals;
- the location of the true business of offshore companies;
- the source of funds used to create the structure (sometimes being undeclared UK profits);
- the economic settlor of the trust: sometimes a trust deed would be drafted not to identify the settlor, or a 'dummy' settlor (usually non-UK resident and non-UK domiciled) would be named in the trust deed to mask the economic settlor; and
- estate agents and solicitors in relation to property sales to clarify the individuals behind the offshore structure.

Key anti-avoidance legislation

A brief summary of some of the key anti-avoidance legislation is explained below. This is in outline only: a full exposition is beyond the scope of this article because the detail of some of this legislation is highly complex.

Income tax

Section 620 of the Income Tax (Trading and Other Income) Act 2005 treats income arising within a trust as taxable upon the settlor (assumed to be UK tax resident) if the settlor or spouse or civil partner can benefit from the trust.

Chapter 2 Part 13 of the Income Tax Act 2007 treats the income arising from assets transferred abroad by a UK tax resident individual (to a company or trust or any other overseas entity) as the income of the transferor. The transferor is liable to income tax if he has power to enjoy the income of the overseas entity to which the assets have been transferred, whether or not the income is actually drawn. The purpose or main purpose in transferring the assets must be UK tax avoidance (which means any UK tax, not simply income tax). The burden of proof in demonstrating that there is no purpose of tax avoidance lies with the taxpayer, not with HMRC.

Capital gains tax

Section 86 of the Taxation of Capital Gains Act 1992 treats capital gains realised by non-UK resident trustees as taxable upon the settlor if UK tax resident and domiciled, if the settlor (or most members of his family) can benefit from the trust.

Gains realised in an offshore company are traced to the shareholders under the Taxation of Capital Gains Act 1992 s 3. If the shareholders are overseas trustees, the gains are further apportioned to the settlor of the trust who, if UK tax resident and UK domiciled, is liable to capital gains trust on those gains. If the gains arise to an overseas company whose shareholders are UK tax resident, they are attributed to them and taxed accordingly.

UK resident persons who are not involved directly in offshore planning but who benefit from offshore structures are also potentially liable to income tax and capital gains tax if they receive distributions or other benefits.

Non-UK residence and domicile

Offshore structures still have limited benefits if the settlor is not UK tax resident and/or not UK domiciled, or if some or all of the beneficiaries are neither UK tax resident nor domiciled. In such cases, overseas income and gains and sometimes UK gains can be protected from UK tax, but this is a complex area and detailed consideration of the legislation is necessary.

Even in such cases, distributions to a UK tax resident beneficiary, including the use of trust assets on beneficial terms, frequently lead to income and capital gains taxes being charged on the receiving beneficiary.

Inheritance tax

Offshore structuring has historically been used to protect assets from inheritance tax but are effective only if the individual seeking that protection is not domiciled or deemed domiciled in the UK. The main tests are that the individual must not be UK domiciled under common law, nor have been tax resident in the UK for 15 or more out of the 20 previous tax years.

> **If you have any clients who have undertaken or who are otherwise affected by an offshore tax structure (even if they did not set up the structure), an urgent review is recommended.**

Section 6 of the Inheritance Tax Act 1984 treats non-UK situated property as 'excluded property' (i.e. not liable to inheritance tax) if held by an individual who is not UK domiciled or deemed domiciled. This is crucial to limiting the scope of inheritance tax for non-domiciliaries.

If assets are held within a trust, Inheritance Tax Act 1984 s 48(3) treats the domicile status of the settlor at the time the trust was settled, even if a UK domicile or deemed domicile is subsequently acquired.

UK situated assets held via an offshore company held by an overseas trust are similarly protected from inheritance tax (but, as explained below, this no longer applies to UK residential property).

A professional person concerned with the making of a non-UK resident settlement must make a return under Inheritance Tax Act 1984 s 218 to HMRC to state the name and address of the settlor and the trustees within three months of the settlement (usually a trust) being formed. This requirement has been frequently overlooked.

The advantage of compliant structures for non-UK domiciled individuals has since been curtailed.

Remittance basis charge

From 6 April 2008, non-UK domiciled individuals who have been UK tax resident for at least seven out of the last nine previous tax years must pay a remittance basis charge of £30,000 for each tax year for which they wish to claim the remittance basis; and £60,000 if they have been UK tax resident for at least 12 out of 14 previous tax years.

The cost of the remittance basis charge has become uneconomic for many non-UK domiciliaries, who have decided to abandon the remittance basis and accept taxation on a worldwide basis.

