

mk>brazil

O'Connell Court,
64 O'Connell Street, Waterford.

T. 051 840 800
F. 051 874 504
E. info@mkbrazil.com

in this issue...

sterling election gains page 2 • tax briefs page 3
finance bill 2019 page 4
business briefs page 5 • business finance page 6
legal briefs page 7 • cyber security page 8

ANY STERLING ELECTION GAINS >>>> MAY PROVE <<<< SHORT-LIVED

Sterling fell sharply to lows of 93p against the euro and \$1.20 versus the dollar following the UK referendum vote to leave the EU in mid-2016. It then recovered some ground to largely trade in an 87-91p range against the euro between September 2017 and end 2018, as markets awaited clarity on what shape Brexit would take.

Continued 

ANY STERLING ELECTION GAINS

>>>> MAY PROVE <<<<

SHORT-LIVED

Sterling has been very volatile this year, rising and falling in response to the ebb and flow of news on Brexit. It made big gains in mid-October on news that agreement had been reached on a revised Brexit deal, with the euro falling back from 90p to close on 86p. Meanwhile, against the dollar, sterling climbed from \$1.23 to near the \$1.30 level.

The euro has been trading near to the 86p level against sterling since mid-October, even though the revised Brexit deal has not been ratified by the UK Parliament. This resulted in another extension to Article 50 being granted by the EU, this time to end January 2020, to avoid a no-deal hard Brexit at end October.

The calling of a general election in the UK has had little impact on the currency. The election is the next big risk event for sterling. Another hung Parliament, still deadlocked over Brexit, is likely to see sterling come under pressure again. Markets will fear that the UK could crash out of the EU without a deal. The euro can be expected to rise back above the 90p level in this scenario.

However, most of the opinion polls published in the early part of the election campaign show the Conservatives' vote up near 40%, which would put them on course for a parliamentary majority. The most comparable recent election is 2015, when the Conservatives won a small outright majority with 37% of the vote.

A clear Conservative election win would pave the way for the UK to ratify the revised Withdrawal Agreement. This should see the UK leave the EU at the end of the latest extension period to Article 50 on 31 January, but with a transition period to end 2020 during which time the current trading arrangements would stay in place. Sterling could be expected to make further gains in such circumstances, but they may prove limited and short lived.

There is strong technical support for the euro at around the 84-85p level against sterling, which may be difficult to overcome. Furthermore, the revised Brexit deal is seen as being negative for the UK economy as it will be leaving the EU Customs Union and Single Market.

There is also considerable uncertainty about what the future trading relationship between the UK and EU will look like, after the transition period expires at the end of next year. Thus, a Conservative win may only see the euro fall to around the 84p level. Meanwhile, sterling could rise from near \$1.30 at present against the dollar towards \$1.35, helped also by some strengthening of the euro.

The UK's departure from the EU at end January would not mean that Brexit is done. The trade talks that follow will be very important in determining the final shape of Brexit. These negotiations are likely to prove very difficult. There is a provision to extend the transition period beyond end 2020 if more time is required for the trade talks.

The key point in any such trade negotiations is that the more a Conservative government wants to "take back control" so that the UK can have its own regulatory and customs regime, the more limited will be any trade deal it can conclude with the EU.

The EU has already noted that these would be unusual trade negotiations in that they won't involve the normal regulatory convergence, but rather a move to regulatory divergence. It has been very clear that it will not allow this to "harm" the Single Market. The EU has also indicated that it will not be possible for the UK to "cherry pick", and thus be in parts of the Single Market, but not others.

Furthermore, the EU says it will insist on a level playing field in any trade deal, so that "regulatory divergence does not turn into regulatory dumping". It has emphasised that guaranteeing and enforcing "common rules" will be a crucial part of any deal.

This may be a bridge too far for a Brexit orientated Conservative government. Indeed, such a government could be prepared to fall back on WTO rules at the end of the transition period, rather than sign up for a trade deal that requires the UK to closely follow the rules of the Single Market. This would be very much a hard Brexit.

Thus, even if the UK leaves the EU with a deal at end January, downward pressure could still re-emerge on the UK currency next year given that the next phase of Brexit, the trade negotiations, are likely to prove difficult, with a very uncertain outcome. We would not be surprised to see the 90p level revisited against the euro in this situation.

