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BUSINESS WORLD

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BUSINESS WORLD

Stephen Hamlet
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Foreword

If you look at the homepage of Russell Bedford's website, you'll immediately see the following jump out at you; "intimate", "excellent service delivery", "an authentic attitude", "a promise given by one member firm is delivered throughout the network" and "committed to taking you further."

Russell Bedford has to be selective as to the type of firms we recruit, in order to maintain the culture and ethos embedded in our network, enabling us to fulfil the messages highlighted above.

At the start of this year, it was nice to reflect on past glories, and 2018 was a particularly good year for the network. We celebrated our 35 year anniversary at a record-breaking conference in New York, we experienced stellar growth and a phenomenal increase in referrals between offices, as well as completing a rebrand, a new website launch, a tenth year in assisting the World Bank 'Doing Business' project… and not forgetting, of course, our nomination for "Network of the Year"!

In terms of total fee income of all our member firms, and according to the latest league table publication, Russell Bedford is now the 17th largest global accounting network in the world.

In order to ensure we continue to deliver on our promise, we rarely stop for breath! Like they say, "you're only as good as your last performance". We are delighted to have therefore kick-started 2019 with the recruitment of FIVE new firms from four different continents in the first month; firms that meet our strict criteria, giving extra resources to clients as they look to cross borders and embark on international journeys.

I've personally been busy in the first month of this new year discussing the future of the accounting profession with like-minded experts and industry leaders. I had the pleasure of attending a dinner at the Institute of Chartered Accountants in England & Wales (ICAEW), as well as participating at a roundtable discussion with the International Accounting Bulletin and being interviewed for a podcast as a Top 100 Global Accounting Influencer.

It was also a pleasure to be invited as a special guest on a webinar of the International Bar Association (IBA), the world's leading organisation of legal practitioners, bar associations and law societies. We discussed why it is important to WOW your clients and shared our views on the value of a positive reputation by word-of-mouth. Although speaking to over 1,000 legal practitioners from around the world, I felt appropriately placed having a law degree as well as an accounting qualification, allowing me to share my knowledge and experience of issues that affect firms from both professions, globally. The concluding consensus being that word-of-mouth is of vital importance, but marketing strategies need to adapt and evolve to modern times, especially in respect of the powers of social media.

Additionally, I have recently returned from New York where I attended a collaborative meeting for Firm Associations and Networks, held by the Association of International Certified Professional Accountants (AICPA). This provides a useful insight into current developments and especially in regards to the profession in the United States.

The overriding message of all of these debates, once we had spoken about current and upcoming changes; AI, digitalisation, automation, globalisation, competition, regulation… in fact basically everything around the evolution of accounting, was that the most important aspect of our profession and what keeps it alive is the PEOPLE and the personal skills that can never be replaced by any form of technology. And what excites me the most about Russell Bedford is the vibrancy and dedication of OUR PEOPLE, who approach development with such innovation and progressive enthusiasm.

In these continued times of uncertainty, there is an even greater need for the support of experts and specialists, who understand business and can be that trusted adviser to the entrepreneur on their journey of growth and global expansion.

Investing in French real estate

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France is one of the largest investment markets in continental Europe. Its stable economy and legal system, added to its history and culture, makes France attractive to property investors.

Currently, France can point to low interest rates and a rental sector that show's continual growth, especially in the main cities such as Paris, Lyon and Bordeaux. While this has attracted institutional investors interested in retail and tourism, personal investors looking for investment opportunities or second homes are also prominent.

Legal aspects

There is no legal restriction on foreign ownership of French real estate. French law always applies except in succession matters where the law of the non-resident owner's country applies. The legal documents that transfer direct ownership of French property must be drawn up by a notary and lodged with the Land Registry. For indirect sales (shares), a legal adviser is sufficient. In cases where construction or renovation are taking place, a building or demolition permit is necessary.

Where leasing, contracts must be drafted by a legal professional. There are restrictions on rent increases and some legal provisions are mandatory and will depend on the type of lease; for example, commercial or residential leases. As well as paying rent, tenants must pay service charges to keep the rented premises in good condition, they must also insure the property and its contents.

