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ALLIOTT GROUP

A Worldwide Alliance of Independent Accounting, Law and Consulting Firms

EMEA Conference Highlights Significant Opportunities for Mid-Size Professional Firms That Can Become Visible Experts

Enquiries: marketing@alliottgroup.net

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Read a short report on Alliott Group's 2018 EMEA Regional Conference in Prague

Themed 'Building a Future-Proof Firm', Alliott Group's 2018 EMEA Regional Conference attracted a record attendance of approximately 100 accountants and lawyers from 31 countries. Delegates acquired insights into how they can become a more powerful, trusted resource for their clients in a world rich with opportunities but also facing significant challenges.

Over the three-day event, experts from within and outside the alliance's international membership gave presentations and facilitated workshops on a range of business improvement subjects such as effective leadership, talent management and marketing.

With new EU data protection regulations *('GDPR')* being directly applicable in EU countries from 25th May, updates on the practicalities of GDPR compliance were high on the conference agenda with members from the UK *(Jackie Hendley, Smith Cooper)* and Austria *(Juergen Brandstaetter)* providing information their professional counterparts can share with clients to help future-proof their businesses. Furthermore, the significant changes to the U.S. tax system were the subject of a joint presentation given by U.S. tax *(Scott Shapiro, Weber Shapiro)* and attorney *(Ted Markson, Golenbock Eiseman)* members who outlined the implications for foreign companies and individuals *(see article on pages 11-12)*.

This year's conference also provided the catalyst for the launch of two specialist groups focused on VAT & Indirect Tax and Transfer Pricing which will be led by Mickael Tatayas and and Marie-Lise Swinne respectively, both international tax specialists at Tax Consult in Belgium.

Keynote speaker William Johnson challenged thinking on how to 'sell' high end professional services.

Alliott Group CEO James Hickey comments:
"The content of this conference and the levels of participation were at an all-time high. The main conference and the meetings of our specialist groups focused on tax, M&A, legal, global mobility and private wealth demonstrated the value of accountants and lawyers working together at the international level within an alliance such as Alliott Group. The success of this conference and our continued growth show that we are in an optimum position to meet the growing preference among clients for a one-stop-shop approach to buying professional services."

Existing members were joined at the conference by a number of representatives from prospective member firms in Finland, France, Ireland, Italy, Serbia and Tunisia who were able to acquire 'future-proofing' strategies focused on how their firms can:

- Leverage relationships with their international alliance colleagues to offer local companies and private individuals a 'one-stop-shop' approach to procuring professional advice on a multi-market basis
- Establish the true collaborative partnerships clients want from professional advisers
- Attract and retain the best local talent in their marketplaces
- Differentiate and grow their practices by developing specialist niches
- Embrace technology to increase transparency and efficiency with clients and enhance the service experience
- Develop a marketing strategy that does not rely on referrals.

VAT & **Indirect Tax Group** launched at EMEA Regional Conference

A new special interest group has been formed to focus on VAT and indirect taxes and will be nested within the International Tax Services Group.

The VAT & Indirect Tax Services Group, was launched during the International Tax Services Group meeting in Prague earlier this month. The energy and inspiration for the group comes from Mickael Tatayas, VAT Director at Tax Consult in Belgium *(pictured above left with Zaheer Anis of Alliott Management Consulting UAE in Abu Dhabi)*.

The group has been set up as a sub-group of the International Tax Services Group headed up by David Gibbs, and will initially be led by an international team of specialist members, most notably Mickael Tatayas.

Unveiling his plans for the group at the 2018 EMEA Regional Conference, Tatayas expressed his ambitions to establish a close network of international VAT/indirect tax experts who can advise each other's clients when doing business in a different jurisdiction. VAT, explained Tatayas, has, for example, become an issue for clients involved in remote selling, and it is important that we *"increase the collaboration between Alliott Group members on VAT/indirect tax matters in EU member countries but also in non EU-member countries."*

Among Tatayas' other plans are initiatives to share and publish country-specific information, develop marketing communications and generate new business opportunities within and outside the EU.

More information will follow soon, but if you are a specialist in VAT or indirect tax, in the first instance, please get in contact with Giles Brake at the Executive Office so that we can involve you in the group as it develops.

Stop the Press: Alliance Continues Growth

Four new members have joined the alliance in recent weeks, including three accounting firms and one law firm. All three are exceptional mid-sized practices in their markets and provide a wide spread of services applicable to growing businesses and private clients with sophisticated interests. Moreover, each has a real appetite to grow their businesses and a genuine need to refer their multi-market clients to the trusted firms within Alliott Group.

In the **US**, we welcome Thompson O'Brien, Kemp & Nasuti PC *('TOKN')*. Based out of Atlanta, Georgia, TOKN *(www.tokn.com)* is a 31 attorney law firm which serves a broad spectrum of clients, including Fortune 100 corporations, local governments, federal and state banks, credit unions, lending institutions, closely held companies, property management concerns, and small to mid-size businesses.