Finally, although it has not been suggested by the opinion polls in the early part of the general election campaign, a Labour victory in the election would likely result in a very soft Brexit or the UK voting to remain in the EU in another referendum. This should be positive for sterling in the short-term. However, markets concerns about the economic policies of a Labour government could come to the fore next year, and see the currency come under downward pressure in 2020.

All in all then, it looks like the roller coaster ride will continue for sterling, with renewed downward pressure emerging on the currency in 2020, regardless of the outcome of the election.

Oliver Mangan
Chief Economist
AIB



COMPANY INCORPORATIONS

A company incorporated in the State must have at least one director resident in the European Economic Area (EEA). As an alternative to having a person as director who is resident in a Member State of the EEA, a company may instead put in place a bond to the value of €25,000. The bond is to meet any penalty that might arise if the company fails to deliver returns of profit or certain information required. A bond is not required if the company holds an exemption certificate from the Registrar of Companies, stating that the company has a real and continuous link with one or more economic activities that are being carried on in the State. The Registrar will only grant such a certificate on receipt of proof of such a link. A Statement from the Revenue Commissioners that they have reasonable grounds to believe that the company has such a link shall be deemed to be such proof. An application for a Statement under S140 of Companies Act 2014 can be made to Revenue Commissioners, Companies Unit, PO Box 1, Wexford, Co. Wexford or via My-Enquiries marked for the attend of "National Companies Unit" (NCU).

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX

Filing date of 2019 return of income (self-assessed individuals)	31 October 2020
Pay preliminary income tax for 2020 (self-assessed individuals)	31 October 2020
On-Line pay and file date for 2019 return of income	T.B.C.

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets Made from 01 January 2019 to 30 November 2019	15 December 2019
Payment of Capital Gains Tax for the disposal of assets made from 01 December 2019 to 31 December 2019	31 January 2020

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in March 2019	21 December 2019
Balancing payment of Corporation Tax for accounting periods ending in March 2019	21 December 2019

TWO-TIER VAT REGISTRATION

Revenue has recently launched a two-tier VAT registration within the e-Registration VAT section of ROS with a view to expediting the processing of VAT registrations. Revenue anticipate that from 1 January 2020 a domestic VAT registration should issue in two working days. Current wait times for Intra-EU VAT registrations should also reduce.

TOP TIP!

Filing your VAT Return of Trading Details on time should ensure that Revenue do not withhold refunds of tax or reassess RCT deduction rates and tax clearance certificates!

DONATIONS TO SPORTING BODIES

Where an individual who pays tax under the PAYE system makes a qualifying donation to an approved sports body they can claim tax relief by way of a deduction from total income. An approved sports body must promote an athletic or amateur game or sport, must be on the approved sports bodies listing on the Revenue website and must hold an up-to-date tax clearance certificate.

A donation will qualify under this tax relief if it is:

- a payment, in the form of money, of at least €250
- for the sole purpose of funding an approved project
- not otherwise deductible by a self-assessed individual in calculating their trade profits
- not otherwise deductible by a company as an expense in calculating their profits
- not a qualifying donation under the Charitable Donation Scheme
- not repayable.

As a donor, you must also not receive any benefit, either directly or indirectly, from making the donation and not be connected to the sports body.

The donor must;

- be resident in the State for the year in which you make the donation
- have given an appropriate certificate to the approved sports body you are donating to
- have paid the tax referred to in the appropriate certificate
- not claim a repayment of that tax.



THE FINANCE BILL 2019

At time of writing (mid-November), the 2019 Finance Bill is meandering through the Oireachtas. In broad terms, it was a quiet budget day on 8 October last in tax terms due to stated concerns about the potential impact of a no deal (or “hard”) Brexit.

Minister Donohoe announced the availability of €1.2 billion to support those most affected if a no deal Brexit happens, with about half that for the agriculture/enterprise/tourism sectors and badly hit regions.

A very brief outline of tax changes to date (under summary headings) is:

PERSONAL/EMPLOYEE TAXES

There is no change to income tax bands or rates.

Other than extending (by a year; to 31 December 2020) the reduced 2% rate of for medical card holders earning less than €60,000, there are no USC changes.

The home carer credit is increased again (to €1,600; from €1,500).