In the case of overseas investors, a property may be acquired either directly by non-resident individuals or via a company created specifically for this purpose. The company will be a non-commercial entity (SCI) under French law. However, for rental income, shareholders can choose between paying personal income tax or switching to corporate tax.

Tax considerations

Property owners pay taxes on acquiring, renting and selling a property.

Taxes on acquisition

Property sales are subject to VAT at 20% and/or a transfer tax of 5.8% depending on the age and type of property. The VAT on acquisition can be deducted from rental revenues in some cases.

Taxes on rental income

For non-resident individuals, there is a basic rate of 30% tax on net rental income. An additional 7.5% in social charges is also payable, or 17.2% if the tax-payer is not resident in the European Union or European Economic Area.

Although rental income from unfurnished property is exempt from VAT, owners may choose to pay VAT on rental income. This can be a useful option where the owner can deduct VAT expenses attaching to the property such as those arising from construction or renovation.

Where a property is owned by a non-resident company, corporate income tax is payable on income at a rate of 15% under €38,120, 28% between €38,121 and €500,000, and increasing to 33.33% once rental income exceeds €500,000.

Taxes on disposal

Non-resident individuals pay a withholding tax of 19% calculated on the difference between the sale price and the original real estate cost. If you sell more than one property in a year, corporate tax applies. There may be exemptions available based on length of ownership.

In addition, social charges of 7.5%, or 17.2% if the tax-payer is not resident in the European Union or European Economic Area, shall apply.

Where property is owned by a non-resident company, or a French company with an option for corporate tax, tax is calculated on the difference between the sale proceeds and the deemed net book value. Tax is charged at 15% up to €38,120, 28% between €38,120 and €500,000, and 33% above €500,000.

Other taxes

Other annual taxes to be aware of include local property taxes based on the property value.. A wealth tax on property worth more than €1.3 million also applies at a rate of:

- 0.7% between €1.3 million and €2.57 million
- 1% between €2.57 and €5 million
- 1.25% between €5 and €10 million
- 1.5% above €10 million
- 3% where the identity of the physical owners is withheld.

Cost considerations

As well as taxes, there are other costs to consider when investing in French property. These include:

- real-estate agency fees of up to 10% of the sale price
- legal costs for drafting a provisional agreement or sale-and-purchase contract, under certain circumstances
- bank and accountant's fees for certain financial documents
- fees to incorporate a company, if using as the purchasing vehicle, of around €2,000
- notary's fees for the final sale-and-purchase agreement of 8% of the sale price
- accountant's fees for certain tax declarations that may be required.

Financial aspects

Real estate investments are usually financed by a combination of equity contribution and bank financing. A bank will usually require a minimum 20% personal deposit and security over the property for any mortgage it advances. A notary will conduct money laundering checks to verify the origin of personal funds.

The French legal and tax system is complex; this means it is essential that you seek the help of legal, property and accountancy professionals. On the positive side, this complexity makes French property ownership secure, making any investment a wise one in the long term.

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Tony is the managing director of Russell Bedford's Dublin member firm, Cooney Carey, and an EMEA regional director of Russell Bedford International. He has over 35 years' experience in corporate finance and business advisory services, and has owned and managed various businesses in the commercial sector. Within Cooney Carey, Tony's clients particularly value his straight-talking, can-do attitude. At times of crisis they know they can rely on him to stick with them and get the job done. He is committed to helping all of his clients succeed.

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Ireland is ready for a post-Brexit Europe

As Brexit uncertainty mounts over whether the UK will reach a deal before it leaves the European Union (EU) on 29 March 2019, one country has played a bigger role in Brexit events than could ever have been imagined: Ireland.

Although Ireland and its border continues to complicate the UK's exit plans, its attractiveness in terms of international business potential has only increased. In this article, we assess what makes Ireland such an interesting option for international business.

Labour market

Ireland's corporation tax rate of 12.5% is often seen as the main reason why foreign multinationals choose to locate in Ireland. However, the presence of some of the world's largest and best-known companies, such as Microsoft, Apple, Pfizer, Google, eBay, Twitter, HP, Intel and Facebook, is testament to the remarkably educated and skilled workforce available in Ireland.

