



# EU developments

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# EU political developments

- 2017: EU mid-mandate review and redistribution of the European Parliament's top jobs in January
- EU27 and UK preparing for negotiations
- National elections / referenda: Austrian presidential re-run (Dec), Italian constitutional referendum (Dec), Romanian general elections (Dec), Dutch elections (March), French Presidential elections (late April-beginning of May), German elections (September), Czech elections (October).



# ICAEW commitment to European markets



*Through our European Regional Office in Brussels, we remain committed to our many members and students across the EU, to the partnerships we have established with professional bodies, governments and regulators across the continent and to the relationships that we have built up over many years with EU institutions.*

(Michael Izza, CEO)



# EU developments: key topics

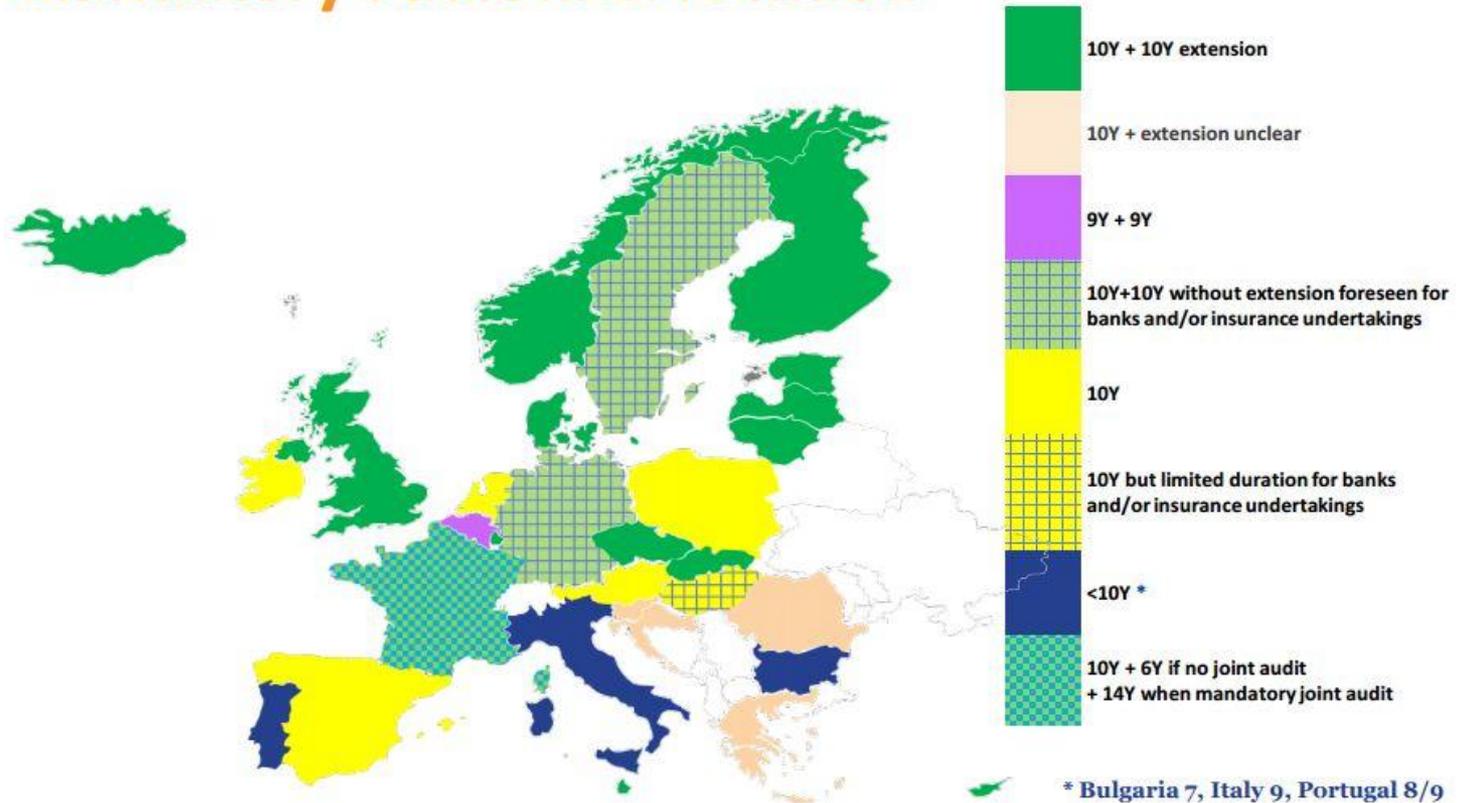


# EU audit reform: implementation



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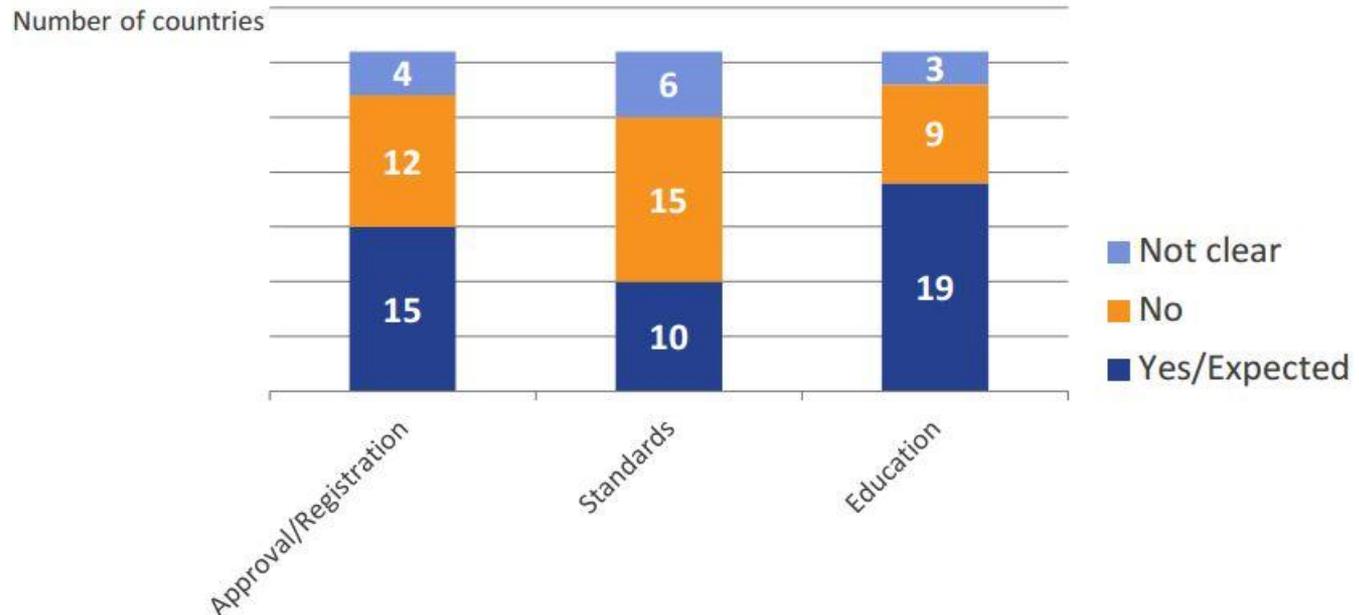
## Mandatory audit firm rotation



