

global

ISSUE 9

MOUNTING EXCITEMENT

ALL EYES ON TOKYO
FOR 2020 GAMES

MAKING A DRAMA OF IT
NEW RIVALS JOIN GLOBAL STREAMING ARENA

BLOWING HOT AND COLD
MIXED PROGRESS ON RENEWABLES

WHERE THE SMART MONEY IS
TAXING TIMES FOR WEALTHY CLIENTS

*The network
for doing
business*

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SERVING CLIENTS, SERVING COMMUNITIES

Global stories from our remarkable people



WORD OF WELCOME

It is a great pleasure for me to introduce issue nine of *UHY Global*, our twice-yearly magazine for businesses with a global outlook. I welcome you as the new chairman of UHY's international network, a responsibility I was delighted to accept just a few months ago. I certainly relish the opportunity of meeting the challenges and expectations of a successful, growing network and I look forward to continuing our exciting journey in this time of unprecedented change.

I am reminded of how a young Bob Dylan explained that *The Times, They Are A-Changin'* back in 1964, and of how his words resonate as much today as they did then. Embracing change and understanding how this is a good and necessary thing, is a recurring theme throughout this edition of *UHY Global*.

For example, in our feature *2020 Vision: Accounting for Change*, we take a look at what lies on our own professional doorstep in the year ahead, and how accountancy must meet progress head-on, in order to survive and thrive. Rapid technology advance is a massive agent of change for the profession, but brings significant benefits to our clients. Implementing new, tougher international standards in audit and tax will occupy all of us in 2020; and the shifting generational balance in accountancy's professional workforce points to a transformative and exhilarating future.

If there is one word that defines the uncertain nature of commerce it is probably disruption (just ask Kodak). In responsive sectors, one consequence is the rapid



redevelopment of alternative business models, and we explore this in the context of content streaming in the media sector, in our feature *Entertaining the World*.

Another shift in the balance of power is the growth of renewables. Yet while the overall direction is forwards, energy is still very much a two-speed industry, as we find out in *Renewable Energy at the Crossroads*. Many UHY member firms work with renewables clients, from wind and solar construction and logistics to biomass production, and I am delighted to bring one of these client stories to this issue of our magazine. *Wind Revolution* details how UHY member firms are working together to help a Polish turbine manufacturer to expand across Europe.

Elsewhere in *UHY Global*, we look at the upcoming Summer Olympics and Paralympics in Tokyo, the challenges of transfer pricing for multinationals and the changing expectations of wealth and estate management for private clients. We also take the opportunity to celebrate some of our own remarkable people across the network.

I hope you enjoy this issue of *UHY Global* – and if you would like to read more on the topics we have featured, or about our UHY member firm contributors, then why not browse our expanded digital edition, at uhy.com/ publications. Meanwhile, please let me wish you a very prosperous 2020 and much success.

Dennis Petri
Chairman, UHY International



PRIDE AND PERFORMANCE

In a few short months, 15,000 top athletes will gather in Tokyo for the 2020 Summer Olympics and Paralympics. The world's biggest logistical and commercial engine is already revving up.

A VIEW FROM THE CITY

The statistics come hard and fast, like a sprinter ducking into the finishing tape. Tokyo 2020 will feature competition in 55 sports, with over 15,000 top athletes competing in nearly 900 Olympic and Paralympic events. Around 5,000 medals will be awarded over the two Games, and in a new twist medals have been forged from the recycled remains of over six million mobile phones.

But the greatest Olympic test of all still awaits the organisers, even after venues and athletes' villages are complete. Their Herculean task? To guide thousands of athletes and millions of spectators, support staff, media and assorted personalities through hundreds of events in scores of venues. To make it all run on time and on budget.

It is a mammoth undertaking with a price tag to match. A figure of USD 28 billion for total expenditure is considered a reasonable estimate. There will be indirect costs, too. Many Tokyo-based businesses will encourage staff to work from home where possible during the Games, to free up space on Tokyo's notoriously crowded public transport system. Then there is clean-up, security, environmental impact, to name just a few.