Population trends

Ireland's population has grown significantly in recent years and now has one of the youngest populations in the EU. The availability and quality of educated young people is a key reason why many companies started to locate and recruit employees in Ireland.

Education

The abolition of third-level educational fees in Ireland increased the number of young people completing third-level education. Young adults with third-level education and professional qualifications are now the rule, not the exception. This means Ireland has plenty of graduates and skilled professionals in the areas needed most by businesses, areas such as finance, engineering, IT, law and science. The availability of these highly skilled people is one of the key attractions for international businesses.

Language

As an English-speaking country located between Europe and the United States, Ireland is ideally positioned to help businesses trade with large global markets such as the US and the UK. Ireland's educational system places a strong emphasis on language skills, and immigration has created a population with a diverse set of language skills. Businesses trading with some of the largest markets in the world have often located here because of the language skills that Ireland's people can offer.

Employment, human resources and labour law

Ireland's strong labour-relations structures ensure that labour disputes are resolved quickly and efficiently. The two main bodies – the Labour Relations Commission (LRC) and the Labour Court – are responsible for resolving disputes. All employees are entitled to a contract of employment from their employer. Terms and conditions of employment, including disciplinary matters and grievance procedures, should be explained in detail in a company handbook.

Payroll taxes

Employers must apply payroll taxes for all employees. Since 1 January 2019, this must happen in real time as employee payments are made. This includes income tax collected through the Pay-As-You-Earn (PAYE) system, Pay Related Social Insurance (PRSI) and the Universal Social Charge (USC). These taxes apply to wages, salaries and benefits at various rates and increments.

Pensions and benefits

There is no requirement for employers to establish an occupational pension scheme for employees, nor do they have to make pension contributions. However, employers must provide a mechanism that employees can use to fund their own pension through a Personal Retirement Savings Account (PRSA). Some employers offer an occupational pension scheme, but in recent years the defined-benefit, or final-salary, model has all but disappeared because of the high cost of meeting funding obligations.

Business schemes leading to residency

Business people seeking to live and work in Ireland can apply to participate in the Start-up Entrepreneur Programme and the Immigrant Investor Programme. These government schemes are aimed at entrepreneurs with a proven record of success. The Start-up Entrepreneur Programme was designed to enable non-EEA nationals, and their families, who commit to a high-potential start-up business in Ireland, to acquire a secure residency status in the country.

The Immigrant Investor Programme offers several investment options that allow approved non-EEA investors and their immediate family to enter Ireland on multi-entry visas and remain in the country for up to five years.

Brexit

In the wake of Brexit, Ireland will remain a core member of the EU single market and Euro currency, as well as being the only English-speaking country in the Eurozone. Proportionately, Ireland has the third-highest international workforce in Europe: 15% of its workforce is international.

More than a dozen companies have chosen Ireland for their European operations post-Brexit. These include Citibank, Barclays and Bank of America. And with the possibility of a no-deal Brexit, it's hardly surprising to see businesses transfer their assets out of the UK to safeguard the continued servicing of their EU customers; only recently, Barclays received High Court approval to move €190bn of assets to its Irish subsidiary.

As the turbulence of Brexit negotiations heightens, and uncertainty grows alongside it, Ireland provides an attractive location for international businesses planning for a post-Brexit Europe.

Five key traits to look for in a potential employee

Allied Irish Banks
Ireland

Allied Irish Banks p.l.c. (AIB) is one of the Big Four commercial banks in Ireland, offering a full range of personal and corporate banking services. AIB Capital Markets is the division that offers international banking and treasury operations.

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A huge part of any successful business is the people who work together to push things forward. When hiring staff, you want to be sure any potential employee is not only suited to the role, but a good cultural fit within the company too. Interviews offer just a small glimpse into what someone's all about, but there are key traits to look out for that will indicate how they approach work, and what they'll be like within a team structure. Here's five to look out for...

1. Positivity / high energy

This one might seem like a no-brainer, but a person's attitude towards their work can have huge knock-on effects on the wider team. Negativity is contagious – if someone consistently sees the glass as half empty, the rest of your workforce may inadvertently follow suit. High energy doesn't have to equate to all-singing, all-dancing; it's more about coming in with a positive, 'can-do' attitude, motivating others and leading by example when it comes to producing the best work possible. Note how they refer to previous roles, projects and colleagues – are they complimentary, or do they tend to focus on the negative aspects?