The earned income credit increases by €150 to €1,500, which is €150 short of the PAYE credit but perhaps that final gap can be bridged next year. The self-employed can also now “sign-on” if their business fails, claiming similar benefits to employees made redundant.

The 0% BIK rate for electric vehicles has been extended (by a year) to 31 December 2022 for vehicles with an original market value (OMV) of €50,000 or less. More places to plug-in to recharge on the way too.

The special assignee relief programme (“SARP”) and the foreign earnings deduction (“FED”) have both been extended (by two years) to 31 December 2022.

The Group A CAT threshold increases from €320,000 to €335,000.

Following much lobbying, an increase in the current €1 million lifetime limit for CGT entrepreneur relief was widely anticipated to bring it more in line with the UK £10 million limit. The pause button was hit on that for now, though it seems likely to be revisited again.

BUSINESS TAXES

The EII scheme, now based on a self-certification model since changes last year, has been tweaked again. With effect from 9 October, full EII relief is now available in the year of investment (rather than the current 30/40 with the remaining 10/40 four years later if conditions are met). Also, from 1 January next, the annual investor investment limit increases to either €250,000 (from €150,000) or, if the investor agrees to hold the shares for ten years, €500,000.

The R&D tax credit regime is to be (once EU State Aid approval comes through) improved for small and micro

(essentially, SME) companies. The two main changes (there are a few) are the rate of credit is increased (from 25% to 30%) and pre-trading spend qualifying for R&D credit can be offset against VAT/PAYE costs in the same period.

As transfer pricing is becoming a bigger deal internationally, our rules are again being updated from 1 January next, and flagged as also due to apply to the SME sector once a ministerial order is signed.

The employer PRSI rate increases again (from 10.95% to 11.05%) from 1 January 2020.

Due to concerns about individual investors underpaying tax on dividends, the rate of dividend withholding tax (“DWT”) increases (from 20% to 25%); further changes may be on the way in 2021.

There are minor changes to the Key Employee Engagement Programme (“KEEP”), which is designed to help SMEs attract/retain talent by deferring taxation of gains on employee shares until sold.

PROPERTY SECTOR

The non-residential stamp duty rate jumped again (from 6% to 7.5%). A rate of 2% was often seen as palatable in transferring assets as part of a lifetime succession planning exercise but 7.5% can prove expensive and means many may now simply transfer assets under a will (so no stamp duty applies).

Two-year extensions were announced for Help-to-Buy (to 2021) and the Living City Initiative (2022).

AGRI SECTOR

Another quiet Budget/Finance Bill for the farming community (so far...) with no new tax measures, just a three-year extension (to 2022) of CGT farm restructuring relief. But Brexit is out there...

OTHER

From 1 January next, lots of orally consumed food supplements will be more expensive as the “concessional” VAT zero-rating is replaced by the 13.5% rate.

And finally, as our planet is apparently under threat from carbon dioxide emissions, there are a few “green”-inspired changes in areas like carbon tax, VAT and VRT.



THE MARKET DISCOVERY FUND

The new Market Discovery Fund is designed to help companies of all sizes meet the key challenges of market research:

Market Knowledge – Understanding local market nuances and drivers is key to preparing your business to enter new markets. Enterprise Ireland's supports enable you to assess new market opportunities and participate in trade fairs, empowering you with the right knowledge to establish a successful local market presence.

Local Capability – Finding the right people for the right role is a challenge in any company – particularly where new language skills are required. The Market Discovery Fund enables your business to relocate staff with appropriate language skills to carry out important market research, giving your business the advantage.

Access Expertise – Even the most established business can be unsure how to break into new markets. The Market Discovery Fund removes some of that uncertainty. By providing funding to hire consultants with in-depth knowledge of the target market, your business will have everything it needs to ensure success.

A company can apply for support for Market Discovery Fund more than once provided each application considers a new market for an existing product or existing market for a new product.

The Market Discovery Fund is open to applications from:

- ➔ High Potential Start-Ups (HPSUs)
- ➔ SMEs
- ➔ Large Companies

For more information on eligibility and the application process, visit www.enterprise-ireland.com

MAKE YOUR (CHECK)LIST, CHECK IT TWICE

As we draw close to the end of 2019, it might be a good time to run through a checklist that will help your business hit the ground running in 2020.

