Pat Carroll & Company
Chartered Accountants & Tax Advisors

# Pat Carroll Newsletter

CHARTERED ACCOUNTANTS & TAX ADVISORS

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# BREXIT

**On June 23, the population of the UK narrowly voted to end its 43-year membership in the European Union. It is not completely clear when, how or certainly even if the UK will separate from the EU. Most trading rules and taxes will not change substantially as the UK will want to continue to trade freely and successfully with the EU**

Some important facts about the referendum decision that you should know.

### No need to make any changes for at least two years

Twenty-eight European countries are members of the EU, a trade, political and monetary association. They have harmonized a range of trade, VAT, workplace regulations and laws that underpin the EU's Single Market, the world's largest free trade zone. Since 1999, 19 of the EU's member states also share the Euro, the region's currency. The UK never adopted the Euro.

> **The start of 2019 is probably the earliest date the UK can complete the notification and negotiation phases of an EU exit.**

The start of 2019 is probably the earliest date the UK can complete the notification and negotiation phases of an EU exit. The vote was not binding on the UK's Parliament; merely advisory. However, it is generally accepted that the UK will notify the EU of its intentions to leave by the end of 2016. Once this is done, there will be a two-year renegotiation on the terms of the separation.

### Will UK VAT rates change?

The standard UK VAT rate is currently 20% and it's unlikely to change as a result of this vote since VAT is one of the largest contributors to the UK's revenues. There may be a small drop in the abridged rates that apply to goods such as e-books.

Again, the changes will be extremely restricted. Certainly, the UK will be able to cut through much of the EU red-tape and complex employment law. Also, in order to continue to trade freely with the remaining 27 EU countries, the UK is unlikely to change any of its indirect tax rules. There will be no changes to the VAT rules on the sales of services to UK buyers. These services will continue to be effectively VAT free.

### Extra compliance for sellers of digital goods & services

Any provider of digital services to EU consumers has to charge and remit the local VAT of the consumer's country. Since 2015, US companies use the single reporting portal, MOSS. This accepts single, simplified quarterly VAT returns to cover sales and VAT due for all 28 states. The UK exit from the EU VAT regime will mean digital service income to UK consumers will have to be reported separately to the UK tax authorities. This will require a new, separate VAT registration in the UK by US providers, and quarterly UK VAT returns.

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Note: Digital services subject to VAT include a wider net of transactions than the US definition of digital goods. As well as e-books, EU and UK VAT is due on service income from consumers for products such as: online membership sites; subscriptions to news websites; hosting services; streaming video, music or games; online education; hosting services; broadcast TV and radio; and telephonic voice and data.

**Drop shipping costs may rise**

When the UK does leave the EU, it will also leave the Customs Union, a single EU-wide regime for import clearance and tariff charges. The UK will have to set new import duty rates for imports. However, since the UK is historically a free-market trader, it is likely that drop shipping costs will remain the same or even fall.

**What if you are using the UK as a goods import hub for the rest of the EU?**

Companies using the UK as their EU import hub will face the biggest changes. The UK will be outside of the EU VAT regime, and so, imported goods cannot be cleared into free circulation there. This also means that if distributors wish to send the goods to customers in Germany, France and other EU countries, they will have to clear the goods on entry into those countries. This may lead some exporters to change their supply chain strategy. They may also wish to choose another EU state for their European imports. Countries such as Belgium and the Netherlands have very favourable import regimes and onward transport links.

**Is there an impact for the US financial services industry**

UK-based subsidiaries of US financial services firms may now lose some of the EU "Passport" rights that enables them to freely sell across the EU. This will affect retail and investment banks, pension funds, insurance companies and stock traders. A lot will depend on the separation negotiations, and the ability of the UK to secure continued access to the EU's markets.

**Value Added Tax**

Businesses selling to UK businesses or consumers need to understand the implications of Value Added Tax and the EU's sales tax and the UK will also retain its VAT. Also, in order to continue to trade freely with the remaining 27 EU countries, the UK is unlikely to change any of its indirect tax rules.

# An Overview of ESMA's enforcement priorities

**ESMA is an independent EU Authority, whose major role is to serve as the EU's securities market regulator. One of ESMA's areas of responsibility is to promote the effective and consistent application of the European Securities and Markets legislation with respect to financial reporting.**

ESMA issues its public statement on the European common enforcement priorities yearly known as IFRS financial statements. These priorities identify topics that ESMA, together with European national enforcers, see as key areas of focus for their examinations of listed companies' financial statements. Based on the public statement, ESMA's enforcement priorities IFRS financial statements are focused on the following topics:

**1. Impact of financial markets conditions on financial statements.**

**2. Consistency of the statement of cash flows and related disclosures with the other areas of financial statements.**

**3. Fair value measurement and related disclosures for non-financial assets and liabilities.**

ESMA also emphasises the need for quality disclosures in financial statements. In particular, disclosures should meet the following objectives;

› Tell the entity's own story - Issuers should focus on entity-specific disclosures.