Extension of deemed domicile

From 6 April 2017, any non-UK domiciled individual nevertheless becomes deemed domiciled for all tax purposes after becoming UK tax resident for at least 15 of the previous 20 tax years. An individual born in the UK of parents who were UK domiciled, leaves the UK (and possibly become non-UK domiciled) and later becomes UK tax resident is treated as UK domiciled for tax purposes on his return.

UK residential property

Until 6 April 2017, a non-UK domiciled individual holding UK residential property in an offshore company (the shares of which were either held directly or by offshore trustees) could keep the value of that property outside inheritance tax. Schedule A1 of the Inheritance Tax Act 1984 now provides that residential property held in this way is within the scope of inheritance tax.

Annual tax on enveloped dwellings

From 1 April 2013, UK residential property owned by a company has been subject to an annual tax on enveloped dwellings. The charge is based on the value of the property unless it is let to an unrelated person at arm's length.

Property disposals

From 6 April 2013, disposals of UK residential property of high value became liable to tax on the gains realised if the property was owned by a non-UK company. From 6 April 2015, gains arising on the disposal of all residential property held by non-UK resident persons of any description is liable to tax.

Gains on the disposals of commercial property from April 2019 are subject to tax, as are gains arising from the disposal by a non-UK resident person of shares in a non-UK company which is 'property rich' (i.e. 75% or more of the value of the company is derived from UK property).

All of the above changes limit the effectiveness of offshore planning even for non-UK domiciled individuals.

Changes regardless of domicile

The following changes affect individuals regardless of their domicile.

Property development: From April 2016, property development gains are taxable and offshore structures intended to prevent such profits from being taxed are ineffective. (Some of those established before 2016 were also ineffective and, at the least, aggressive!)

Conduct of professional advisers: The main professional organisations operating in tax, law and accounting (including the AIA) have adopted the Professional Conduct Rules in Relation to Taxation (PCRT), which prohibit their members from recommending or participating in tax planning contrary to the intentions of Parliament.

General anti-abuse rule: This rule, introduced from 2013, counters abusive tax planning.

Automatic Exchange of Information: The UK signed up to the Common Reporting Standards for the automatic exchange of information to combat tax evasion in 2016. HMRC has access to information concerning overseas bank accounts, trusts and companies in non-UK jurisdictions. Similar agreements are in force with the Crown dependencies and the United States. Information obtained by HMRC is increasingly being used to open formal investigations and the issue of 'nudge' letters. Over 100 countries are now signed up to Common Reporting Standards reporting.

Connect: HMRC launched Connect, its computer search facility, in 2010. Connect brings together all the known details of any taxpayer whom it considers may have evaded tax, including bank accounts, assets, passport details and information held by other government departments. Connect builds a risk score for a taxpayer to determine if an investigation is appropriate. Anyone ticking the non-domicile boxes in his tax returns automatically scores above the de minimis limit for a tax enquiry.

Schedule 36 Notices: HMRC has the power to issue notices under Schedule 36 of the Finance Act 2008 requiring a taxpayer or any person to provide information within their power which is reasonably required to check a person's UK tax position. The notice can be issued at the discretion of HMRC, which should however follow internal procedures to ensure that it is correctly served. Schedule 36 notices are also used to seek information for periods not under formal enquiry. Anyone receiving such a notice should seek guidance on the extent of the questions raised by HMRC.

Enabler penalties: These were introduced by Finance (No 2) Act 2017 s 65 and Sch 16. Advisers who participate in failed tax planning arrangements are exposed to penalties.

Criminal Finance Act 2017: Sections 45 and 46 of the Criminal Finance Act 2017 introduced a criminal offence for 'Failure to prevent the facilitation of tax evasion', known as the corporate criminal offence. This applies to every UK company or partnership and their associates. The only defence is to have a current policy, risk assessments and suitable training for staff and associates.

Anti-money laundering: Anti-money laundering regulations date from the Proceeds of Crime Act 2002. An adviser who suspects that a client may be evading tax must make a suspicious activity report or be in breach of anti-money laundering obligations. Accountants do not have legal and professional privilege.

Trust register: HMRC has operated a trust register from June 2017. It is now a requirement to register UK express trusts, as well as overseas trusts liable to UK taxation or which own real estate in the UK. Some overseas trustees with an ongoing relationship with a UK service provider (which can include a UK lawyer or accountant) may also have to register.

Registration of beneficial owners: Non-UK companies owning UK located land (residential or commercial) are required, since 31 January 2023, to register their beneficial owners with Companies House. It is likely that HMRC will scrutinise this information closely to review potential cases for investigation.