In **Tunisia**, Synergie Audit & Conseil has been admitted as our accounting member. Alongside core accounting, audit and tax services, the firm adds value to its clients' business via its management consulting and financial advisory practices. Synergie Audit & Conseil *(www.synergie-ac.com)*, a four-partner firm, is based in the capital Tunis. Many will have met contact partners Sofiene Charfi *(sofiene.charfi@synergie-ac.com)* and Mehdi Fradi *(mehdi.fradi@synergie-ac.com)* in Prague.

In Singapore, due to Precursor merging into international network Mazars, we have, through previous contact partner KG Tan, been able to quickly appoint a high calibre replacement member in JBS Practice Public Accounting Corporation *('JBS')*. Beyond core services, JBS *(www.jbspractice.com)* offers speciality services in liquidation and consultancy. Your contact partner in Singapore is Bala Janamanchi *(Bala@jbsaudit.com)*. The firm has three partners and attended the APAC Regional Conference in Osaka.

GCCA-Gulf Center Consultancy & Audit *('GCCA')* is our new accounting member in Muscat, **Oman**. GCCA *(www.gccaglobal.com)* has four partners and differentiates itself by offering the full range of accounting and tax services but also business consulting and feasibility studies. The firm attended the 2018 Middle East Region Meeting in Dubai. Your contact partner is Subhash Kumar *(kumar@gccaoman.com)*.

More information on each firm will be available soon.

2018 Asia Pacific Regional Conference: Good Turnout For Conference Focused on Future-Proofing The Firm

Read a short report on the recent Asia Pacific Regional Conference in Osaka

Held from 24-26 May in Osaka, Japan, the 2018 Asia Pacific Regional Conference attracted 28 members from 17 cities in 11 countries, ensuring valuable personal development, learning and networking opportunities for all those in attendance.

The conference themed 'Building a Future-Proof Professional Firm' provided attendees with insight into the business opportunities offered by Japan and other Asia Pacific countries and offered tips on how to negotiate and communicate more effectively when doing business in Asia. Other content was provided to prepare firms for a more sustainable future in these fast-changing times.

Attendance from delegates from across Asia, as well as from Australia, Belgium, Germany and the UK, enabled Alliott Group member professionals to build stronger personal connections to advisers on whom their clients can rely whenever they need help with a business or personal matter.

Keynote speaker Ichiro Soné of Japan External Trade Organization *(JETRO)* provided economic data which confirmed the attractiveness and importance of trading with Japan. Updates were also shared on Japan's new EU and Trans-Pacific Partnership trade agreements which are set to boost the country's GDP and jobs market from 2019. Delegates also learnt about recent regulatory and tax reforms and the Japanese Government's strategy to make the country more competitive in attracting high skilled foreign professionals.

Soné explained that:

- Japan is the world's third largest economy in terms of GDP *(US$4,939 billion)*
- The country is performing well under the policies led by Prime Minister Abe
- Japan has enjoyed eight consecutive quarters of GDP growth for for the first time in 28 years
- In January 2018, the Nikkei stock exchange reached a 26 year high average of 24,124 Yen
- The rate of inflation is flat, and
- The effective rate of corporate tax has been reduced by 7% over the last three years to 29.74%.

Japan: open for international business

Foreign businesses are being encouraged to invest in the Japanese market through ongoing regulatory reforms *(liberalisation and the loosening of visa requirements)*, specifically in Japan's medical/pharmaceuticals, tourism and energy sectors. The new policies are getting results with records for the amount of foreign direct investment achieved in four consecutive years, peaking in 2017 at 29.97 trillion Yen.

Business Advantage Program: Key dates in 2018/19

The events below are now confirmed for 2018/19. Please visit the website regularly *(https://www.alliottgroup.net/bap)* for further updates.

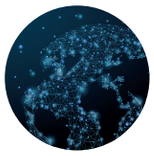
2018 Tools for Success Bootcamp *(Staff Training)*
Las Vegas, NV, USA
17-19 June 2018

2018 North America Firm Leadership Retreat
Las Vegas, NV, USA
18-20 June 2018

2019 North America Leadership Conference
Grande Lakes, Orlando, FL, USA
21-23 January 2019

2019 Worldwide Conference
Madrid, Spain
23-26 October 2019

2018 Leaders of the Future Program
Las Vegas, NV, USA
17-19 June 2018



2018 Worldwide Conference
Vancouver, Canada
27-31 August 2018

2019 EMEA Regional Conference
Dubai, UAE
29 April - 01 May 2019

Membership expansion: Receive a financial reward when you successfully introduce a new member firm

Alliott Group is hungry to expand to new markets. Membership growth will strengthen our value proposition by offering our members an increased range of business opportunities and by providing clients with service coverage in more locations worldwide.