So will it be worth it? The cost of staging the Games has rocketed in recent years. In 2018, the New York-based Council on Foreign Relations (CFR) claimed

that Rio de Janeiro, the 2016 host city, was still struggling with debts incurred from its brief summer in the Olympic spotlight. The debts accumulated by Greece for the Athens Games in 2004 helped bankrupt the country.

But Morito Saito, director, UHY FAS Ltd, Tokyo, Japan, believes 2020 will be different. "I personally believe that real longterm benefits from the 2020 Tokyo Olympics and Paralympics can be expected," Morito says. "The reason being that the main sponsor is the Tokyo Metropolitan Government. And it has deep pockets."

Tokyo is a wealthy city with a highly developed infrastructure. When Beijing hosted the Games in 2008, more than half of the record USD 45 billion budget went on non-sports infrastructure. Tokyo will not need to spend anywhere near as much. Morito notes that Tokyo has a total municipal budget that exceeds that of New York City and even the national budget of Sweden.

If Tokyo is unlikely to be plunged into debt, it also expects long-term benefits in terms of jobs and tourism. The Tokyo Metropolitan Government predicts the creation of 306,000 jobs as a direct result of the Games, and many more indirectly. The Japan Tourism Agency has set a target of 40 million visitors in 2020, up from 31 million in 2018.

Morito believes these benefits will last well into the future. "The number of tourists is increasing every year, and more foreign tourists can be expected by introducing Japanese culture at the Olympics," he adds.

Tokyo may be an Olympic winner, after all.

A VIEW FROM THE TEAM

As Tokyo gears up for the Games, so do the teams who will go for glory in the summer.

They have been preparing for years, and not just on the track and in the pool. It costs huge sums to send a team of athletes to an international event and in the case of the British Paralympic Association (BPA), commercial partners provide significant funds to ensure the team is fully supported.

Subarna Banerjee is head of UK member firm UHY Hacker Young's national charity and not-for-profit group, and the BPA is his client.

"The BPA is reliant on private organisations," says Subarna. "A huge part of its work is engaging with sponsors and potential sponsors."

For that, like all non-profits, it has to show that funds are properly and productively used. Subarna and his team ensure that the BPA is compliant, transparent and in financial terms an attractive proposition for potential corporate supporters.

For everyone concerned, Tokyo 2020 is a labour of love, requiring dedication, determination and large sums of money. But as the excitement builds, scepticism falls away. Tokyo promises to be a glorious summer. ■

For more information about UHY's capabilities, email the executive office, info@uhy.com, or visit www.uhy.com



ENTERTAINING THE WORLD

A GLOBAL THIRST FOR CONTENT IS CREATING UNPRECEDENTED OPPORTUNITIES IN THE MEDIA AND ENTERTAINMENT SECTOR – BUT NEW ENTRANTS NEED PROFESSIONAL BUSINESS SUPPORT TO REMAIN FINANCIALLY VIABLE

When the Apple TV+ content streaming service launched in November 2019, it entered a crowded market. Netflix currently has over 151 million global subscribers. Amazon Prime, which bundles a TV, movie and music streaming service with two-day delivery on products from its retail marketplace, hit 100 million subscribers in the US alone in early 2019.

Other major players are coming on stream. Disney's own service, Disney+, debuted a few weeks after Apple TV+. NBCUniversal and WarnerMedia will both launch streaming services early in 2020.

The proliferation of streaming services is a global phenomenon. iQiyi is often called the Netflix of China, though it has ambitions to be far more. "We want to be a one-stop entertainment platform," said iQiyi's chief content officer Wang Xiaohui recently. "We want to match users with more entertainment options, so they don't have to leave our platform when they want to read books or play games."