➔ Review Your Inventory

How has your stock performed this year? Identify your best sellers and any surplus products. Adjust your sales forecasts and order schedule accordingly to increase profit the following year

➔ Annual Performance

Take a moment at the end of each year to review your annual performance. Look at your last 12 months of trading and adjust your business plan to reflect the changes in your business or goals over the last year.

➔ Create a Sales Plan and Quotas

Once you have established your plan and budget, there is typically one final check. Is the plan reasonable from a sales standpoint?

➔ AGM

Ensure you have held an AGM to comply with Limited Company rules.

➔ Back Up Vital Business Data

Closing down for the Christmas period can often be done hastily with everyone running out the door to prepare for and enjoy the festive period. Make sure before you clock out, you have backed up all your data from 2019.

➔ Examine 2019 Goals and Create 2020 Goals

The old adage of "fail to prepare, prepare to fail" will always ring true. Get your business off to a great start by reviewing what did and did not work for your business in 2019. This will give you an ideal roadmap to achieving your goals in 2020.



GETTING LAST-MINUTE CHRISTMAS SHOPPERS TO YOUR ONLINE SHOP

Christmas and last-minute shoppers go together like fish and chips. It's inevitable that some shoppers out there have a handful (or all) of their gifts to buy in the last few weeks (or days) before the holidays.

As much as 40% of the holiday sales happen in the 10 days before Christmas. There are many shoppers out there in December looking to buy gifts for friends and family. Naturally, you don't want to miss out on these sales opportunities. Here are a few tips on attracting those valuable last minute shoppers.

- ➔ Decide on a Christmas promotion in the form of a sale, coupon codes or shipping offers. Once you have decided on the details of your unique Christmas offer, you can then focus on optimisation techniques like product pages or special landing pages.
- ➔ Promote it on your website. Draw visitors to the page by placing a banner that stands out with contrasting colours (perhaps a nice Christmas-red) and label it something helpful like "Last-minute gift ideas – 20% off". Place it at the top of your homepage, or better yet, fix it to your

navigation bar temporarily. You'll probably want to promote some of your best-selling products along with seasonally appropriate products. It might be helpful to categorise your products by gift recipients (i.e. Gifts for moms, teachers, boys, etc.). Another tip to inform shoppers and to add a little urgency is to make important delivery deadlines and options available for everyone to see.

- ➔ Now that you have prepared your page, you'll want to promote it around the web. Start with free advertising on social media. Head to your social media page, create some beautiful images with all the relevant information in it and publish it. Encourage people to share it and tag their friends in the comments section.

After that, you'll want to create some paid ads and promote your products. Google Ads and Facebook ads are great options, as well as Instagram.



NEW FORMS OF BUSINESS FINANCE

WHERE DO THEY FIT

WHO PROVIDES THEM

AND HOW DO THEY COMPARE?

IN IRELAND, SMES HAVE BEEN STARVED FOR CHOICE OR SUPPORT WHEN APPLYING FOR FINANCE FROM TRADITIONAL LENDING INSTITUTIONS. HOWEVER, THE LENDING LANDSCAPE IN IRELAND HAS EVOLVED AND NOW BOASTS A WIDE ARRAY OF ALTERNATIVE LENDING OPTIONS. BUT WHERE IN A BUSINESS'S LIFECYCLE DO THEY FIT, WHO ARE THE PROVIDERS AND HOW DO THEY COMPARE TO OTHER PRODUCTS?

EQUITY

This is the usual opening point for start-ups, early stage and large businesses. Irish start-ups will tend towards cheaper equity in the form of Employment and Investment Incentive Scheme as well as exhausting the grants on offer. If their proposition is scalable enough, their equity will be attractive to those with a high-risk appetite. Feasible if you are a young agile tech start-up, less so if you are a first-time restaurateur. By contrast, large businesses unable to take on additional debt because of exhausted lines of credit or high-risk expansion plans seek out the equity capital markets.

Typically, high potential start-ups go on to raise growth equity via venture capitalists (the most expensive form of equity) or equity crowdfunding sites such as Seedrs and Irish company Spark Crowdfunding. The established but still relatively small to medium sized businesses look to the AIM (the alternative investment market), whereas the next league of businesses move to public exchanges like the ISEQ or London Stock Exchange.

