Technical update

A monthly roundup of the latest developments in financial reporting, audit, taxation and legislation from the IASB, IFAC, the European Union, the OECD and elsewhere

Audit

Ethical standards

The International Ethics Standards Board for Accountants (IESBA) has issued a proposed standard, Responding to Non-Compliance with Laws and Regulations. Its aim is to guide auditors, other professional accountants in public practice, and professional accountants in business in how to best act in the public interest when they come across an act, or suspected act, of non-compliance with laws and regulations.

Following the consultation, which closes on 4 September, IESBA intends to finalise its proposals by the first half of 2016.

The request for specific and general comments are in paragraphs 143 and 144 of the document. You can find more at bit.ly/IESBA-non-comply.

Glenn Collins, head of technical advisory, ACCA UK

European Union

VAT reforms ahead

The European Commission has released a statement outlining the subject of planned VAT legislative proposals to be made next year. These will reduce the administrative burden on businesses through VAT regimes varying between European Union (EU) member states. Brussels said it would extend the current single electronic registration and payment mechanism to cross-border online sales of physical goods.

Also, a common EU-wide simplification measure would help small start-up e-commerce businesses. A single audit of cross-border businesses for VAT purposes would be authorised and current VAT exemptions for importing small consignments from suppliers outside the EU would be scrapped. More at bit.ly/eu-vat-reform.

Changes ahead
The European Commission has released details of its plans for VAT reforms in 2016

VAT trial extended

A European Union VAT expert group on EU cross-border rulings has welcomed the extension until 2018 of trial VAT rulings regarding intra-EU cross-border trades and purchases. The system involves taxable persons undertaking transactions between two or more of 15 participating EU member states (Belgium, UK, Estonia, Spain, France, Cyprus, Lithuania, Latvia, Malta, Hungary, Netherlands, Portugal, Slovenia, Finland and Sweden).

They can request a ruling about the VAT impact of any planned trades – and the relevant tax authorities are supposed to consult and agree how VAT rules apply. The trial was supposed to end in 2014, but the expert group has welcomed its extension and wants other EU member states to join. More at bit.ly/vat-trial.

Legal action threatened

European Union (EU) competition commissioner Margrethe Vestager has told the European Parliament's special tax rulings committee that the European Commission would be prepared to launch legal action if member states refuse to disclose information about their tax rulings. Brussels has proposed a directive that would order governments to yield up this information but, in the meantime, Vestager said she would use existing laws to extract tax ruling information. This is despite such action being slower than the system outlined in the proposed directive. More at bit.ly/eu-legal.

Cross-border insolvency

The European Parliament has approved a new European Union (EU) regulation on cross-border insolvency proceedings aimed at helping broke companies restructure. The rules allow a clear designation of a competent court to hear such proceedings, preventing 'forum shopping' for tribunals that may give a more favourable judgment. More at bit.ly/eu-insolvency.

MEP attacks MOSS rules

The European Parliament's conservative spokesman on the single market has attacked the European Union's (EU) VAT Mini One-stop Shop (MOSS), claiming that it is forcing micro-businesses out of the intra-EU export market. The new registration rules came into force on 1 January and insist that, for instance, a Finnish app supplier selling into Poland must charge Polish VAT. Vicky Ford MEP claims the rules deter small businesses from exporting. More at bit.ly/eu-moss.

Intra-EU VAT exemption

A European Commission report has suggested that a long-standing exemption from VAT for low-value imports of goods to member states could be distorting the European Union (EU) single market. This low-value consignment relief for VAT (LCVR) allows member states to exempt from VAT commercial imported consignments of up to €22 and private person-to-person imported consignments of up to €45. The report says this has caused 'competitive distortions', lost governments VAT revenue, and encouraged some businesses to locate outside the EU to take advantage of the exemption. It noted 'reports of business closures, business relocations and booming fulfilment industries outside the EU'. More at bit.ly/eu-exemption.

Keith Nuthall, journalist

UAE

New Commercial Companies Law

On 1 July 2015, the new UAE Commercial Companies Law (CCL) is expected to come into force, replacing the existing act that was issued in 1984. The updated regulation marks the culmination of six years of legislative process during which there has been much debate about which aspects of the existing companies legislation should change, particularly with regards to foreign ownership restrictions and initial public offerings (IPOs).

The existing rules on foreign ownership have not yet been amended but will be considered separately as part of an investment law to be issued later.

In connection with IPOs, the new CCL does introduce a number of significant changes. Currently, the existing rules of the float requirement is 55%, which is a very high percentage. The existence of this rule is thought to have deterred some companies from listing on the two UAE markets, the Dubai Financial Market and Abu Dhabi Securities Exchange.

A notable change introduced by the new CCL is the abolishment of the minimum capital requirement for setting up a limited liability company (LLC) in the UAE. It amends Article 227 of Federal Law No 8 of 1984, which provided that the minimum share capital of an LLC must be no less than AED150,000 (£26,000) divided into equal shares of minimum value of AED1,000 (£175) each. Under the new law, prospective business partners seeking to establish an LLC will have the freedom to determine the capital requirements of their new company and there will be no minimum par value for the company's shares. The law provides that the limited liability company must have 'sufficient capital … to achieve the objective of incorporation'.

Companies will need to amend their articles of association to comply with the new CCL within the next year. If a company fails to make the necessary amendments, it shall be deemed to be dissolved.

Saad Maniar, managing partner, Horwath Mak, UAE