There are still 65 cities where we only have one accounting or law firm member – this is a win-win opportunity for members already in these cities. There are other major business centers where we do not have coverage at all.

We ask for your assistance in developing the membership further so that we can project a more powerful Alliott Group presence across the world. Joining an alliance might be seen as a risk by a firm – your recommendation will be seen as a vote of confidence in our product.

Financial incentives*

To thank you for acting as an advocate for Alliott Group, we offer two significant financial incentives:

1. If you introduce a firm with which you have a working relationship and that proceeds to join the alliance, then we will give you 50% of that firm's Year 1 invoiced subscription followed by 50% of their Year 2 subscription
2. Introduce a firm that you have met at a networking event or through an introduction and we will give you £500.

Key target regions and cities

While it remains critical to appoint new members in the world's key business hubs, we are particularly focused on expansion into the locations below:

- **Scandinavia**
  - Finland
  - Sweden
  - Norway
- **Russia & CIS**
- **Baltic Region**
- **Eastern Europe**
- **Latin America**
  - Brazil
  - Chile
  - Mexico
- **Africa**
- **Middle East**
- **China**
- **North America**
  - Los Angeles
  - Philadelphia
  - Seattle
  - Toronto
  - Washington D.C.

Once you have your contact's permission, simply email James Hickey *(james@alliottgroup.net)*.

*To qualify for the financial reward, a prospective member firm must *a)* meet the alliance's membership criteria and *b)* proceed to join and pay their subscription invoice in each year.

London Law Firm Member **Sherrards** Strengthens International Services Team With Launch of Immigration Unit

In a strategic move that strengthens the firm's international services offering, London law firm Sherrards has launched a full-service Immigration Unit under the leadership of experienced immigration lawyer Laura Butcher.

Extending the firm's international offering through a fully-fledged immigration service adds extra firepower to Sherrards Solicitors' *('Sherrards')* ability to service overseas businesses and private clients coming into the UK. The firm can now provide the full range of legal skillsets needed by a foreign business or individual in the UK and when required, can link up seamlessly with trusted counterparts at Alliott Group member firms across the world. The development ties in neatly with the launch in 2017 of Alliott Group's fast-developing multidisciplinary Global Mobility Services Group.

The continued growth of the firm's International Services team and the issues and opportunities related to Brexit made a compelling case for launching the new service and for recruiting a high calibre solicitor in Laura Butcher to lead its development. Paul Marmor, Head of International Services, explains: *"It's a terrific move for Sherrards and a great strategic fit for us to be able to offer a fully-fledged immigration unit. This will really help us to support our international offering and, in particular, our specialty desks focusing on China, Russia and the CIS region and France, not to mention the issues thrown up by Brexit."*

Having trained and honed her expertise at international immigration law firm Fragomen, and more recently with national UK law firm Osborne Clark, Laura is an authority on all aspects of UK immigration law. She has represented some of the world's largest companies across all sectors, including research, analytics, data and consulting services, finance, technology, engineering, retail, telecoms, consultancy and oil and gas. Over the years, she has combined her immigration law experience with employment law experience, enabling her to provide strategic advice to employers on compliance and immigration conflicts and to high net worth individuals on not only their immigration requirements, but also on matters related to lifestyle, conveyancing and estate planning.

Laura comments:

"My passion is immigration work, and I wanted to be part of a firm that is also passionate about developing an immigration offering. Sherrards is a perfect fit with its international connectivity."

Laura joins an International Services team consisting of experienced, multilingual lawyers who front specialist foreign desks focused on China (*Laurel (Xueying) Zhang*), Russia and CIS (*Marta Grieve*) and France and Europe (*Geraldine Fabre*). The team is headed up by international services partner Paul Marmor and head of the corporate team, Jean-Paul da Costa.

Luc Lamy, Chair of Alliott Group's Global Mobility Services Group and partner at Tax Consult in Belgium adds:

"Alliott Group's Global Mobility Services Group aims to provide international companies with an alternative source of professional services advice beyond the usual Big Four or Big Law firms. Sherrards' launch of an immigration practice in the UK strengthens our team's ability to offer an international one-stop-shop professional services experience to companies facing the legal, tax and HR challenges involved in moving their staff across geographic borders."

For more information contact **Paul Marmor.**
(pdm@sherrards.com)
at Sherrards Solicitors LLP

Talent Management: People at the Heart of Boston Firm's Future

Boston accounting firm Walter & Shuffain is not resting on its laurels. Despite fast growth, W&S is investing in the future of the firm, especially in training that will accelerate the development of its people and future firm leaders.