Source: FEE, 2016

# EU audit reform: implementation

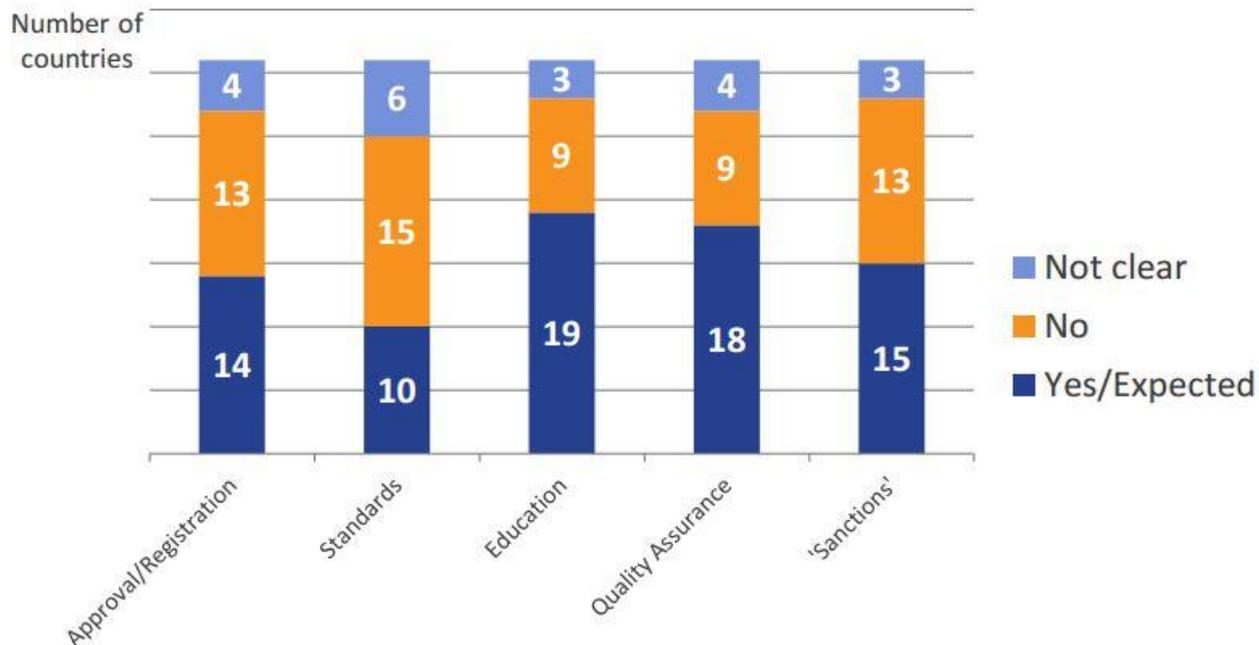
## Public oversight - use of delegation of tasks for audits of PIEs



Source: FEE, 2016

# EU audit reform: implementation

## Public oversight - use of delegation for audits of non-PIEs



Source: FEE, 2016

# CEAOB

The new Committee of European Auditing Oversight Bodies (CEAOB) held its inaugural meeting on 12 July 2016 in Brussels.

The CEOB aims to strengthen EU-wide audit oversight, a key objective of the EU audit reform that took effect on 17 June.

Ralf Bose, Chief Executive Director of Germany's Auditor Oversight Body (AOB), was appointed as Chair of the CEOB for a four-year mandate by consensus.



# Audit tomorrow: data analytics

Auditing standards are written on the assumption that it is rarely possible to test 100% of the transactions entered into by any entity. This is no longer true.



# Financial Reporting

- Jean-Paul Gauzès, a former MEP and member of the European Parliament's economic and financial affairs committee, has been appointed President of the Board of the European Financial Reporting Advisory Group (EFRAG) on 1 July 2016.
- On 27 June 2016 the Accounting Regulatory Committee gave a positive opinion by consensus on a Commission Regulation endorsing a new international accounting standard, IFRS 9 Financial Instruments in the EU
- FEE initiative on the future of corporate reporting 'creating the dynamics for change'



# Tax transparency: Country-by-country reporting

- As part of the Commission's Anti-Tax Avoidance package, multinational enterprises (MNEs) located in the EU or with operations in the EU, with total consolidated revenue equal or higher than € 750 million, will be obliged to report as of 2017. The annual CBC report will be aligned with BEPS 13.
- A proposals to introduce public CBCR for MNEs with a turnover of € 750 million - through amendments of the Accounting Directive - are currently being discussed. MNEs would also be asked to disclose how much tax they pay on the business they conduct outside the EU. For those tax jurisdictions that do not abide by tax good governance standards (i.e. tax havens), this information would need to be disclosed on a disaggregated basis.
- However, a recent Council legal opinion questions the legal approach chosen by the Commission, arguing that changes should not come through amendments to the Accounting Directive, but through tax legislation, which would require unanimity in the Council and make success less likely.