MORE THAN MOVIES

As those words suggest, digitisation is not just disrupting the movie and TV business. Spotify and its challengers are changing the way we consume music, while traditional paper-and-ink newspapers are beginning to look like quaint throwbacks to a sepia-tinged age compared to their fast-moving, online multimedia counterparts. Few industries – perhaps retail is one – have undergone such a thorough transformation since the dawn of the internet age as media and entertainment.

"Streaming platforms have definitely changed the shape of the media/entertainment sector and have moved us into the digital transformation age," says Patrick Farrelly, principal and media specialist at UHY Advisors NY, Inc, Albany, US. "No one wants to listen to or watch commercials anymore. They want to live stream music, shows, movies, news..."

The upshot of this is an almost unquenchable thirst for content. iQiyi has set aside up to USD 7.3 million for each of six new feature films – but

that is a relatively small amount when compared to the USD 6 billion Apple reportedly spent on original shows and movies ahead of its launch. Netflix splashed USD 3.74 billion on original content in just the third quarter of 2019.

A GOLDEN AGE FOR PRODUCERS

That sort of money needs to go somewhere, and these lean digital organisations often do not have the in-house content-making infrastructure to do it all – or even that much of it – by themselves. Nor do they want to. *MoneyWeek* magazine recently reported that "producers have thrived on the back of the growth in demand for content, thanks to an array of new clients to make shows for."

Patrick agrees: "All this has led to new players in the media and entertainment sector, and increased acquisition activity. Entities with large financial means realise they cannot engineer everything in-house. These companies weigh the cost benefits of producing in-house versus acquiring these services (from third parties). The upshot is a huge boost in the number of new content production companies."

This is far from just a US trend. Around the world, companies are springing up to service the new demand for content. "I would say that the general trend is that audiences and therefore advertising budgets are moving from content created by big TV channels and newspapers to that created by start-ups," says Nikolay Litvinov, director of audit and consulting at UHY Yans-Audit LLC in Moscow, Russia. "It now requires a lower business entry threshold to open a media company, which often starts as the brainchild of an individual entrepreneur with just five to ten employees."



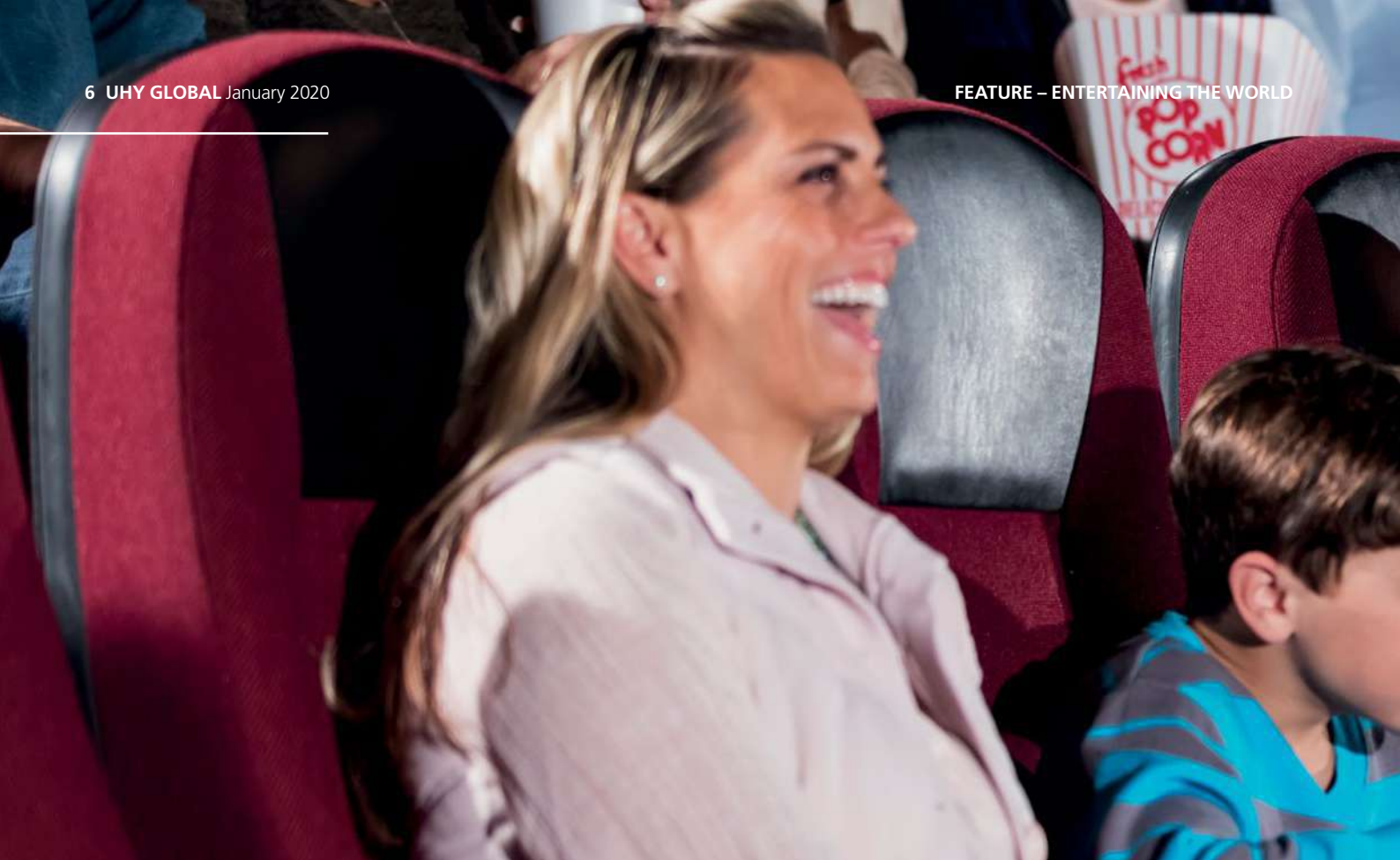
Audiences and advertising budgets are moving from content created by big TV channels and newspapers to that created by start-ups.