Boston CPA firm member Walter & Shuffain *('W&S')* has grown fast over the past two decades. However, to keep the firm sustainable, the firm's leaders have put in place tailored staff and leadership programs that ensure its people are engaged and prepared for leadership roles and more able to view the firm as their long-term employer. *(Read the full article on the Journal of Accountancy website: https://www.journalofaccountancy.com/issues/2018/may/customizing-talent-development.html).*

Below are excerpts and key points from an article in the Journal of Accountancy which provides tips on how innovative, forward-thinking professional services firms such as W&S are taking steps to ensure talent management is a key differentiator for their firm, particularly in view of the 'war for talent' in the professional services market.

With the firm having grown from 25 professionals and five partners to 70 professionals and eight partners since 1990, W&S has undergone growth to a size which William Cooper, partner *(pictured right)*, describes as "perfect." However, similar to some firms in the market, W&S realised it must meet the challenges posed by staff succession and development demands. Attracting new recruits had never been an issue, but finding and retaining senior staff and get them ready for leadership roles had proved challenging.

Today, the firm's leadership consists of three senior partners who are between five and 10 years from retirement and five 'NextGen' partners who are all under the age of 45. Two of the NextGen partners started with the firm as first-year staff. *"We realize that our staff are the future of the firm,"* commented partner Angela Parziale *(pictured right)* who is one of the NextGen partners spearheading the program. *"And we want to keep W&S sustainable. We don't want to be forced to merge into a larger firm to address our growth and succession needs."*

The need for a formal program

Parziale looked at how CPA firms of similar size were addressing their needs, and based on what they learned about other firms' success, the firm's leaders decided they needed a formal and comprehensive program: *"It wasn't enough just to let everyone find their own path."*

Appealing to Millenials

The firm wants to ensure that people stay with the firm, and realising that many millenials' idea of a career path is to have five to six different jobs, rather than a long career at one company, the firm's leaders set out to change that mindset. To do so, the firm is trying to make sure younger people are aware of the rewards that a career with W&S can offer. *"We're communicating what it means to have a top-level position here,"* comments Parziale.

An eye on the long term

The firm believes its staff and leadership development programs will better equip it to make the most of its team members and to keep them engaged. *"We want them to know the firm's leaders have thought about what it would take to stay,"* commented Cooper. *"Our goal is to have them envision a long career at the firm."*

Record Number of Promotions in a Year at **Ellisons**

East of England member Ellisons Solicitors has recently promoted 10 lawyers, including three to partner and seven to associate. This number of promotions in a single year is unprecedented in the firm's rich history.

The promotions are spread right across the firm, reflecting the firm's commitment to increasing their focus on providing a wider range of specialist expertise and the firm's continued growth.

The new partners are Lisa Dawson and Scott Porter *(both based at the Colchester office)* and Gina Westbrook who is based in Clacton-on-Sea.

Lisa Dawson joined Ellisons as a trainee in 2002 and advises on a wide range of family law matters. Scott Porter is an insolvency and debt recovery solicitor who joined Ellisons in 2016 and now works in the firm's Dispute Resolution team. Scott's clients include large corporate entities, financial services firms and banks, insolvency practitioners, accountants, private companies and individuals.

Gina Westbrook joined Ellisons in 2008 and was promoted to associate in 2015. She specialises in all aspects of private client work.

Further promotions in Colchester include Chloe Baldwin *(Private Client)*, Imogen Dodd *(Private Client)*, Rebecca Hempstead *(Residential Conveyancing, Private Client)* and Linda Osborne *(Private Client)*. All five become associates.

The Ipswich and Clacton-on-Sea offices have also experienced promotions with Catherine Frost *(Private Client)* and Katie Mayes *(Private Client)* from Ipswich, and Karen Healy *(Residential Conveyancing, Private Client)* from the Tendring branch all being promoted to the role of associate.

Managing Partner Guy Longhurst, comments:

"Ellisons is proud of the excellent service it offers to its clients, and these promotions, a record number this year, recognise the hard work of all who have been promoted and the continued expansion of Ellisons."

One-Stop-Shop Professional Services Approach Moves Forward **Pizza Hut Franchise Sale**

Collaboration between Alliott Group's UK legal and accounting members progresses Pizza Hut franchise deal.

The alliance's UK law and accounting members, Sherrards Solicitors *(London)* and Smith Cooper *(Midlands)* have demonstrated the benefits to clients involved in buying or selling businesses of being able to partner with professionals advisers at medium sized firms who have complementary but different skills in the M&A arena, in this case, in the franchise and retail/food and beverage sectors.

Both Sherrards and Smith Cooper have a long and proven track record of providing services to franchisees and franchisors.

Sherrards have been advising their client KMP Taste Ltd, one of the UK's largest pizza franchises, on the sale of its entire issued share capital to Zaf Holdings Ltd. The deal needed a large team of corporate and property lawyers with sector experience and skills in franchising and retail given the size of the business which encompasses 28 Pizza Hut stores and more than 500 employees within the business in the UK.