# Corporate tax: A single rule-set for Europe?

- In October, the Commission tabled a new package of measures on corporate taxation to revive the 2011 proposal for a Common Consolidated Corporate Tax Base (CCCTB). The aim is to offer businesses a single set of rules to calculate taxable profits in the EU.
- The Commission is betting on a gradual negotiation approach, whereby EU member states would first need to find an agreement on the system for a common tax base (CCTB), before starting negotiations over the consolidation mechanism (CCCTB) considered more politically controversial.
- But the real benefit of the CCCTB project is consolidation, which would allow a multinational group to compute a single net profit or loss for all its operations in the EU, using an apportionment formula based on three factors (i.e. assets, labour, and sales), and would put an end to intra-group transfer pricing in the EU.

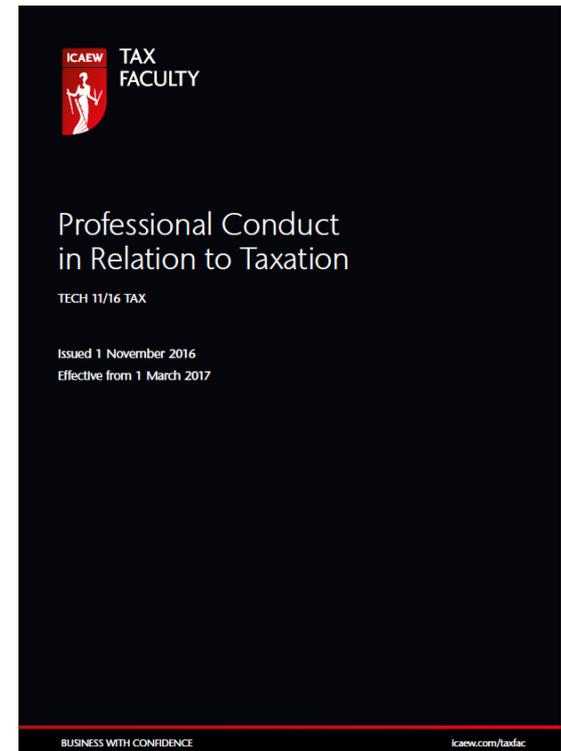


# EC consultation: tax advisors and intermediaries

- The consultation aims to gather views on whether there is a need for EU action aimed at 'introducing more effective disincentives for intermediaries engaged in operations that facilitate tax evasion and tax avoidance and in case there is, how it should be designed.'
- Main options outlined: the introduction of mandatory disclosure obligations on intermediaries (in different variations), the introduction of a EU Code of Conduct for intermediaries, no policy action.
- The deadline for responses is 16 February 2017.