Strict liability offences: Section 166 of the Finance Act 2016 creates a criminal offence if a taxpayer fails to declare offshore income or gains where the tax at risk exceeds £25,000 in any tax year even in the absence of criminal intent.

Assessing time limits: For tax lost relating to offshore matters, the normal time limits for assessment available to HMRC – i.e. four years for errors where there is reasonable care or reasonable excuse, and six years for careless behaviour – are extended to 12 years from the end of the tax year in which the tax loss occurred.

The message

If you have any clients who have undertaken or who are otherwise affected by an offshore tax structure (even if they did not set up the structure), an urgent review is recommended. Immediate action will be required if the client is already under enquiry by HMRC or has received a 'nudge' letter and should be taken by a firm experienced in HMRC investigation procedures into offshore cases. ●

Author bio
Tim Keeley is a consultant to Specialist Taxation Services (Europe) Limited.

Are you still searching?

***Janine Hunt* explores the strategies for addressing recruitment challenges in the financial sector, and the benefits of a stable workforce.**

Janine Hunt
Client Partnership Director, Kura

The financial sector is one of many that is struggling with staff numbers and recruitment following the coronavirus pandemic. Digital transformation is revolutionising a number of day-to-day tasks within the financial industry, changing the nature of the job. With applicants falling and vacancies rising, why is this a problem and what can be done to overcome it?

A settled workforce brings stability

Of course, it is not just the financial sector that has seen recruitment problems in recent times, but there are also a number of risks to companies in this sector that an unsettled workforce can cause. Firstly, there are various reasons why it benefits an organisation to have a settled, consistent workforce.

Financial savings on recruitment and training: A settled workforce is one that has a lower staff turnover, representing a financial saving through minimised disruption of finding new staff. The longer an employee has been at a company, the better understanding they have of the role and of the organisation and their values.

Staff can focus on their own job: With staff turnover low, employees can focus on the tasks that make up their job description and their day-to-day role. This increases employee understanding of their role and the contributions they're expected to make, creating a more focused workforce. Staff will also feel less overworked as they are not spending time covering for others. Naturally, there will be times when individuals help others with their jobs, but a consistent workforce removes the need for long-term cover being required.

Better customer service: The longer the employee has been in the job, the more they understand the role and the company. This also affects customers, with relation to a higher level of expertise with longer-serving employees, for problem-solving and dealing with any issues.

The above points stand for most business sectors, but in the financial sector, it is very important to overcome recruitment issues that are resulting in unsettled workforces.

A stressful industry to work in, the financial sector can be particularly challenging at the best of times, let alone when businesses and workforces are stretched beyond their means. In fact, since 62% of finance-sector companies reported an increase in mental health-related illnesses in 2018, the number has increased further (see bit.ly/3ZXpWiC). With this in mind, what are the barriers to recruitment that the industry is seeing?

Remote working

While this has been a benefit to many organisations in recent years, it has also created some issues. Remote working has been in operation for a number of years, of course, but the Covid pandemic really escalated it, and most organisations had no option but to work away from offices.

While this allowed many companies to continue working – at times resulting in better performance – it can also pose recruitment issues. It has removed geographical limitations to some extent, meaning that employers in the financial sector have more applicants to choose from in their roles. Companies that would have previously recruited from a localised talent pool are now able to take on employees from anywhere and everywhere through remote working.

This can be a benefit to those companies that have adapted to this way of working; however, organisations requiring traditional officed-based employees will potentially see a reduced number of applicants. Highlighting how important the benefit of hybrid working is now, at least 70% of employees expect their employer to shift to this way of working (see bit.ly/3JsQO2V).

A smaller talent pool

As technology increasingly impacts the financial sector, many job roles now require different skill sets than they previously did. Coupled with the unique skills required by the banking and finance sectors, this means that recruiting can be a challenge.

In fact, niche technical areas including machine learning are seeing a shortage in suitable candidates. In a unique challenge for the financial sector, they are seeing that some employees have an 'upper hand' in recruitment. Post-pandemic challenges mean they are grappling with a smaller talent pool while introducing a modern way of working that they may not have considered. The challenges as we have seen will have an impact, but what can be done to help?

Outsourcing

Outsourcing is not a new concept. For years, companies have outsourced elements of their business operations and customer service outsourcing is something that is commonplace. Outsourcing can fill gaps in a workforce should there be difficulties either in recruitment or staff retention.