Andrew Cooke, partner, led the team at Sherrards, along with Charles Hodder, commercial property partner, and made the vital connection with their corporate finance colleagues at Smith Cooper. Both firms are long-standing members of Alliott Group.

Cooke comments:

"Having worked with KMP Taste Ltd for a number of years, acquiring Panando Ltd for them in 2015 and handling their new leases in recent years, our corporate and property teams are highly familiar with their business. This helped bring all of the parties together and moved the deal forward."

Pizza Hut has grown to 16,000 restaurants in over 100 countries since being set up in the U.S. by two brothers in 1958.

For more information contact **Andrew Cooke** *(andrew.cooke@sherrards.com)* at Sherrards Solicitors LLP

Greece Accounting Member Moves To Larger Modern Offices in Athens Following Continued Growth

Following years of growth and the addition of new staff, Kleopas Alliott has relocated its Athens presence to a modern office complex which provides further room for expansion.

John Kleopas, the former Worldwide Chair of Alliott Group and the founder/partner at Greece accounting member Kleopas Alliott Business Consultants unveiled his new office in Athens last month.

The team in Athens has undergone steady growth and outgrown the 3,300 square feet capacity afforded by their previous office space. A strategic decision was made to move the team to larger *(5,500 square feet)* premises with a more premium feel which would position the firm for further growth and provide clients and staff with a more modern, secure and technologically advanced environment in which to work and meet.

The new offices occupy the entire fifth floor of the second tallest building in Athens. Clients are welcomed into a new, larger reception area and staff work in an open plan office that can seat 32 people. A further two meeting rooms and separate offices are used for team and client meetings and by the firm's management.

Investment in the latest technology is also enhancing the working environment and client service experience - full video and telephone conference facilities have been put in place and a modern IT facility that meets the highest security standards.

The office move gives the firm fresh impetus and will help the firm in its pursuit of future growth goals. We wish the firm and all staff every success.

For more information contact **John Kleopas**
(kleopas@alliott.gr)
at Kleopas Alliott Business Consultants SA

Impact of **US Tax Reform** on Foreign Nationals & Businesses

With $1.92 trillion of investment going into the United States from Europe, the impact of US tax reform is an area of huge interest and some confusion among investors from the European region.

At the Alliott Group 2018 EMEA Regional Conference in Prague *(9-11 May)*, US attorney Ted Markson and CPA Scott Shapiro combined across professions to provide more clarity to their European counterparts on the ramifications of US tax law changes for foreign corporations and individuals and also for US expats abroad.

Ted Markson, partner at Golenbock Eiseman Assor Bell & Paskoe in New York City, explained that the big headline story of the US tax reform program *(Tax Cuts & Jobs Act)* is the reduction in the rate of US corporate tax. According to Markson, historically, corporation tax has been set at 35% with structures being used for international investment into the United States that served to lower the effective corporate tax rate.

"The way affairs were structured would depend on the type of investor and whether, as in the case of a strategic multinational group, there was the benefit of a tax treaty. However, for the typical private equity investor, where a significant portion of the investment is going to a fund in an offshore jurisdiction that that does not for example have treaty protection on the payment of dividends, typically a structure would be deployed that would enable an acquisition or investment to be financed using a mix of debt and equity," explained Markson.

The first benefit of this would be, according to Markson, to reduce the effective tax rate on the invested capital because the amount of corporate profit could be reduced due to the interest paid on the debt that you had used as finance.

Markson proceeded to explain that the other benefit of this structure was that the investor was able to bring back a fair amount of capital in the form of principal prior to exiting the investment entirely. Alternatively, Markson suggested that if the investor sold the investment and took back the entire capital investment that was created for a non-US investor, that was treated as profits from the sale of the investment and that was not sourced/taxable in the US.

Markson remarked however that dividends would tend to be subject to US tax unless the investor had the benefit of a tax treaty. This type of debt investment structuring would give the investor the ability to bring capital out of the US on an interim basis before disposing of the entire investment. Furthermore, pointed out Markson:

"It had the effect of lowering the corporate tax rate in the US due to the interest payable on the debt."

Historically, in the US there have been limitations on the deductability of interest, but they were based generally on the extent to which the company was leveraged. Markson outlined that the new law changes this in a couple of ways which impact this current investment structure – firstly, there is the reduction of the official US corporate tax rate from 35% to 21%: *"With the new rate being lower, this switches emphasis away from the importance of using the interest to reduce the corporate tax rate and the decision on which corporate vehicle to use. With the rate being 21%, the benefits of investing via specific structures to avoid US corporate tax by distributing profits in a way that will trigger the double tax are less compelling."*

Continued...