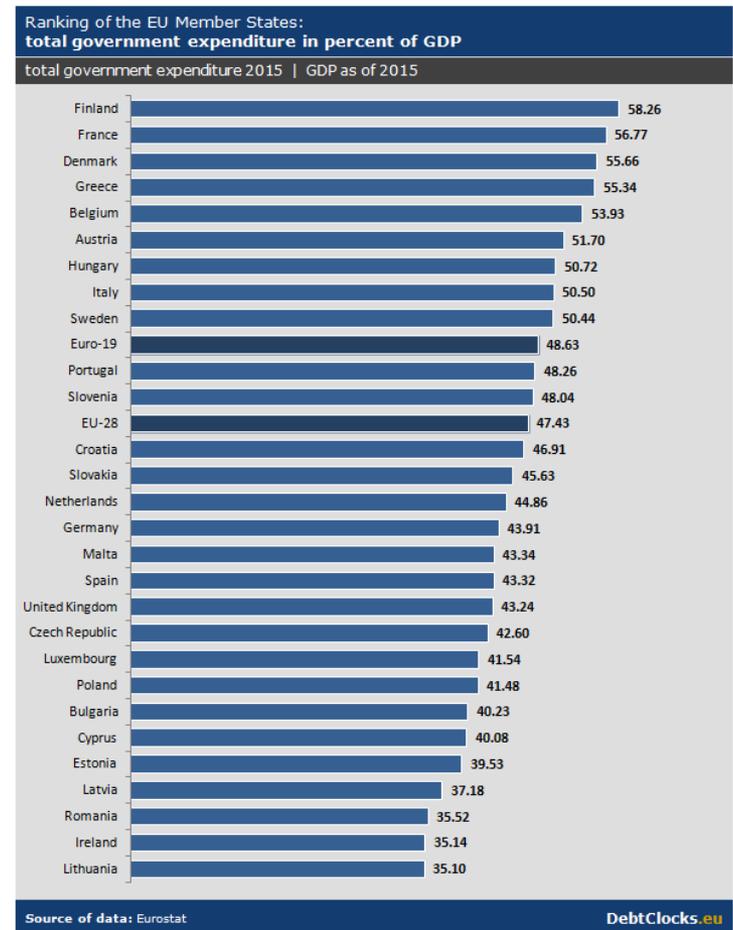
# Professional Conduct in Relation to Taxation

- The guidance has been endorsed by HMRC and sets out clear professional standards in relation to the facilitation and promotion of tax avoidance.
- The guidance sets out the high ethical standards which form the core of the tripartite relationship between tax adviser, client and tax administration. It supports the key role members play in helping clients comply with their tax obligations and their broader responsibilities to society.
- This latest PCRT responds to the Government's challenge to the professional bodies, made in March 2015, to take a greater lead in setting and enforcing clear professional standards around the facilitation and promotion of tax avoidance.



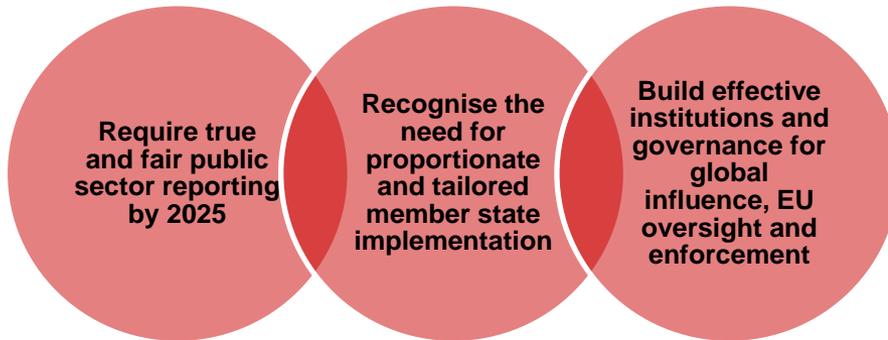
# Public sector accounting: why it matters

- Public sector accounting is, in the most immediate sense, a matter of good government and democratic accountability to citizens.
- It has a critical inter-generational dimension given the need for long-term planning to meet societal demands.
- It is of major relevance to global financial stability and to international financial markets, given the volume of government bond issuance.
- Sound public finances are a pre-condition for a business environment conducive to growth.



# The Future of EU public sector accounting

- New ICAEW discussion paper aim to generate a renewed degree of urgency and prioritisation to reform public sector accounting within the EU.
- It sets out three policy recommendations and a short list of questions for stakeholders to respond to.



# Capital Markets Union (CMU)

- The EU Action Plan on Building a Capital Markets Union sets out 33 actions and related measures, which aim to establish the building blocks of an integrated capital market in the EU by 2019.
- Most recently, the Commission tabled its long-awaited proposal on business insolvency, proposing common principles on the use of early restructuring frameworks, rules to allow entrepreneurs to benefit from a second chance and targeted measures for Member States to increase the efficiency of insolvency.
- The Commission will be reviewing progress on CMU next year to see what follow up is needed to existing proposals and actions and to consider what more can be done (e.g. on FinTech or Sustainable Finance).





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