Andrea D'Amico, partner at UHY Audinet Srl in Rome, Italy, says that big players like Netflix and Amazon are dominating the streaming sector and are formulating clever business strategies that will secure their position for the long term. "The big players, as well as creating products of great quality, have also developed industrial integration strategies such as, for example, the recent arrival of Netflix on the Sky TV platform," he says.

In response, he believes further opportunities will emerge for non-mainstream channels organising along sharing economy lines. The upshot is a content requirement that shows no sign of diminishing.





AWASH WITH OPPORTUNITY

Whether mainstream or otherwise, the new media and entertainment landscape is awash with opportunity, and not just to serve local markets. The globalisation of media and entertainment means even small producers are granted access to global audiences in a way that was not possible when national broadcasters dominated the TV schedules.

Bernard Fay, co-managing partner at UHY's member firm in Spain, UHY Fay & Co, believes language barriers are crumbling as streaming companies increasingly push for worldwide audience share. "There is an explosion of new platforms competing to gain market share, and Netflix has noticed the entry of giants such as Amazon, Apple and Disney," he says. "This has created a huge demand for content, and language does not seem to be a barrier anymore – one example is the extraordinary success of *Casa de Papel*, which in English is *Money Heist*."

Casa de Papel is a Spanish language series that has become one of the most watched Netflix shows in any language. When the third series debuted in 2019, over 34 million people around the world tuned in, in the course of just one week.

UHY Fay & Co has first-hand experience of the phenomenon of truly globalised film-making. One of the firm's clients is Dreamlight International Productions, a Madrid-based media production company with an international outlook. Led by a Spanish media veteran and a renowned author and businessman, Dreamlight understands that the future for independent production companies lies in satisfying international demand for multilingual, multicultural content.

"Dreamlight is now fully dedicated to its new project – a historic series in English with a native English speaking cast – which will soon start shooting in several countries," says Bernard.