As it is flexible, outsourcing can allow operations to continue when the business may otherwise be sleeping. There is the option to operate in different time zones or use technology and AI to automate processes around the clock. Like everything, it is not a one-stop shop, and there are considerations on the uses of outsourcing that will vary from business to business. It is, however, a definitive solution to overcoming a multitude of recruitment issues. In addition, it will reduce the workload of current employees, particularly with the need to cover in areas that aren't part of their day job, allowing them to focus on their primary role.

Training and promoting from within

Training can be time consuming, but it provides a solution for companies struggling to attract new talent. Training up existing employees and promoting them to fill vacancies, although it can create other vacancies in the business, may be an easier transition for your business. Promoting from within also incentivises employees and gives them something to strive towards; another way to keep employees invested in the organisation.

Focus on employee welfare

We are looking a lot at the struggles of recruitment. However, businesses can address the issue before recruiting is necessary. With stressful environments and the impact of poor mental health, as well as the need for a strong skillset, employers should put their workforce at the top of their list.

Incentives, including financial rewards, can help to retain employees by creating a feeling of appreciation and value within the workforce. Where possible, businesses should use flexible working models to encourage a good work-life balance. In addition, discounted gym memberships and incentives to boost morale – such as a 'birthday day off' – can make employees feel valued and reduce the risk of high staff turnover rates. Financial rewards and bonus schemes are great, but in the fast-paced and often stressful financial sector, the wellbeing of employees must be a focus.

In conclusion

No matter which option you choose, we live in a world where customers want and expect the best right now. If you aren't providing the best service, the customer will not wait for you, whether it be because of headcount or an unsettled workforce. Being indecisive or taking no action to address recruitment and workforce issues could cause a loss in business which may well last years into the future. ●

Author bio

Janine Hunt is Client Partnership Director at Kura. She has worked in many senior posts in business process outsourcing organisations.

EVENTS

FEATURE EVENT

Capital Allowances – Super After Super Deductions
Date: 27 April 2023 | Time: 11.30 – 12.30
Speaker: Callum Byers

The upcoming webinar **Capital Allowances – Super after Super Deductions** will serve as a comprehensive overview of the capital allowances landscape, useful for accountants, advisers and businesses incurring capital expenditure. With the end of the super deduction, many might wonder if the capital allowances regime is still as relevant as it has been during the last two years. Following the webinar, attendees will understand the variety of enhanced reliefs still available, resulting in capital allowances being even more beneficial than ever, against a backdrop of an increasing corporation tax rate and shifting personal tax brackets.

The presentation will cover:

- the different capital allowances pools and enhanced reliefs available;
- the key entitlement considerations for property purchases and development;
- the timings and claim process of the various reliefs;
- examples of the impact that a full capital allowances claim can have on a business; and
- any the impact of the Spring Budget.

Unlike some of the other tax incentives currently facing increased scrutiny and challenges, capital allowances claims are rarely seen as aggressive. While often underclaimed due to their complexity, a full capital allowances exercise seeks to unlock only the relief a business is entitled to claim, and is furthermore incentivised to claim, by the rules put in place by the government.

Sign up for the **Capital Allowances – Super after Super Deductions** webinar on 27 April to make sure you or your clients aren't missing out.

Callum Byers

Callum Byers has been a capital allowances specialist for many years, having assisted with claims on hundreds of properties from a variety of sectors across the UK. Having spent six years in Big4 practice, Cal joined YesTax, a boutique tax advisory firm with charitable giving at its core, as Head of Capital Allowances last year.

Outside of his client work, Cal has also had several capital allowances technical articles published in *Taxation Magazine*.

OTHER EVENTS

Legal Updates 2023: Commercial and Employment Law Highlights, Ireland
Date: 19 April 2023
Time: 10.00 – 11.00
Speaker: John Eardly

As the Irish economy grapples with a range of challenges, including emergence from a global pandemic to war in Europe, developments in the law have not been far behind in reflecting these significant changes. This presentation will examine these developments in the course of 2021/22. From remote working to new paid sick leave entitlements, keeping up with developments is more important than ever.

Five Unproductive Distractions Accountants Need To Avoid
Date: 15 May 2023
Time: 10.30 – 11.30
Speaker: Mark Lee

Helping you focus on what matters so you can IMPROVE your practice and achieve your goals.

What that means is avoiding unproductive distractions; and the longer you have run your own practice, the more you may need help to notice and avoid the distractions.

In this fast-paced session, you will learn what you can do to avoid five of the most common and unproductive distractions for accountants in practice.

You will hear tips, insights and advice drawn from Mark's many years experience as a mentor and coach to sole-practitioner accountants.