MEZZANINE FINANCE

Mezzanine finance is best suited to large businesses because it is a hybrid of equity and debt, it is less costly than equity alone but still comes at a premium to the business. The major drawback of mezzanine finance is that it often comes with covenants that can outline specific Key Performance Indicators (KPI's) or targets that must be met. If they are not achieved the mezzanine provider can convert their loan into equity which is important to consider given the impact it will have on the capitalisation table and the dilution this could have on existing shareholders.

WHAT ARE THE NEWER FORMS OF FINANCE?

Smart businesses will have, what is often referred to, as a 'smart capital mix'. A blend of finance products that give a business resource capacity when growing, flexibility when required and cost effectiveness to maintain or improve the bottom line. This is where newer and alternative sources of finance have found their place in the market. Invoice financing, peer-to-peer lending and cash advance solutions solve different needs of a business and are often used interchangeably.

Different products are designed for different stages of a business's lifecycle.

EARLY STAGE



EQUITY

Friends & Family
Venture Capital
Business Angels

MIDDLE STAGE



MEZZANINE

Convertible loans

LATE STAGE



Alternative

Invoice Finance
Peer-To-Peer
Cash Advance

INVOICE FINANCE

Invoice Finance works by selling outstanding invoices at a discount to the financial provider. The provider can, in some instances, provide debtor collection services and the facilities can be disclosed (made evident to your debtors) or done discreetly. This type of financing is a great option if you want to accelerate the realisation of your revenue by accessing the finance tied up in your invoices quickly. The less established or poorer credit ratings of your debtors the larger the discount that will be applied to the invoices. While this can make invoice financing an expensive type of funding, the cost of the facility is usually covered within the discount and there is no future repayment required. However, if you already have granted a debenture to another party, this will generally include your invoices. This makes invoice discounting very difficult. Invoice financing is provided by traditional banks, but it is also provided by alternative finance providers in Ireland such as Grenke and Bibby Financial Services.

We will continue this article in our next issue by exploring Peer-to-Peer Loans and Cash Advance. If you have any questions on the above, please contact us today.



CONSUMER LAW REMINDERS FOR RETAILERS AT CHRISTMAS

If you are an online business, the laws applicable to you vary slightly from bricks and mortar stores. One difference is that a customer who buys from an online store is entitled to a refund if they simply change their mind. Thanks to the EU Consumer Rights Directive, you have 14 days from the date you receive the item to notify the online business that you want to cancel. You then have a further 14 days to return it, in good order, to the seller. Advertising your products or services can become all-consuming when you are trying to beat the noise of everyone in the industry. When you know people are trying to buy that perfect gift, it becomes imperative that you grab their attention. Be mindful of your advertising strategy as it can quickly be categorised as misleading.

Under the EU Unfair Commercial Practices Directive, commercial practices shall be unfair when advertising becomes misleading on the product or services benefits, price, or availability. Marketing efforts can be deemed as aggressive if there is exploitation by the trader of any specific misfortune or circumstance of which the trader is aware, to influence the consumer's decision with regard to the product.

As the consumer, it is important to note that while a website may have a .co.uk or .ie domain, it does not mean they are based in that country. It is advisable that you look for an address of the company you are purchasing from to identify what country they are in. This will indicate what laws are applicable to the transaction and how you are protected.



EU (ENERGY PERFORMANCE OF BUILDINGS) REGULATIONS 2019

The new European Union (Energy Performance of Buildings) Regulations came into effect on 1 November 2019. The Regulations transpose an EU (Energy Performance of Buildings) Directive. The overarching aim of the Directive is to encourage Member States to contribute to the long-term strategy of decarbonising construction and the reduction of greenhouses gas emissions.

The Regulations also apply to new dwellings commencing construction from 1 November 2019, subject to certain transitional arrangements. Transitional arrangements apply in relation to dwellings for which planning approval or permission has been applied for on or before 31 October 2019 and where substantial work has been completed by 31 October 2020.

They set an objective of making all new residential dwellings 70% more energy efficient than the performance requirements in 2005. The regulations will also apply to existing dwellings undergoing "major renovations".