A GLOBAL OUTLOOK

In Russia, too, says Nikolay Litvinov, "we see Russian media firms creating popular exclusive content and looking for opportunities to sell it in other countries." In the US, Patrick says media and entertainment companies are increasingly looking beyond domestic audiences and the traditional export markets of Europe and Australasia, and towards hundreds of millions of potential new content consumers in South America, China and Africa.

It is easy to see why. This is a landscape in which the BBC's famous wildlife shows, fronted by the ever-popular David Attenborough, are made with global rather than British audiences in mind. It is one where traditional broadcasters are scrambling to meet the challenge of nimbler streaming services and web-based competitors, by partnering with third-party production companies on content with cross-border appeal.

SOLID FISCAL FOUNDATIONS

If this sounds like a golden age for independent content producers, it is not without pitfalls. New entrants to the sector might bring a wealth of creativity and content-making experience, but far less in the way of financial and business acumen. It is easy to forget that creative industries, like any other, live or die on their ability to make money. Professional services providers can help to provide the solid fiscal foundations upon which great content is built.

"Research shows that a large percentage of movie projects actually lose money instead of creating a profit," says Andrea D'Amico. "Our goal is to help profitable films become the rule and no longer the exception. We can assist



film studios and distributors with their greenlighting decisions by providing assessments of film financing, producing and releasing. In addition, Italy provides specific tax relief for movie making.”



Our goal is to help profitable films become the rule and no longer the exception.



Patrick Farrelly also believes UHY member firms have a fundamental role to play in the new media landscape, by giving creative people the freedom they need to make the very best content. “These dynamic new companies have grown their businesses from the ground up,” he says. “They understand their product, their customers, and where the industry is trending. However, they may lack understanding when it comes to factors like government and

industry regulations, tax compliance and cash flow management.

“That’s where we can help – by helping companies address such challenges with a hands-on, highly communicative style of service delivery. We are there every step of the way to help grow these businesses.”

In Russia, Nikolay wonders if the sector is underregulated, and will perhaps become subject to more government scrutiny over the coming decade, again necessitating first-rate business advice. “Other issues that professional consultants can help with is protecting exclusive copyrights and cybersecurity protection,” he adds.

INTERNATIONAL SUPPORT

As a global network, working with an increasingly global sector, UHY is in a better position than most to offer the kind of support entertainment businesses need. In Spain, Dreamlight was founded with the ambition to quickly become a global player. “UHY Fay & Co is helping Dreamlight with the professional services required, but it is likely that other UHY members will be needed to support Dreamlight’s activities in the different countries where they will shoot the series, and then in the post-production sales efforts,” says Bernard Fay.

In the same vein, Nikolay says this cross-border activity “provides possibilities for professional consultants to help (content businesses) with international taxation issues and legal support in their communications with foreign colleagues.”