Anti-Money Laundering/Counter Financing of Terrorism for Malaysian Reporting Institutions
Date: 17 May 2023
Time: 18.00 – 19.00 (Malaysia Time)
Speaker: Muhamad Nazri

A webinar to discuss various aspects of the Anti-Money Laundering, Anti-Terrorism Financing and Proceed of Unlawful Activities Act 2001 (AMLA 2001).

The objective of the training will be to:

- provide an overview and improve awareness on AMLA 2001;
- exercise their responsibilities effectively, thus protecting the organisation's reputation and avoiding regulatory action under AMLA 2001;
- enable participants to apply and comply with AMLA 2001 s 19(2)(b) requirements on staff training; and
- understand role of compliance officer in the prevention of money laundering and terrorism financing.

Take Your Accounting Practice from Mildly to Wildly Profitable, Enjoyable and Fulfilling
Date: 7 June 2023
Time: 10.30 – 11.30
Speaker: Shane Lukas

Running an accounting business is hard. When you trained to be an accountant, they never taught you how to build a profitable business that works for you, on your terms.

In this session, Shane Lukas will share with you:

- seven reasons why accountants struggle to grow without adding to hours and pressures;
- how to make your services more attractive to even the most price sensitive clients; and
- three steps to raise your profits whilst reducing the pressure of running an accounting practice.

INTERNATIONAL

Momentum builds for corporate ESG disclosure and assurance, yet reporting inconsistencies linger

The largest global companies continue to show momentum on corporate reporting and related assurance involving environmental, social and governance (ESG) issues, according to a report from the International Federation of Accountants (IFAC) and the Association of International Certified Professional Accountants (AICPA).

Significant hurdles remain, however, when it comes to providing consistent, comparable and high-quality sustainability information for investors and lenders.

Some 95% of large companies reported on ESG matters in 2021, the latest year available, the study found, an increase from 91% in 2019. 64% of companies obtained assurance over at least some ESG information in 2021, up from 51% in 2019. The inability so far to coalesce around agreed upon global standards continues to create challenges, however.

'Even as we see companies increasingly report on ESG and sustainability, the data we're tracking reveals continuing fragmentation around the world in terms of which standards and frameworks are used,' noted IFAC CEO Kevin Dancey. '86% of companies use multiple standards and frameworks. This patchwork system does not support consistent, comparable and reliable reporting. Importantly, it also does not provide the necessary foundation for globally consistent, high-quality sustainability assurance.'

The report also examines the extent to which companies provide forward-looking information on emissions reduction targets and plans. While two-thirds of companies disclosed targets, they lag the rate at which companies report their *historic* greenhouse gas emissions (97%).

'Steady increases in reporting and assurance are significant, yet more companies need to take the additional step to obtain assurance to build trust and confidence in what they report,' said Susan Coffey, AICPA's CEO of public accounting. 'Our profession's role in providing that assurance is crucial. CPAs have unquestioned competence, professional judgment and operate within a robust system built with public protection in mind. We should be the clear choice for instilling trust and value in ESG data around the world.'

The use of the Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate-Related Financial Disclosures (TCFD) framework have increased significantly between 2019 and 2021. There was a 29% increase for SASB standards usage and 30% for the TCFD framework.

Globally, the International Auditing and Assurance Standards Board's International Assurance Engagement Standard 3000 (Revised) remains the most popular standard when providing assurance: 95% of firms providing assurance use ISAE 3000, up from 88% in 2019.

INTERNATIONAL

IESBA strengthens and clarifies independence requirements for group audits

The International Ethics Standards Board for Accountants (IESBA) has released final revisions to the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) to address holistically the various independence considerations in an audit of group financial statements.

The revisions also deal with the independence and other implications of the changes made to the definition of an engagement team in the Code to align with changes to the definition of the same term in the International Auditing and Assurance Standards Board's (IAASB) International Standards on Auditing (ISAs) and International Standards on Quality Management (ISQMs).

'Group audits play a fundamental role in safeguarding the integrity of, and public trust in, the financial markets,' said Ms Gabriela Figueiredo Dias, IESBA Chair. 'For a long time, there was a vacuum in international standards addressing the independence of audit firms and individuals involved in group audits, leading to uncertainty and inconsistent practice around the world. This standard effectively closes that gap and responds in a timely manner to a public interest need for robust and clear requirements for independence in this important area.'