2. Proactive

Most workplaces are fast-paced, with lots of different projects going on at once. It's great when an employee gets jobs done in a timely and precise manner, even better when they use downtime to come up with new ideas or suggestions. Ask them during the interview to share examples of self-motivation in previous jobs.

3. Good communicator

This one's crucial. You might have an absolute subject expert come in to interview, but if they lack good communication skills they may struggle to work collaboratively. You'll get a sense of those skills before you even start asking questions – note how they interact with you (allowing for some interview nerves of course!) Ask for examples of how they've worked towards a shared goal with other disciplines or teams in the past, and how they overcame any challenges that arose. A good communicator will be diplomatic when conflict rears its head: rather than force their opinion on others, they'll encourage open conversation, and where possible, seek to find a happy middle ground.

4. Takes accountability

Juggling lots of jobs while trying to meet deadlines can be tough, and we all make mistakes. The important thing is how we react once we realise a mistake has been made! You want an employee to be mature enough to put their hands up and claim responsibility, but also to immediately take steps to rectify the issue. Ask them to share a time when they made a mistake, and note the language they use: do they shift blame onto a colleague, or take ownership? Were they able to think quickly, offering solutions to offset any damage done?

5. Has problem-solving skills

Any job worth having throws up challenges – otherwise we wouldn't progress in our chosen careers. The ideal employee faces these challenges head-on, seeing them as opportunities rather than blockers. You want to know they'll get creative when it comes to problem-solving, opting to think outside the box rather than always going for the safe, tried-and-tested solution. Can they show an example of when they came up with a new way to solve an issue? How did they convince their team that this was the way to go, and in what ways did it benefit the company? Fresh ways of thinking inspire others to get creative, so even if a certain solution doesn't work, it might encourage the team to approach the next project in an innovative new way. Your responsibility as an employer is to provide a safe space where staff feel comfortable sharing ideas.

The new world of electronic invoicing

European Union member states have differing standards for electronic invoicing, most of which are incompatible with one another. On several occasions in the past, the European Council has stated that further development of cross-border online trade, and the modernisation of public administrations, should include a move to electronic invoicing.

Directive 2014/55/EU on electronic invoicing in public procurement aims to remove barriers caused by differing standards by introducing a European standard for electronic invoicing in public procurement across member states. The directive defines an electronic invoice as one that '...has been issued, transmitted and received in a structured electronic format which allows for its automatic and electronic processing'.

While Directive 2014/55/EU set a deadline of 18 April 2019 for introducing the standard, Italy was quick to make the change. In Italy, electronic invoicing in public procurement has been mandatory for ministries, tax agencies and national security agencies since June 2014, and all public entities since 31 March 2015. Companies have also had the option to use e-invoicing for private business transactions since January 2017.

Taking electronic invoicing to another level, the Italian government asked the European Council for specific authorisation to oblige all Italian operators to use electronic invoicing for all business-to-business and business-to-consumer transactions. From 1 January 2019, this applies to all transactions between entities and persons established or resident in Italy. It also applies to foreign taxable persons with a permanent establishment in Italy.

Sistema di Interscambio (SDI) is an electronic platform managed by the Italian Revenue Agency. The SDI receives invoices and delivers them to their intended recipients, while storing them electronically for ten years. An electronic invoice must be issued in XML format. The electronic signature of the person issuing the invoice, and its transmission through the SDI, guarantees its authenticity and integrity. An invoice issued in a different format, paper or otherwise, or not transmitted through the SDI, is considered not issued and penalties may apply.

Everyone using electronic invoices either has a recipient code or a certified electronic mail address (PEC) to which the SDI sends invoices. All resulting transactional information is held by the Italian Revenue Agency, which may use it for checking and audit purposes.

Electronic invoicing does not apply to operators or consumers outside Italy, who will continue to receive and issue invoices in the traditional way, even if they're registered for VAT in Italy. In fact, the new electronic invoicing requirements have no effect at all on the VAT rules that apply to transactions between Italian and European operators.