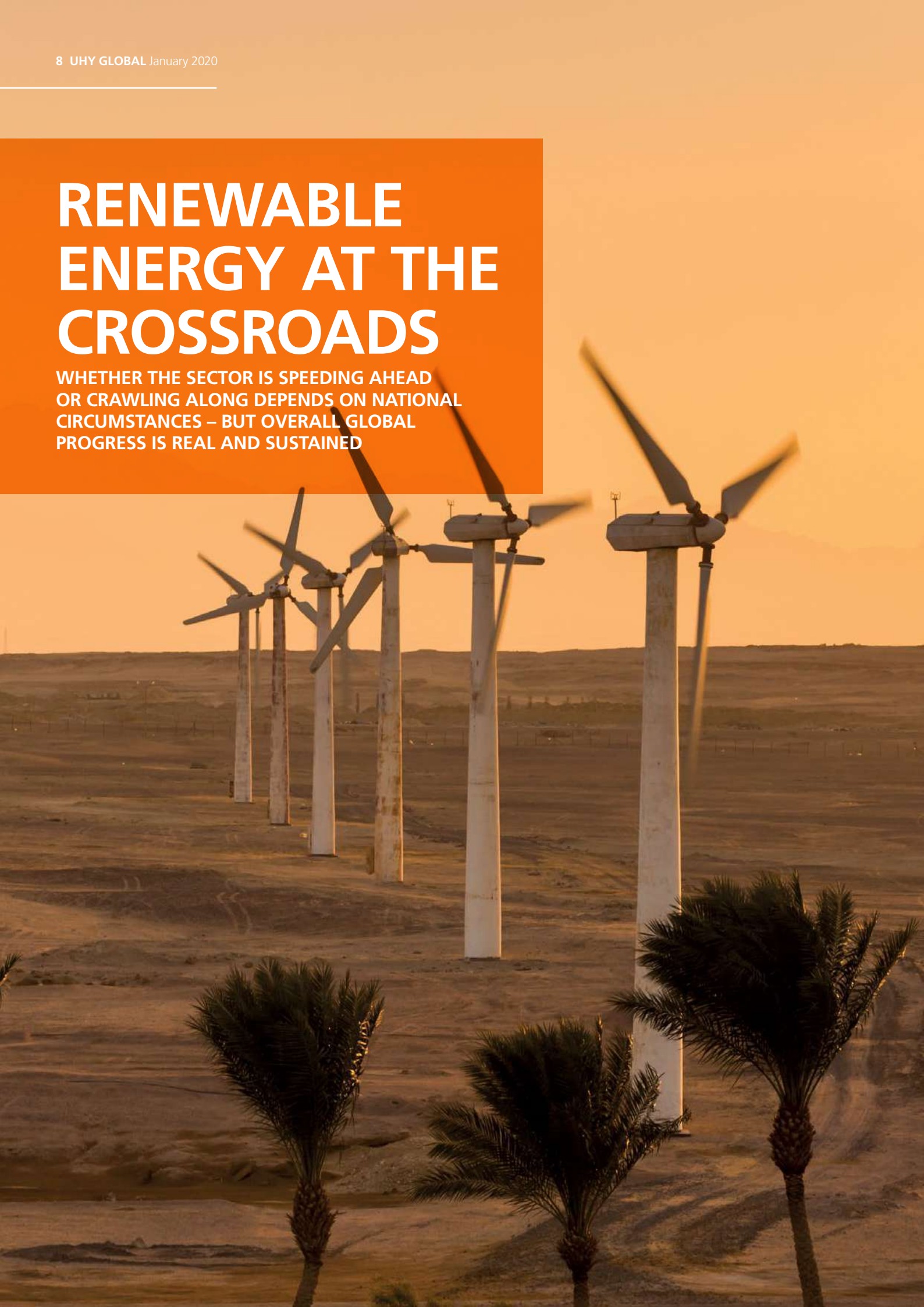
With the internationalisation of media and entertainment showing no signs of slowing, it is likely that opportunities for collaboration between UHY member firms will also grow. The shift to a globalised industry appears unstoppable. With a host of new companies emerging to satisfy that growing demand for content, the support of professional service providers has never been more important. ■

For more information on UHY’s capabilities in the media and entertainment sector, email the UHY executive office, info@uhy.com, or visit www.uhy.com



RENEWABLE ENERGY AT THE CROSSROADS

WHETHER THE SECTOR IS SPEEDING AHEAD
OR CRAWLING ALONG DEPENDS ON NATIONAL
CIRCUMSTANCES – BUT OVERALL GLOBAL
PROGRESS IS REAL AND SUSTAINED



Renewable energy is not a fad and it is not going away. That much is clear from the latest annual Renewables Global Status Report (GSR), released by the Renewable Energy Policy Network for the 21st Century (REN21).

The report reveals that more than one third of global installed power capacity is now renewable, and that over a quarter of the global electricity supply comes from renewable sources. Upwards of 11 million people around the world are employed in the renewable energy sector.

While all this sounds like good news for the environment there is a very long way to go. Many countries – 169, according to the REN21 report – have created renewable energy targets, but far fewer have targets for the use of renewables in heating and cooling or transport, which are huge energy consumers. In fact, 60% of the total energy used in buildings in 2018 occurred “in jurisdictions that lacked energy efficiency policies,” the report states.