› Relevant information; this helps to understand the issuer's financial performance and position and could influence an investor's economic decision.

› Reflect materiality; IFRS refers to the principle of materiality which should result in providing information at a level of detail based on the relative importance of the transactions, other events and specific conditions concerned.

› Promote readability of the financial statements; Financial statements should be written in as clear and concise way as possible while still including all material information.

› Provide consistent information within annual reports. Users expect consistency between information in the financial statements and information included in the accompanying documents, (e.g., the management report). Issuers and auditors should ensure such consistency.

With respect to income taxes, ESMA reminded issuers of the requirements for recognition of deferred tax assets under IAS 12. In particular, entities with a history of recent losses can recognise a deferred tax asset related to unused tax losses carried forward only when there is convincing evidence that sufficient future taxable profits will be available to offset unused tax losses. In addition, in light of the IFRS Interpretations, ESMA expects issuers to disclose their accounting policy related to material uncertain tax positions in accordance with paragraphs 117 and 122 of IAS 1 Presentation of Financial Statements.

The common enforcement priorities focuses on recurring issues identified in the application of IFRS requirements and the current economic climate. In terms of accounting for income taxes, organisations should give a special attention to areas of management judgement, such as recognition of deferred tax assets and UTPs.

# Abolish USC For the Wealthy? Sinn Féin Approach

**Sinn Féin's finance spokesperson, Pearse Doherty has said the Government's plans to abolish USC for those earning up to €70,000 were reckless and a disguised tax break for the wealthy. Mr Doherty said the middle income earners were those on €28,500 per annum, according to the CSO and said that the Government's plan to phase out USC for those earning up to €70,000 was reckless at a time when there were many pressures on Irish society.**

"The reason they want to do that is to make it more pleasant and also make it appear that this type of tax cut is to benefit the middle income earners. This is not true at all, it benefits only those on higher incomes, and many of those are under pressure", said Mr. O'Doherty

The real question here is how do we use the €11.3 billion? What they're planning to do is abolish USC. By 2021 the €5.4 billion that would be due in USC in that year will no longer be available - the question to ask the Minister is, can this country do without €5.4 billion in taxes every year from that year on?

During the height of the boom, personal taxes were reduced to unsustainable levels. What the USC was doing was correcting that. The USC was a deeply regressive tax that impacted on people earning as low as €4,000. What the party has been trying to achieve over the years was making it more progressive and taking low earners out of the USC tax net. Minister for Public Expenditure Paschal Donohoe defended the plan saying that currently, "anyone who earns €10 in overtime takes home only €5", we need to change that.

The Minister said that the Government wanted to save for the future which was why they were introducing the "rainy day fund".
"It is important to have it to deal with any external shocks in the future."
However, Mr Doherty said the reason the Government said there were pressures in Irish society includes the "the trolley crisis, the housing and homeless crisis, underfunding third level education, primary and secondary education to a huge degree.
"There are all of these pressures that will be unmet unless the Government decides to change its tack in terms of massive tax cuts and low spending,"

"What you're going to see in terms of current expenditure is a reduction as a percentage to the GDP over the next five years and that's not acceptable for the needs of Irish society."
He said that Sinn Féin would abolish water charges and property taxes. "They are flat rate regressive taxes and they're not based on income. What we would do then is to invest in the Irish economy to increase our standards of living, reduce the cost of living, and also to invest in health care so we can ensure that if you do get sick, you won't be lying on a hospital trolley or waiting a year and a half to see a hospital consultant.

In terms of tax, we don't believe that the Irish economy can have a situation where you take that amount of tax out of the Irish economy. It's not acceptable. Also, in terms of capital investment, Ireland's is about two per cent of GDP, where the European average is 3.5. Currently, the government in terms of its summer economic statement is going to go to 2.4 per cent, but given the fact that we had massive under investment in capital over the last seven or eight years during the austerity period, what we need to do is ramp that up in the best way to deal with any future shocks to the Irish economy, to make sure that investment happens, that we have proper third level education, proper broadband services, road and rail infrastructure.

On the topic of the Rainy Day Fund, he asked: "how much rain needs to fall before we start using the resources available to our State?
Talk to the people who spent last night in a hotel, these are people who are homeless, they're asking how bad does it have to get before the government will use the money to invest in housing for the homeless.