Secondly, while not quite the same as the OECD and EU led base erosion principles, the tax reforms have introduced an outright limitation on the amount of corporate taxable income that can be offset using interest deductions regardless of whether they are paid to related parties and irrespective of the company's capital structure. Instead, explained Markson, *"the limitation means that your net interest expense cannot be more than 30% of your adjusted taxable income."* Markson referred to this as a *"conceptual shift in the US corporate tax regime that results in the post tax calculation for the typical debt/finance corporation structure being quite different to how it was in the past."*

Flow-through entities *(FTEs)*

Markson touched on another entirely new concept that hasn't been fully implemented yet- changes to the way the US treats flow-through taxation, particulary scenarios in which there is an effective reduction in the tax rate applicable to the company earnings of owners of a business *(i.e. a flow-through entity)* that is taxed on a pass-through basis e.g. a sole proprietorship, partnership, S corporation or LLC.

According to Markson, limitations also apply based on the activities of the business, specifically where:

1) payroll activities of the company are carried out in the United States

2) a fraction of the cap is greater than 50% of the amount paid to employees as wages; or

3) 2.5% of the acquisition cost of depreciable property i.e. the investment is in fixed depreciable assets in the US.

Impact on foreign individuals

For foreign individuals investing into an operating business in the U.S., historically, there has, Markson explained, been tension between the two objectives of minimizing tax and avoiding the need to file a US tax return: *"This would complicate planning because a corporation was needed to avoid the return filing obligation and that would result in a second layer of tax. However, because the new law reduces that second layer of tax by 40% (before taking complex planning into account), it reduces the tension between those objectives."*

Key points

In summary, Markson gave his view that we are dealing with a number of moving parts:
"Firstly, we have the change to the rate of tax applied to a corporation doing business in the US Secondly, we are seeing changes to the ability of US corporations to use some of the conventional strategies to reduce or offset their taxable income."

And while there is a lower tax rate, Markson commented that there are now perhaps fewer options to reduce the taxable income to which that rate is applied. Added to this, the way in which flow-through income from a non-corporate business is taxed in the US is also changing.

In Markson's view, the combination of these changes is difficult to gauge and somewhat abstract right now. Markson's firm is starting to look into how the new laws impact particular investments into the United States: *"It requires new analyses because some of the structures that would have been routinely advised in the past may no longer be applicable."*

Using the example of investment in US real estate, Markson explained that foreign investors would typically have been advised to have a non-US corporation funded using equity and debt but *"the right answer now depends on a fairly fact specific analysis that has not been part of the US tax analysis in the past. It is certainly an interesting time for tax practitioners and tax lawyers involved in structuring non-US investment into US businesses and properties!"*

The Repatriation 'Toll Tax'

Scott Shapiro, CPA and partner at Weber & Shapiro in Woodcliff Lake, NJ, shared his views on what is being called 'The Toll Tax', explaining that the US Treasury Department expects the Toll Tax to repatriate tax on profits back into the US to the tune of some $339 billion over a phased-in period of eight years. Of these tax dollars, it is expected, according to Shapiro, that $40 billion will come from Apple:

"The Toll Tax is a one-time tax calculated at about 15% on profits that have never been distributed to shareholders and that are sitting in bank accounts in various countries. Those subject to the tax can elect to pay 8% of the amount over the first five years, then 15% in year 6, 20% in year 7, with the balance of 25% settled in year 8."

The Toll Tax, according to Shapiro, makes the tax affairs of US citizens, US expats or those with dual citizenship, particularly complex, especially if they are business owners. Shapiro explained that some US expats e.g. self-employed people who use flow-through businesses, may still be able to be taxed as a US corporation and avail themselves of the phase-in described above, but the rules are, according to Shapiro, still "a bit sketchy."

While the United States' Offshore Voluntary Disclosure Program *(OVDP)*, which had been made available to US citizens with money outside the country, has now been closed, Shapiro explained that the IRS' Streamline Domestic Offshore Program which was set up three and a half years ago and is targeted at those who were *"not aware they needed to disclose"*, remains open. How much longer it will remain open remains to be seen, but Shapiro commented that he has *"a hunch"* that they will give six months notice in early July that the programme will be closing at year end. Shapiro also advised that *"US citizens working in other countries are required to file US tax returns even if they don't have a tax liability and they are obligated to file the Foreign Bank Account Report (FBAR)."*

GDPR: Legal Perspectives to Be Considered By Lawyers, Accountants & Their Clients

Austrian lawyer Juergen Brandstaetter *(managing partner at BMA)* provides guidance for organisations on how to ensure they are GDPR compliant but also challenges the new rules in terms of the conflicts they present to lawyers and accountants in carrying out their everyday client business according to national laws.