MOVING IN THE SAME DIRECTION

Nevertheless, the direction of travel appears to be set, even if countries are moving at different speeds. Environmental pressure plays a part, along with the actions of groups like Extinction Rebellion. But countries across the globe are also waking up to the economic potential of renewable energy. One study calculates that doubling the share of renewables in the global energy mix by 2030 would increase global GDP by up to 1.1%, or USD 1.3 trillion, while adding 13 million new jobs in the sector.

The carrot of economic growth is matched by the stick of public pressure, pushing governments into action. Some are forging ahead. In 2018 renewable energy supplied 37% of Finnish energy demand – making Finland second in the European Union for renewable energy use.

Harri Laurikka, CEO of the Bioenergy Association of Finland – a client of Finnish UHY member firm UHY TietoAkseli – says that Finland has to follow European legislation on climate change mitigation, but also must go further, investing in research and development in the sector

and introducing a number of additional subsidies for renewable energy companies.

“Overall, the public has supported public investment in renewable energy and companies operating in that business, as well as domestic energy taxes for non-renewable fuels,” he says. “Climate change has become a major concern for Finnish people, and renewable energy enhances energy security and provides jobs – often in regions where they are most needed.”

Harri adds that renewables also have broad parliamentary support and that the accelerating decline of fossil fuel use is widely accepted. “It is acknowledged that the role of fossil fuels will significantly decrease in the coming decades,” he says.

A GLOBAL MOVEMENT

In countries around the world, governments are encouraging renewable energy generation, to a greater or lesser extent. In Egypt, Ahmed Hegazy, tax lead partner at UHY United in Cairo, says the government has encouraged investment in wind power by offering high prices for the generated power.

“The price for the electricity generated from solar power is also very competitive, which has attracted many investors and encouraged international institutions to finance its development – and that has also created many new job opportunities,” he adds.



The price for electricity from solar power is very competitive, which has attracted many investors.



“The government is aware of the need for a sustainable energy mix to both address increasing demand, and to move

to a more environmentally sustainable and diverse electricity sector.”

UHY United already has two clients in the renewables sector, and expects to attract more as the Egyptian government works to fulfil its ambition to increase the supply of electricity from renewable sources to 20% by 2022 and 42% by 2035.

INCENTIVES AND INVESTMENT

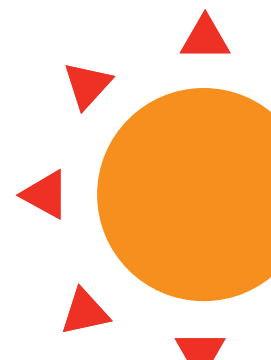
Egypt’s targets may look modest by Finnish standards, but like many countries in the developing world – it relies on a mix of government incentives and private and foreign investment to drive renewable energy development.

To the south, Uganda still suffers from occasional but prolonged power outages, and most of its heavily rural population relies on the burning of biomass (like wood) for energy. Reliable electricity from any source is the most pressing issue for the majority of Ugandans, with only 22% of the population enjoying access to electricity in 2018. Most of that is currently generated from hydropower.

How will Uganda meet the increasing electricity demands of businesses and citizens? Dipak Lakhani, accounts and tax director at UHY Thakkar & Associates, Kampala, Uganda, points to a number of government incentives that are helping to kickstart a nascent renewables sector, in the hope that it may go some way to meeting the electricity needs of currently underserved Ugandans. Uganda is richly endowed with renewable energy sources and, says Dipak, solar and hydropower are particularly important.

“The government gives tax holidays and rebates for renewable energy projects, and has also formed the Uganda Energy Credit Capitalisation Company (UECCC),” he says. “It is responsible for coordinating funding from the Ugandan government, international development partners and the private sector, to invest in the renewable energy infrastructure in Uganda.”