It is, however, possible for foreign entities to register with the SDI to get a recipient code so they can have the option to receive and issue electronic invoices voluntarily. This may be a worthwhile option for companies in the same group where one of them is established in Italy.

Introducing electronic invoicing, once fully operational, will simplify business transactions and help compliance. It is destined to have a significant and beneficial impact on the day-to-day running of businesses.

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Five countries join forces to fight international tax crime

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With strong attention to detail, Bill works closely with his clients to help guide successful outcomes in all aspects of their business planning and operations. He has authored many articles and has presented numerous seminars, nationally and internationally, on US tax law and business planning. He has also appeared on national television as a guest on CNN.

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In a move designed to shore up enforcement activities in the fight against those who perpetrate international tax crimes and money laundering schemes, tax enforcement authorities from five countries – the United States, the UK, Canada, Australia and the Netherlands – have come together to form the Joint Chiefs of Global Tax Enforcement, or J5 for short.

At an organisational meeting in Montreal in July, the group gathered to formalise its mission and plans for sharing intelligence and coordinating operations. Members of the J5 include tax-crime experts and senior officials from the US Internal Revenue Service Criminal Investigation (IRS CI), Her Majesty's Revenue and Customs (HMRC) in the UK, the Australian Criminal Intelligence Commission (ACIC) and Australian Taxation Office (ATO), the Canada Revenue Agency (CRA), and the Dutch Fiscal Information and Investigation Service (FIOD).

Specifically, the group has united around a three-point mission, which states:

- We are convinced that offshore structures and financial instruments, where used to commit tax crime and money laundering, are detrimental to the economic, fiscal, and social interests of our countries.
- We will work together to investigate those who enable international tax crime and money laundering and those who benefit from it.
- We will also collaborate internationally to reduce the growing threat to tax administrations posed by cryptocurrencies and cybercrime and to make the most of data and technology.

The impetus for forming the J5 was in response to a call to action from the Organisation for Economic Co-operation and Development (OECD) for countries to do more to tackle the enablers of tax crimes. The J5 will work with the OECD and other countries and organisations where appropriate. Successes, new approaches and findings from these joint efforts will be shared with the worldwide tax enforcement community.

In a joint communique from J5 members, Don Fort, Chief of the U.S. IRS-CI said: "We cannot continue to operate in the same ways we have in the past, siloing our information from the rest of the world while organised criminals and tax cheats manipulate the system and exploit vulnerabilities for their personal gain.

"The J5 aims to break down those walls, build upon individual best practices, and become an operational group that is forward-thinking and can pressure global criminals in ways we could not achieve on our own."

Fort's comments were reinforced by Simon York, Director of the UK's HMRC Fraud Investigation Service. "Tax crime and money laundering are becoming increasingly global and sophisticated," York said. "So it is crucial we continue to work with international partners to tackle these threats.

"The formation of the J5 shows our commitment to leading that fight," he added. "Working together we are broadening the horizon of tax crime enforcement, making the world a smaller place for those seeking to exploit our systems and ensuring no one is beyond our reach."

Forbes Magazine reported that the group will begin by focusing on operational aspects of tackling financial crimes, including sharing best practices and intelligence leads, as well as conducting cases together. The group will also use new methods to track cryptocurrency used in the commission of a crime. Finally, the group will have practices in place so that if a new data breach occurs or if a set of relevant documents is released, a structure will already be in place to address it.

Leaders of the group expect that, over time, some concrete results will come from the active collaboration they envisage, including:

- Enhancing existing investigation and intelligence programs
- Identifying significant targets for new investigations
- Improving the tactical intelligence threat picture now and into the future
- Leading the wider tax-crime enforcement community in developing its strategic understanding of the methods, weaknesses and risks from offshore tax crime and cybercrime
- Raising international awareness that the J5 is working to reduce international tax crime, cybercrime and money laundering, and create uncertainty for those who seek to commit such offences.

During a follow-up conference call with reporters, Fort said that he and his colleagues are looking forward to sharing assets in investigations, including using the various national and multinational criminal statutes available to them. At the same time, however, he acknowledged that laws and privacy protections do vary from country to country and could prove challenging to reconcile in some cases.