This isn't a fund that is going to be allocated at each budget - it will stay inside the Exchequer. If it's not used within that year, it will then be allocated to the fund, so in reality this is a fund for budget over runs and for supplementary budgets. If it was a real Rainy Day Fund on Budget Day, it would be allocated to the national pension reserve fund.

# Will the IFSC Benefit from UK's Exit from the EU

**It may have put London at the eye of a storm, but the UK's shocking decision to exit the European Union has thrust Dublin's international financial services into the spotlight. Certainly media commentary since the vote has led to a flurry of speculation that the city could benefit, as UK based financial institutions look to alternative locations to run their European businesses from.**

Global financial institutions, the likes of Morgan Stanley and Legg Mason have been touted as potential candidates to shift some of their business to Dublin, creating thousands of financial services jobs in the process. Michael Mainelli, international advisor to the IFS Industry Advisory Committee and chairman of Z/Yen, which publishes a bi-annual global financial centres report, suggests that as many as 300,000 people could work in the sector in Ireland over the coming years, if it capitalises on the possible potential Brexit poses. But is this likely to happen?

### Brexit will hurt Dublin too

The first point to note is that Brexit will hurt not just London as a financial services centre, it will also hurt Europe as a whole too. If there is less International finance will coming into London, that doesn't mean it will still come to Europe. Dublin and other financial centres might gain, but ultimately it is likely that we will be gaining a larger share of a shrinking pie.

Another factor is that a lot of the business that comes to Dublin originates in London. Many structured financial transactions such as special purpose vehicles (SPVs) are done out of London for example, with the subsequent listing or corporate structure often facilitated in Dublin. If this business no longer originates in London but moves to Frankfurt or Paris, will professionals in those centres think of Dublin as easily as someone in London would have?

Tumbling markets are also proving difficult for the funds industry. The current disruption in the markets and a prolonged period of ambiguity will not be positive to asset managers as the value of the portfolios they manage falls, or is volatile. And this, in turn, will put pressure on Irish based fund players and their employees.
of investment.

### But it does stand to benefit

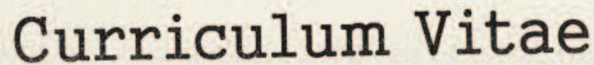
One of the major problems for the UK's financial services sector if it's out of the EU is that companies based there will no longer be able to "passport" their services throughout the EU under freedom of services. This, potentially, presents a huge opportunity for Dublin. As Dublin is also English speaking and in the same time zone, it is a good location and is also tax friendly.

Definitely in funds, new rules will now be needed on how UK domiciled funds can be sold in Europe. Last month the pan-European regulator ESMA warned that the UK's access to fund pass porting arrangements would be "at risk" if it left the EU. Ireland is already a large domicile for the EU branded UCITS and alternative investment funds which are marketed from Ireland throughout Europe and around the world , could be a reason for some UK asset managers to move fund ranges, and maybe people, to Dublin

### The regulator will be busy

Regulation may be one stumbling block to attracting the levels of business that have been discussed. Ireland has a more stringent environment from a regulatory perspective than many other EU Countries.

Another concern may be the Central Bank's capacity to deal with a potential flood of authorisation applications. While the regulator has opted not to give an indication on authorisation queries, noting that "It is too early to speculate on potential increases in applications for authorisation", it did say that it is prepared for any increase in activity.




# How to Write the Perfect CV

**In our business, we regularly meet absolutely top class candidates with great experience who fail to convey within their CV, just how good they are. Lets look at some basic fundamentals on how to write your CV so that you can have the best possible chance of getting that interview.**

The main function of your CV is to get you sitting in front of employers for great positions. As such, it is your marketing document about yourself, qualification, and your experience. The function of a CV is to present the information about you, your qualifications and experience to employers. You need to spend time and effort in properly constructing your CV.

Your CV needs to tell a recruiter or an employer everything about your experience and skills set at a glance. Your CV should be given careful attention and consideration and not approached half-heartedly.