Among other matters, the revisions:

- strengthen and clarify the independence principles that apply to: individuals involved in a group audit, including those within, or engaged by, firms that audit components within a group; and firms engaged in the group audit, including firms within and outside the group auditor firm's network;
- specify the need for, and content of, appropriate communication on independence matters between the group auditor firm and component auditor firms participating in the group audit;
- more explicitly set out the process to address a breach of an independence provision at a component auditor firm, reinforcing the importance of transparency and appropriate communication with those charged with governance of the group;
- amend the definitions of the terms 'engagement team' and 'audit team' in the Code to recognise the different and evolving engagement team structures, and address the implications of those definitional changes;
- provide guidance to facilitate the determination of who is included in an engagement team or an audit team; and revise the definitions of a number of existing terms and establish new defined terms with respect to independence in a group audit context.

The development of the proposals has benefited from close coordination with the IAASB's group audits and quality management projects.

The pronouncement will be effective for audits of financial statements and group financial statements for periods beginning on or after 15 December 2023, with early adoption permitted.

UK AND IRELAND

FRC releases new guidance on audit firm eligibility criteria

The Financial Reporting Council (FRC) has issued guidance for audit firms on eligibility criteria in the context of the firm's system of quality management and the performance of engagements. The International Standards on Quality Management (ISQM) (UK) 1 and ISQM (UK) 2 have been reissued with updated footnotes to reflect this guidance.

The FRC has prepared Staff Guidance Notes for the convenience of users of the FRC's Ethical Standard and International Standards on Audits (ISAs) (UK).

These are intended to support practitioners when they make judgments on the application of standards. In addition to the Guidance Notes, a table providing a rolling record of issues raised with the FRC is also included, which either sets out a response for each issue raised, or sets out the work that is currently in hand to allow the FRC to respond in due course. These materials have been prepared following discussion of the issues at the FRC's Audit Technical Advisory Group, which comprises representatives from audit firms and professional bodies, investors and audit committee chairs.

FRC announces revisions to TAS 100

The Financial Reporting Council (FRC) has published version 2.0 of Technical Actuarial Standard 100 (TAS 100) and its associated guidance. The new version of the Standard includes revisions to ensure that it reflects current practices in actuarial work and addresses known gaps in the quality of actuarial work.

The revised standard includes a new requirement that actuarial practitioners must consider all relevant material risks, including climate change and environmental, societal and governance (ESG) related risks, which they might reasonably be expected to know about at the time of carrying out their work.

In addition, the revised standard introduces a new application section that sets out the FRC's expectations and allows practitioners to have a better understanding of how to interpret and comply with the principles. The aim of this section is to narrow the range of interpretations and practices in the application of TAS 100, thereby promoting consistency in actuarial work.

The FRC's executive director of regulatory standards Mark Babington said: 'The revisions to TAS 100 reflect the FRC's commitment to promoting high-quality actuarial work. The new standard will ensure important risks such as climate change and ESG-related risks are considered in the course of the actuaries' work, and will help to ensure that work remains fit for purpose within the rapidly changing environment in which actuaries operate.'

IAASA publishes its Annual Audit Programme and Activity Report for 2021

The Irish Auditing and Accounting Supervisory Authority (IAASA) has published its 2021 Annual Audit Programme and Activity Report. This report provides a summary of the activities performed by IAASA during 2021 to oversee the audit profession in Ireland. The report outlines the outcome of IAASA's quality assurance review of auditors of public interest entities, as well as IAASA's oversight of the recognised accountancy bodies who supervise auditors of other Irish entities.

Outcomes from IAASA's work on the public oversight of statutory auditors in 2021 included:

- inspection of seven public interest entity firms by reviewing 30 audits and five internal control areas;
- first time inspection of the internal control in one public interest entity firm that was newly notified to IAASA and inspection of an audit conducted by that firm;
- conclusion of two statutory investigations into poor quality audit work;
- publication of reports on the quality assurance reviews of the seven public interest entity firms inspected in 2020;
- completion of seven joint inspections between IAASA's Audit Quality Unit and IAASA's Financial Reporting Supervision Unit;
- hosting a briefing for audit committees;
- issuance of thematic papers on transparency reporting and on data analytics in Ireland's statutory audit market;
- publication of an insights series on auditing cash and cash equivalents;
- revocation of recognition of two recognised accountancy bodies;
- a supervisory visit to one of Ireland's recognised accountancy bodies; and
- issuance of draft regulatory guidelines for the recognised accountancy bodies.

EUROPE

EIOPA supervisory statement takes aim at unfair 'price walking' practices

The European Insurance and Occupational Pensions Authority (EIOPA) has published a supervisory statement on differential pricing practices with the aim of eliminating price-setting strategies which lead to the unfair treatment of customers.