> *"Tax crime and money laundering are becoming increasingly global and sophisticated."*

Beijing's tax crackdown has wide-ranging implications for Chinese-Canadians

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China has embarked on a major reform of tax laws that could have sweeping implications for high-net-worth individuals inside the country, not to mention Chinese-Canadians and Chinese citizens who have investments in Canada.

Perhaps the most high-profile example of the country's efforts to close tax loopholes and boost tax revenue are the recent accusations lodged against superstar actress Fan Bingbing. The X-Men: Days of Future Past actress was recently detained and questioned by Chinese authorities and has reportedly agreed to pay nearly US $130 million in back taxes, penalties and fines in exchange for avoiding jail time.

The news comes on the heels of a major and ongoing revision to China's personal tax code. The current progressive system levies rates of up to 45% and as little as 3% on individual taxpayers, with a flat tax of 20% on income such as property transactions and dividends. However, we will now see a move to more widespread use of annual tax levies, more deductibles and increased access to lower tax brackets for the masses, among other measures set to take effect on 1 January 2019. Many Chinese will see a cut to their personal tax bill, while those with multiple income sources, for example, may pay more. Remunerations and royalties will now be added into salaries to determine an individual's tax bill, maxing out at the upper 45% threshold.

Of even greater relevance to ex-pat Chinese is the fact that the State Administration of Taxation (SAT) – Beijing's equivalent to the Canada Revenue Agency – has spent years investing in new technology designed to accurately track transactions and income. Gone are the days when avoiding tax was a game played with relative impunity .

Now, the Chinese government is using sophisticated technology to track and tax a wide range of transactions – all of which are connected to taxpayer identification cards that record taxable line items such as salary, dividends and rental income. New levies on investment income and capital gains are sure to alarm wealthier Chinese who maintain sizeable stock and real estate portfolios. Individuals are now also limited to just two accounts at any one financial institution. In addition, transactions via popular mobile apps such as AliPay and WeChat – which once slipped past the SAT – are now being monitored by tax authorities, with the goal of further boosting tax revenue. With every piece of information about personal transactions now linked directly to government-issued ID cards, tax evasion or avoidance is all but impossible.

China has also bolstered its authority to track indirect equity transfers to overseas tax havens for both individuals and companies, while Chinese tax-residency requirements have been clarified and might finally be enforceable. In general, individuals who reside in China for more than 183 days in a calendar year are considered tax residents in China. Those who own property in China might also be subject to income tax. Guidelines, exemptions and supplementary interpretations on the subject are currently in draft form and were scheduled to take effect on 1 January 2019.