> *"I question how carefully GDPR has been considered and whether it presents a conflict of legal concepts for some businesses? Consider a law practice where lawyers are trained on the need to retain client files for a certain time period. Yet under GDPR rules, if a lawyer is required to delete much of this data, how can a proper conflict of interest check take place? The bigger the law firm, the bigger the problem is likely to be."*
>
> Austrian lawyer, Juergen Brandstaetter

A political perspective

From what I am seeing and reading, some in the political arena see the approach taken by GDPR as something of a socialist approach in that the view is being taken that each and every human being needs to be protected from the cradle to the grave.

Mismatch of priorities?

There is also a stark contrast with every business having to provide a register of beneficial ownership by 1st June 2018– on the one hand, there is protection for the 'innocent consumer', yet on the other hand, the entrepreneur or business person, also a consumer, is having to reveal everything.

Fines for non-compliance also appear to be excessive – in a clever political move, the Austrian Government has for example, said that its National Data Protection Authority *(Österreichische Datenschutzbehörde)* will not fine organisations for their first breach over the next 1-2 years, but instead will act as its service provider to those affected by the GDPR to mitigate the impact of the new regulation.

Damaging to organisations?

Rather than the GDPR enabling a 'clean-up' of an organisation's data, in my view, the GDPR will be damaging to many organisations that may have collected valuable data over the years.

Continued...

"As a recommendation, professional firms should build into their letter of engagement a section on data collection, data storage and data protection so that they secure explicit written consent when on-boarding the client to use his or her personal data. This letter needs to provide full details about they will use their data and how long they will store it for."

What needs to be done and how practical is it?

In terms of what companies need to do, the first wall of defence should involve your website which may not currently be compliant with the GDPR. In your privacy and cookie policies, you need to declare who at your organisation is responsible for the website, for collecting data, who can be contacted within your organisation and what you do with the data that is collected. You also need to explain how you use website analytics tools such as Google Analytics and what rights users have over the data you collect about them e.g. the right of erasure or correction. You also need to outline their right to file a complaint against you with your country's national data protection authority.

I question however how carefully this has been considered and whether it presents a conflict of legal concepts for some businesses? Consider a law practice where lawyers are trained on the need to retain client files for a certain time period. Yet under the GDPR rules, if a lawyer is required to delete much of this data, how can a proper conflict of interest check take place? The bigger the law firm, the bigger the problem is likely to be.

With regards to your current database of clients, emails can be sent out to inform recipients which data the organisation holds on them, asking them to check its accuracy and to click a button to explicitly give their consent for you to store their data for specific purposes *(these need to be stated)*.

"One justification for keeping data is an 'overriding legal interest' – it will certainly be interesting to see how this is interpreted in practice!"

Organisations also need to inform users to whom their data is transferred and where the data is stored. A specific contract with the third party storing the data needs to be in place to ensure data is secure, will not be passed on, etc.

Organisations are also required to let the user know if their data will be transferred to countries outside of the European Union as the standards of data protection afforded by countries outside the EU may be lower. How long data will be stored also needs to be explained clearly. GDPR rules provide for a principle of keeping as little data as possible for the shortest period of time. Again, this could constitute a problem. In all economically and legally developed countries, such as all European countries, law and accounting firms are required by law to retain clients' financial data for several *(in Austria seven)* years. In my view, there is an overriding legal interest to keep the data, but this is not specified in the details of the GDPR.

Under GDPR rules, the user also needs to be informed of his or her rights e.g. to complain at the national level.

The threat of fines

Organisations need to be aware that fines could emanate from two sources- their national data protection body but also from a civil law suit seeking damages for a breach or misuse of data.

Juergen Brandstaetter BMA, Austria

Lastly, anti-money laundering laws also present a conflict of interest with GDPR. It will be intriguing to see how this plays out with AML rules requiring firms to store data about their clients. We live in interesting times!

For more information contact
Juergen Brandstaetter
(juergen.brandstaetter@bma-law.com)
at BMA Brandstaetter Rechtsanwaelte GmbH

Future-Proofing Your Firm to Become the Go-To Firm in Your Market

Heather Townsend explains how mid-size accounting and law firms can become more visible as experts in their local markets

Mid-size accounting and law firms face many threats to their existence - new market entrants; the big firms encroaching on their territory; technology; and in some countries, multidisciplinary practices. So what do clients really want and how can mid-size firms remain relevant to ensure a better tomorrow? Professional services consultant, speaker and author Heather Townsend explained at the 2018 EMEA Regional Conference.

A fast-changing market for professional services

Heather explained that the business environment for mid-size accounting and law firms is becoming ever more competitive, with big firms moving into the mid-market and small business marketplaces: *"You only have to look at examples such as Deloitte Propel and PwC's My Finance Partner,"* commented Heather.