The price customers pay for insurance coverage typically reflects the individual risk profile and the overall costs incurred by insurers. However, some manufacturers adjust prices based on characteristics that are related neither to the underlying risks nor the cost of service. Large data sets and increasingly sophisticated analytical tools and technologies such as artificial intelligence enable manufacturers to deploy differential pricing practices on a large scale.

Of particular concern are products where premium increases take place repeatedly based on reasons that are not related to the risks or cost of service. These practices unfairly affect vulnerable customers such as the elderly, those with limited access to digital channels and those with limited digital literacy.

EIOPA's supervisory statement clarifies supervisory expectations to pre-empt unfair differential pricing practices. The statement underlines that providers falling under the scope of the Insurance Distribution Directive (IDD) shall always act honestly, fairly and professionally in accordance with the best interests of their customers. The statement also underlines that product oversight and governance processes should cover pricing techniques.

In view of the above, insurance manufacturers can continue to offer premium discounts to attract and retain customers, but they should have adequate governance and product oversight measures in place to ensure that customers are not treated unfairly. Moreover, the supervisory statement identifies certain 'price walking' practices that do not comply with the relevant regulation. Examples include but are not limited to repeated premium increases based on the customer's low propensity to shop around or change provider because of price increases.

EIOPA expects competent authorities to assess the adequacy and fairness of manufacturers' product oversight and governance procedures, sales processes, marketing and communication materials, as well as customer complaints related to differential pricing practices and to take appropriate action in line with national regulation.

EIOPA will continue monitoring the market and may consider adopting further measures where it identifies consumer detriment.

ECB and the ESAs call for enhanced climate-related disclosure for structured finance products

The European Supervisory Authorities (ESAs) – The European Authority Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets (ESMA) and the European Banking Authority – together with the European Central Bank (ECB), have published a Joint Statement on climate-related disclosure for structured finance products.

The Statement encourages the development of disclosure standards for securitised assets through harmonised climate-related data requirements.

Currently, there is a lack of climate-related data on the assets underlying structured finance products. This poses an obstacle for the classification of products and services under the EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SFDR) and hinders the proper assessment and management of climate-related risks. The Statement sets out the joint efforts of the ECB and the ESAs to facilitate access to climate-related data with a view to improving sustainability-related transparency in securitisations and to promoting consistent and harmonised requirements for similar instruments.

The ESAs and the ECB are committed to contributing to the transition towards a more sustainable economy within their respective mandates. As investment in financial products meeting high environmental, social and governance (ESG) standards is increasingly important in the EU, it has also become a priority for structured finance products to disclose climate-related information on the underlying assets.

The ESAs and the ECB are now working towards enhancing disclosure standards for securitised assets by including new, proportionate and targeted climate change-related information. They also call on issuers, sponsors and originators of such assets at EU level to proactively collect high quality and comprehensive information on climate related risks during the origination process. This call for improved disclosure concerns all funding instruments that are backed by the same type of underlying assets.

Securitisation transactions are often backed by assets that could be directly exposed to physical or transition climate-related risks, such as real estate mortgages or auto loans. Since the value of these underlying assets could be affected by climate-related events, the ESAs and the ECB share the view that the reporting on existing climate-related metrics needs to improve, and that additional metrics are necessary.

Additional climate related data will allow investors to better identify climate change-related risks while avoiding overreliance on estimates from external sources. The lack of climate-related data on the assets underlying structured finance products poses a problem for properly assessing and addressing climate-related risks.

The ESAs are committed to promoting transparency and robust disclosure requirements for financial institutions and financial products. The ESAs have been developing advice and Regulatory Technical Standards under the EU Taxonomy Regulation and the Sustainable Finance Disclosure Regulation. Sustainable finance is a key priority, and further deepening the integration of ESG factors across their activities will be a focus for their action in the coming months and years.

UNITED STATES

FASB seeks public comment on proposed enhancements to income tax disclosures

The Financial Accounting Standards Board (FASB) has published a proposed Accounting Standards Update (ASU) that addresses requests for improved income tax disclosures from investors, lenders, creditors and other allocators of capital (collectively, 'investors') that use the financial statements to make capital allocation decisions. Stakeholders are encouraged to review and provide comment on the proposed ASU by 30 May 2023.

'The FASB's proposed enhancements to income tax disclosures, primarily related to the rate reconciliation and income taxes paid information, are intended to help investors better assess how an entity's worldwide operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows,' stated FASB Chair Richard R. Jones. 'We encourage all stakeholders to review and share their views on the proposed changes and whether they believe those proposed changes would improve this important area of financial reporting.'