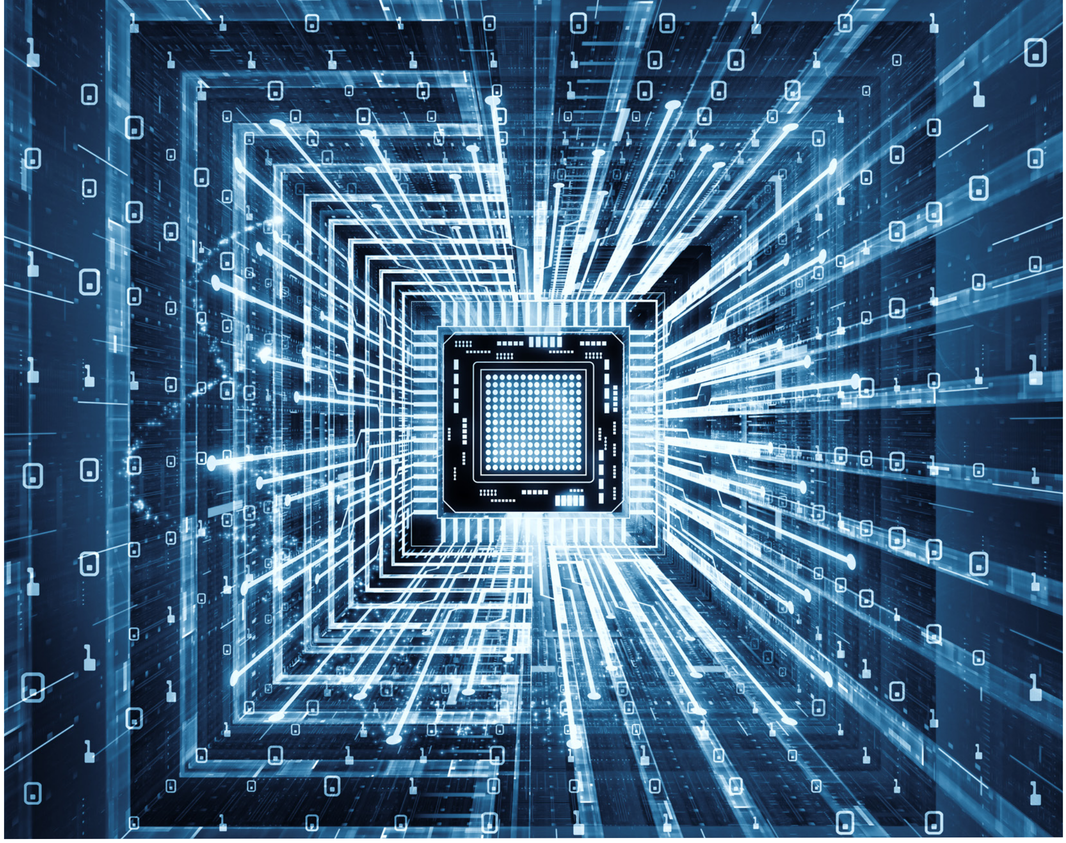
Overall, Beijing is working to synchronise its tax system to align more closely with those of other countries such as Canada. More income is being subject to income tax as China implements an integrated approach to taxation that groups all income and taxes it at a higher rate, rather than having employers withhold taxes at source.

Before China adopted its own version of the Organisation for Economic Cooperation and Development (OECD) Common Reporting Standards, interest income from non-resident accounts in Canada was largely tax free, while dividends from privately owned companies were subject to withholding for tax purposes. Many Chinese citizens have children who move to Canada and are tax residents, but those parents are classified as visitors. They often open non-resident bank accounts in Canada as a tool to move funds overseas. In the past, this information wasn't repatriated back to China. That has changed.

Now that information is available to the SAT, Chinese immigrants to Canada (including visitors) must be honest, transparent, fully disclose all sources of income for tax compliance purposes, and be prepared to pay tax on their worldwide income. There is nowhere to hide for Chinese hoping to funnel money out of their country or earn it overseas tax-free. There is also greater pressure on Canadian tax professionals who cater to the Chinese ex-pat community to up their game as compliance standards become more stringent.

While Canada will remain a destination for wealthy Chinese seeking overseas investment opportunities, advanced technology and a determination on the part of Beijing to squeeze the country's top earners means Canada no longer offers the same tax-sheltering allure as it once did.

"X-Men actress... has reportedly agreed to pay nearly US $130 million in back taxes, penalties and fines in exchange for avoiding jail time."



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European digital tax proposals in deadlock

The international tax laws that we work with were designed before globalisation and digitisation; as far as the modern digital economy operates, they are not fit for purpose. In short, the current tax framework does not generate tax fairly in the country where the value is created – companies such as Amazon, Google, and Facebook have all faced criticism for this.

The European Commission (EC) believes the rules need changing to:

- create a fair taxation system for all businesses
- support business growth in a competitive economy
- generate sustainable tax revenues.

What is the European Commission proposing?

Digital companies continue to show rapid growth, when compared to non-digital businesses, so the disconnection between where digital businesses generate profit and where they pay tax is growing. On 21 March 2018, the EC announced proposals to deal with this problem with the stated aim of: *'A Single Market in which digital companies can do business and grow, while paying their fair share of taxes.'*

To achieve this, the EC put forward two measures. The first proposal is a long-term solution, forcing companies to pay tax in each Member State once achieving any, not all, of the following:

- revenue of more than €7 million
- more than 100,000 users
- more than 3,000 online contracts to supply digital services.

The second measure is an interim solution that tries to close the gap in the short term. It is also designed to stave off the urge for individual Member States to act unilaterally, moves that are already underway and which the EC believes will disrupt the Single Market. The interim proposal takes the form of a 3% charge on profits from three revenue sources:

- online advertising
- the sale of user data
- digital platforms that allow users to interact with other users.