IRISH MERGER CONTROL THRESHOLDS

In Ireland, a merger or acquisition which meets certain financial thresholds requires clearance from the Competition and Consumer Protection Commission (CCPC). These thresholds were increased on 1 January 2019. The move is welcomed by smaller businesses where the additional financial burden has been removed.

Under the new thresholds, a merger or acquisition needs to be notified to the CCPC if, in the most recent financial year:

- ➔ The undertakings involved had a combined turnover in the Republic of Ireland of at least €60 million (increased from €50 million).
- ➔ At least two undertakings involved had individual turnover in the Republic of Ireland of at least €10 million (increased from €3 million).

The media merger regime, for which special jurisdictional rules apply, remains unchanged.





10 STEPS TO ACHIEVING EFFECTIVE CYBER SECURITY

Regulations such as the EU's General Data Protection Regulation (GDPR, implemented in 2018) compel organisations to take cyber security precautions or else incur heavy fines. Many of these regulations force organisations to safeguard the personal data they hold; slip up in this arena and you'll face lasting public outrage and mistrust, which in itself causes economic harm.

Beyond financial damages, cyber-attacks cause truly incalculable harm by disrupting or ruining personal lives, professional careers, and business relationships. And their physical impacts may be enormous—just think of downed power grids or scrambled medical data.

The cybercrime industry holds all the best playing cards, giving hackers everything they need to thrive indefinitely: expertise, financing, widely available readymade tools, strong financial and political incentives, anonymity and an inextricably interconnected digital landscape rife with vulnerabilities. Not long ago, most cyber professionals believed the right firewall, anti-virus package and encryption tools were enough to keep their companies' data, devices, technologies, and systems safe from cyber attacks and breaches. But in today's increasingly dangerous digital world, you have to extend cyber security to the ever-expanding mix of devices, connections, networks, and hosted apps that power your business. That requires an integrated approach that ensures your technologies, services and threat intelligence work as one. With all of this in mind, there are 10 steps that can help you to achieve an effective level of cyber security.

➤ RISK MANAGEMENT REGIME

Organisations must understand the risks they face before implementing security measures. This enables them to prioritise the biggest threats and ensure their responsibilities are appropriate.

➤ SECURE CONFIGURATION

One of the most common causes of data breaches is misconfigured controls such as a database that's not properly secured or a software update that hasn't been installed. Highlighting the importance of configuration can ensure that you remove or disable unnecessary functionality from systems and address known vulnerabilities promptly.

➤ HOME AND MOBILE WORKING

No matter how robust your defence measures are, you will experience a security incident at some point. You must prepare for this by establishing policies and procedures to help mitigate the damage and get you back up and running as quickly as possible.

➤ MALWARE PREVENTION

There are many ways malware can infect an organisation's

systems. It could be sent in an email attachment, worm through a vulnerability or be plugged into an office computer via a removable device. To mitigate these risks, organisations should implement anti-malware software and policies designed to help prevent employees from falling victim.

➤ MANAGING USER PRIVILEGES

Organisations must create access controls to ensure that employees can only access information that's relevant to their job. This prevents sensitive information being exposed should someone gain unauthorised access to employees' accounts, and make it less likely that an employee will steal sensitive information.

➤ MONITORING

System monitoring enables you to detect successful or attempted attacks. This helps you in two essential ways. First, you will be able to identify incidents promptly and initiate response efforts. Second, you'll gain first-hand evidence of the ways criminals are targeting you, giving you the opportunity to shore up your defences and look for vulnerabilities before crooks identify them.

➤ NETWORK SECURITY

The connections from your networks to the internet contain vulnerabilities, but you should be aware of them and remove as many risks as you can with architectural changes.

➤ REMOVABLE MEDIA CONTROLS

USBs and other removable devices are the source of many security issues. Not only are they often used to inject malware but they are also involved in many other incidents. Employees are prone to losing removable devices or leaving them plugged into computers where unauthorised parties can access them. Organisations must therefore create policies emphasising the need to keep removable devices on your person or in a secure location.

➤ USER EDUCATION AND AWARENESS

Employees play an essential role in their organisation's security practices, so they need to be taught their responsibilities and shown what they can do to prevent data breaches.

WISHING YOU A
MERRY CHRISTMAS
AND A
HAPPY NEW YEAR