## Do's

- Your CV should be two to three pages in length depending on your work experience but definitely no longer than four pages – potential employers want to read a synopsis of your skills and experience, not a book.
- Use clear, positive business-like language.
- Ensure there are no spelling or grammatical errors, be sure to proofread it several times.
- Start with your personal details followed by education, work experience, hobbies, interests and then references.
- Keep paragraphs short and use bullet points where possible.
- Be sure to highlight your achievements and skills acquired as opposed to your duties.
- Avoid professional jargon and abbreviations to prevent misinterpretation.
- Always use the heading Curriculum Vitae at the top of the first page.
- Personal Details – keep personal details short.
- Put your most recent qualification first and give and details of your results from degrees to Leaving Certificate
- Be certain to include any work placements, IT skills or languages acquired during your studies.
- Use Action verbs such as ' Responsible for….' or I developed…'
- Put your experience in chronological order, starting with your most recent.
- It is essential to list the name of your employer, your job title and the dates of your employment along with a brief outline of your role and responsibilities. It is worth noting that some employers like to see a brief description of the company and their business but try and keep this information short.
- Emphasise the positive changes or influences you had in your role or that you made to the company in your time there.
- The employer is keen to know what skills you can bring to the table so be certain to highlight your strengths and skills.

## Don'ts

- Do not use the abbreviation CV at the top of your page.
- Do not write rambling statements, it should be clear, concise and to the point.
- Do not include salary information.
- Do not give reasons for leaving a job.
- Do not exaggerate your experience.
- Do not write anything negative about a previous employer.
- Do not use colours or decorative borders as this will distract the reader's attention.

# Positive Take on Public Finances

**The public finances are continuing to move in the right direction says the Minister for Finance, Michael Noonan. "In fact, I am pleased to state significant progress has been made in this regard," he added.**

He told the Dail that the underlying deficit of 1.3 per cent recorded last year was further evidence that the public finances were being placed on a sustainable footing. "Encouragingly, Ireland has successfully exited the excessive deficit procedure in a timely and durable manner," he added.

Speaking during a debate on the summer economic statement, the Minister said that from this year, Irish public finances would be subject to the rules of the preventative arms of the stability and growth pact. Our new fiscal objective was to achieve a structural deficit of 0.5 per cent of GDP, and this medium-term objective would be achieved by 2018, he added.

Under the new regime, he said, increases in public expenditure would be financed and safeguarded from dependence on cyclical revenues. "These rules are designed to ensure that fiscal policy enhances economic growth and macroeconomic stability," said Mr Noonan. "This is something that should be welcomed."
He said he was greatly encouraged by the latest exchequer returns, which provided a real-time indication of the pertaining budgetary position.
After the past five months, tax revenues were three-quarters of a billion euro, or 4.3 per cent, above expectations, representing an annual increase of nine per cent, or just over €1.5 billion, when compared to the same period last year, he said.

Mr Noonan added that the revised projection was for an additional €900 million, which equated to an increase of around two per cent when compared to the budget 2016 forecast.

# So you know my name?

Personalised marketing has been around for some time now. As brand marketing departments started to realise that the old rules were no longer always applicable, they found new ways to market their products and services and the result is the 'up close and personal' approach.
In Deloitte's latest consumer review, Made-to-Order, it says "In the era of all things digital, consumers have higher expectations: they want their interactions with businesses and products and services they buy from them to be personalised".
Some brands have gone a little too far with their personalised marketing which can come across as a little over zealous, so if you're going to engage in this type of marketing, make sure you get the tone and level of personalisation right. Ask yourself: how relevant and useful is this? Will it generate new business and retain existing clients rather than turn them off? What's in it for your business in the long term?
Deloitte says that three-quarters of consumers said they receive too many marketing emails from companies, half avoid brands that contact them with poorly targeted communications and two-thirds have even unsubscribed such brands and closed their accounts with them. Although the business of financial advice is not the same as online retail, the personal touch can be useful for relationship-building and targeting key areas certain clients may need to address such as estate planning or school fees.
You need to test and learn what does and doesn't work and make sure you maintain the values of your company. Plus, if you stick to the relevant guidelines around customer privacy, you should see substantial success with your personalised marketing campaigns.

# I Need to See My Financial Therapist

**Polls often show money to be a leading source of worry for people and are also one of the main causes of rows between couples.**

But this doesn't seem to be related to how much money one has – the rich also have sleepless nights over their piles of cash. They tend to worry about how to maintain their lifestyles and whether their children will be able to effectively manage their vast inheritance.

## Cue 'Financial Therapy'

There have been many recently published an article about this field which is becoming increasing popular in the US, where there is a five year-old Financial Therapy Association with more than 250 members. According to the reports, it 'combines traditional financial advice with a more touchy-feely psychological discovery of what is driving a client's actions towards money.

## How does it work?

As with most forms of therapy, Financial Therapy would explore the client's psychological 'blocks' about money and make use of classic financial planning tools such as balance sheets and cash flows.

Financial advisers, of course, know all about behavioral finance and can take many of the ideas and lessons from this field and make use of it with their clients in a number of ways – so perhaps its becoming more conventional.