This interim proposal applies to businesses with annual worldwide revenue exceeding €750 million and total EU revenue exceeding €40 million (this has reduced from the original EC proposal of €50 million).

Why is there a problem?

Not everyone is happy, and the proposal requires all 28 Member States to agree. So why the unrest?

Some fear retaliation from the United States, a fear that is not misplaced as the companies being targeted are mostly US businesses. Others are already developing their own digital tax arrangements, which they may prefer to the proposed EU solution. And Ireland has vested interests – Google, Apple and Facebook all have a presence in Ireland.

Here in Poland, the government is ready to accept the proposals. The Polish Ministry of Finance believes that the proposed changes to the system of international taxation of the digital economy are in line with Poland's fiscal interests. Consequently, the Council of Ministers has given its support to solutions contained in the EC directive.

What next?

The energy behind the drive for taxing the digital economy originally came from two of the European powerhouses: France and Germany. Of late, Germany has reeled in its enthusiasm, but France is still keen to forge ahead, believing that an EU digital tax could smooth the way for proposals for a global solution from the Organisation for Economic Cooperation and Development (OECD).

The situation is fluid, so watch this space.

News in brief

Russell Bedford leaps to 17th place in world ranking of global networks

Over the past two years, Russell Bedford has experienced the 5th highest growth of all networks in the Top 20.

Following the announcement, Russell Bedford CEO, Stephen Hamlet said: "I am immensely proud of all that has been achieved by the network over the past two years. I knew when joining Russell Bedford in 2017 there was a solid foundation upon which we could expand and advance. Our consistent efforts towards network enhancement and brand development have led to us accomplishing a host of achievements, from gaining a staggering 30+ new members over the past two years to achieving a record increase in referrals last year of 35% across the network.

LFK Russell Bedford's Stuttgart / Freiburg member merges with Leisle GmbH

Russell Bedford's Stuttgart / Freiburg member, LFK Limberger Fuchs Koch & Partner, has announced the expansion of the firm as a result of its merger with Leisle GmbH, a Tuttlingen based tax consultancy and auditing company.

Founded by Pamela Leisle, tax consultant, auditor and expert consultant for international tax law, Leisle GmbH has been very successfully advising predominantly medium-sized companies in Tuttlingen and the surrounding region for many years.

Incredible growth for Russell Bedford with new members announced in opening weeks of 2019

Russell Bedford announced significant growth in the opening weeks of this year gaining new members in Uruguay, Albania, the Netherlands and Uganda. The announcement comes following an equally impressive end to 2018, where the network gained two new members in the final month of that year; enhancing presence in the USA with a firm in Chicago, as well as another in the country of Georgia. Speaking of the continued growth, Russell Bedford CEO, Stephen Hamlet, said: "It has been an incredible start to the year. We had so much success in 2018, we thought it would be hard to beat. However, with a start like this, we are looking forward to an even better year ahead with continued success on the horizon."

Hallidays client Didsbury Gin secures Dragons' Den Investment

A client of Russell Bedford's Manchester member, Hallidays, has secured investment from a British entrepreneur on the hit BBC TV show 'Dragons' Den'.

On Sunday 13 January viewers watched Didsbury Gin owners, Liam Manton and Mark Smallwood, deliver an impressive pitch which secured £67,500 for 30% of the business from British entrepreneur, Jenny Campbell. Jenny (a lover of gin, who also has her own gin bar) will bring a wealth of experience to help Didsbury Gin and her wide range of contacts will further support their ambitious growth plans. Hallidays advised Didsbury Gin on the seed investment round and supported them throughout the deal to completion.

First impressions last a lifetime

Working in the professional services industry, we know all too well the importance of making a good first impression. It can mean winning or losing business. It's what clients use to determine whether they can trust you or not, and it's what competitors use against which to benchmark. But most importantly, it's the deciding factor that will determine how you or your business will be remembered - be it positively or negatively.

Following last year's hugely successful rebrand, fresh new brochures are now available on the Russell Bedford global website; telling the story, sharing the vision and the ambition that keeps the network taking you further.

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