Another threat, according to Heather, comes from multidisciplinary practices. Already prevalent in countries such as Germany and Italy, accounting firms are now moving into specific areas of legal practice in the UK:

> *"Innovative firms are thinking beyond traditional boundaries and looking to build their practices around what clients need and to create one-stop-shops."*

Technology is also proving to be a huge catalyst for change. Heather referred to a 2015 research paper from Oxford University and Deloitte which ranked jobs by the likelihood of their being replaced by a robot. Certain roles are under threat, particularly bookkeepers and legal secretaries, and Heather pointed out that the disappearance of these more junior roles within firms could mean that finding people with the required post qualification experience to fill more senior posts will become much more difficult. In Heather's view, firms need to *"adapt or exit the professions."*

How can firms remain relevant?

"Clients are telling us they want insight and advisory services," was Heather's message to the accountants and lawyers in the room. Reports such as Sage's The Practice of Now and BDO's in-house counsel law survey show that clients want their advisers to take a true business partner approach and want a 'whole solution' from their accountant or lawyer. Heather also demonstrated that clients want their advisers to adopt digital tools for collaboration and to be open and transparent.

Go narrow

To future-proof themselves, mid-size firms need to go more narrow and specialise. A key mistake firms make, according to Heather, is that they often only have a conversation with the client about the matter at hand rather than taking time to get in deeper and understand the needs of the client: *"Sometimes, firms go into sales mode rather than trying to get people to want to buy from them. You cannot sell insight."*

Heather advised firms to get beyond the typical platitudes such as their ability to help clients to save tax or protect their businesses – in her view, the only way to

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do this is to go more niche and to really get under the skin of the client's business by offering knowledge and ideas:

"Specialists have the answers clients need and can provide them when they need them. And they can charge higher fees."

Understand your buyer

Firms also need to have greater understanding of the journey their clients go through in selecting or deselecting a lawyer or accountant. Changes to buyer behaviour mean that buyers will have often already defined the outcomes they want and will only tend to talk to suppliers when they are in the final buying stage. Heather urged firms to therefore ensure that when clients come knocking, their websites and marketing create the right impression as the buyer will be considering whether to get in touch.

How can your firm stand out?

A key problem identified by Heather is that many law and accounting firms don't look that different from each other or don't appear to be specialist. Heather argued that a firm will not make itself future-proof if it tries to be all things to all people and takes the view that it needs to maximise the size of its market to be profitable.

Alliott Group's professional members were advised that they need to have a niche: *"If you want to stand out and be remembered, you need to be the pink car rather than the silver car,"* commented Heather.

Opportunities to specialise include around sectors, demographics *(such as sole traders or freelancers)* or around a technical specialism e.g. R&D tax credits.

Focus on ideal clients as part of a future-proofing strategy

Firms need to evolve from selling to *"helping clients to buy"* by researching and uncovering the emotional drivers for their needs. One strategy is to make the firm highly desirable by promoting the availability of specialist knowledge. Rather than worry about the firm becoming less desirable to some clients as a result, in Heather's view, this strategic move will help the firm to shift focus to the "ideal client" with whom the firm loves to work.

As part of a future-proofing exercise, Heather advised firms to analyse their client bases to see which clients and niches generate the real profits and where they should therefore focus: *"Firms may find that the 80/20 rule applies and that the profit lies in 20% of the client base."*

Apply the three tests: passion, fit and credibility

Heather suggested firms should apply three tests when choosing which niches to focus on: firstly, are they passionate about their clients' business in the niche? Secondly, is there a fit in terms of the firm's positioning in a specific area of expertise and what the market is prepared to pay for it? Finally, where does your credibility lie and which clients arrive pre-sold to your firm?

Ultimately, orienting around niches is about making a choice to win work in an easier way – referring to research done by Hinge, Heather added that taking this approach will involve lower marketing costs, higher conversion rates, better fees and firm growth.

Routes to market– going beyond referrals

The Edelman Trust Barometer, shows, according to Heather, that 83% of business to business new work starts with a referral. Given that referrals take time as they are based on relationships, conference attendees were urged to explore other marketing strategies such as becoming hyperlocal in focus and building expertise around key local industries. Heather also emphasised that firms need to have a great digital strategy that creates a distinctive visual appeal and that deploys 'pull marketing' tactics such as content marketing and search engine marketing. Firms were also encouraged to invest in creating social proof on specific review websites which offer ratings of professionals.

In conclusion, Heather stressed the need for mid-size firms to be ready for the future by being adaptable, taking staff with them and by being highly focused on claiming their place in the market.

About Heather Townsend

Heather Townsend (*heather@heathertownsend.co.uk*) specialises in helping accountants, lawyers and consultants to market and sell themselves. Over the last 12 months, Heather has supported her clients to build their profile, differentiate themselves, grow their reputation, and in the process add over £1 million in fees to their client portfolio, and often make partner in the process.