During the FASB's 2021 agenda consultation process and other stakeholder outreach, investors expressed concerns that existing income tax disclosures do not provide sufficient information to understand the tax provision for an entity that operates in multiple jurisdictions. Investors currently rely on the rate reconciliation table and other disclosures, including total income taxes paid in the statement of cash flows, to evaluate income tax risks and opportunities. While investors said they generally find these disclosures helpful, they suggested possible enhancements to better understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities; assess income tax information that affects cash flow forecasts and capital allocation decisions; and identify potential opportunities to increase future cash flows.

The amendments in this proposed ASU would address investor requests for more transparency about income tax information, including jurisdictional information, by requiring consistent categories and greater disaggregation of information in the rate reconciliation; and income taxes paid disaggregated by jurisdiction.

The proposed ASU, including information on how to submit comments, is available at www.fasb.org.

Financial Accounting Foundation debuts enhanced free access to online Accounting Standards Codification and Governmental Accounting Research System

The Financial Accounting Foundation (FAF) has launched its free, enhanced online access to the Accounting Standards Codification and the Governmental Accounting Research System, implementing a change announced to stakeholders earlier in the year.

The Accounting Standards Codification is the complete and official version of Generally Accepted Accounting Standards (GAAP) published by the Financial Accounting Standards Board (FASB) and used by public companies, private companies, non-profit organisations, and employee benefit plans in the United States.

The Governmental Accounting Research System (GARS) is the complete and official version of GAAP published by the Governmental Accounting Standards Board (GASB) and used by states, cities and other governmental entities in the United States. While free versions of both the Codification and GARS have been available online for years, the new system provides enhanced features compared to the former free offering. These include enhancements to navigation, search, printing and copy/paste.

As a result of this change, the former 'Professional View' paid subscription service has been eliminated. Current Professional View subscribers have been transitioned off the system and pro-rated refunds will be issued for those subscribers whose paid terms extend beyond the cutover date.

The URLs to access the updated websites are:

- Accounting Standards Codification: https://asc.fasb.org
- Governmental Accounting Research System https://gars.gasb.org

ASIA PACIFIC

Singapore: serving the accountancy sector as one entity

With effect from 1 April 2023, the Accounting and Corporate Regulatory Authority (ACRA), the Singapore Accountancy Commission (SAC) and the Accounting Standards Council (ASC) will merge as one entity. The merged entity will take on the name of ACRA.

The merger will strengthen the effectiveness of regulation, standards setting and sector development by harnessing synergies across complementary accountancy-related functions.

The merged ACRA will take on SAC's role to develop the accountancy sector. The Accounting Standards Committee to be set up by ACRA will set accounting standards for companies, charities, co-operative societies and societies in Singapore, a function now carried out by the Accounting Standards Council.

From 1 April 2023, please visit the ACRA website at www.acra.gov.sg for all information pertaining to accounting standard-setting and accountancy professional and sector development matters.

Malaysia: MAS imposes due diligence requirements for corporate finance advisers

The Monetary Authority of Singapore (MAS) has issued a Notice imposing mandatory baseline standards of due diligence and conduct requirements for corporate finance advisers. These requirements raise the standards of conduct of corporate finance advisers, improve the quality of disclosures and allow investors to make informed decisions.

Corporate finance advisers that assist entities in fund raising from the general public will henceforth be subject to mandatory minimum standards when conducting due diligence on corporate finance transactions. These include conducting background checks and interviews with relevant stakeholders; conducting site visits of prospective issuers' key assets; assessing knowledge, skills and experience of third-party service providers; and ensuring that material issues are satisfactorily resolved or clearly disclosed. Corporate finance advisers will also have to comply with enhanced requirements to mitigate conflicts of interests, such as where the adviser's related corporations or controlling shareholders also provide services to the same customer.

Mr Lim Tuang Lee, Assistant Managing Director (Capital Markets), MAS, said, 'Corporate finance advisers, through their work in advising prospective issuers, enable investors to make informed decisions by facilitating adequate and accurate disclosures. They play an important role in safeguarding investor interests and the integrity of our capital markets.'

These requirements are set out in the Notice on Business Conduct Requirements for Corporate Finance Advisers. MAS has taken into account feedback received from the public consultation.

Enhance the service level you offer your clients without needing in-depth subject area expertise

Help your clients:

- Ensure that transactions in their accounts are documented
- Structure their business correctly for ownership and control
- Comply with legal requirements for disclosure of information

We can provide you with document templates, advice as to terms needed, and drafting services.

Contact support@netlawman.co.uk to arrange a call with one our legal team.