In countries where there are more pressing social, economic or political concerns, progress towards renewable goals is predictably circumspect.



But as the Ugandan example shows, progress is happening almost everywhere to some degree. Developing countries are recognising that renewable energy must play a significant role in any future energy mix, even where electricity is an unreliable resource.

WHERE COAL IS STILL KING

Electricity is not an unreliable resource in Australia. Indeed, the Australian government recently celebrated reaching its 2020 renewable energy target early, with 23.5% of electricity generation met by renewables in September 2019.

While that sounds impressive, it is a relatively modest target and figures show that investment in renewable energy in Australia is actually falling. Michael Coughtrey, managing partner at UHY Haines Norton in Sydney, says that although the government encourages the renewables sector with subsidies and infrastructure funding, Australia remains dependent on coal.

“Coal produces about 65% of our electricity,” says Michael. “We need coal and there is a vigorous debate here about developing new coal-fired plants, as some are about to close down.”

Progress on renewables is often slower in countries with large and powerful fossil fuel interests. Finland has been able to forge ahead, as Harri Laurikka accepts, partly because it does not produce its own fossil energy: the coal, oil and gas it uses are imported. In Australia and elsewhere, politicians must weigh environmental concerns against the jobs and investment that major international coal, oil and gas companies create, and their significant lobbying power.

RENEWABLES ON THE BACKBURNER

The pressure these giant conglomerates can bring to bear is seriously slowing the development of renewable energy sectors in some countries. At UHY ECA in Poznań, Poland, partner Piotr Wozniak

says the Polish government has shown no will to embrace renewables, and that any progress that has been made is the result of legislation imposed by the EU. In Poland, coal is king, providing 80% of the country's electricity needs and supporting thousands of jobs. The government's energy policy is focused accordingly.

“The result of such policy has been catastrophic for ecology,” says Piotr. “Among others, the development of onshore wind energy was stopped, solar farms were neglected and investments in renewable offshore energy sources (which in the Polish climate would be an ideal energy solution) were not even started. The important role of coal in the Polish economy is continually emphasised.”

“

In Poland, coal provides 80% of the country's electricity needs and supports thousands of jobs.

”

UHY ECA has a client, Viatic, that constructs and maintains turbines for onshore wind farms. Significantly, Viatic quickly realised that the domestic Polish market alone would not be enough to meet its ambitious targets, and has employed UHY's international network to swiftly build a presence in other European countries.

Poland does offer encouragement for renewable energy businesses, through loans to entrepreneurs and programmes to promote small-scale solar energy generation, for example. Another important initiative is the ‘Polish Energy Policy until 2040’ project, which aims

to support the development of cheap offshore wind energy, thereby increasing the country's energy security and reducing the need for energy imports.

But these initiatives are piecemeal at best.

“As confirmed by the recently released National Plan for Energy and Climate sent by the Polish Ministry of Energy to Brussels, our country will not be able to meet the minimum 15% goal of renewable energy sources in total energy consumption,” says Piotr.

A GROWING OPPORTUNITY

Finland and Poland are both European nations and members of the EU, but on renewable energy at least the countries seem worlds apart. Their contrasting situations exemplify the two-speed nature of renewable energy adoption. Most governments are doing something, but the extent of their support is heavily dependent on local circumstances.

However, while the speed of travel differs, the destination is set. UHY member firms are seeing a clear upswing in renewable energy clients. The plethora of subsidies, tax incentives and loans that support the sector, and the scrutiny it attracts from pressure groups and public bodies, mean that professional service providers have a key role to play in the continuing growth of renewable energy generation.

As Harri Kanerva, partner at UHY TietoAkseli in Finland explains, being able to outsource to UHY intricate tasks like compliance and reporting, is vital for renewable energy clients as they establish a presence in the sector: “We have a number of renewable energy clients, and they get to concentrate on their own field of expertise. That saves them a lot of time and money.” ■

For more information about UHY's capabilities in the energy sector, email the executive office, info@uhy.com, or visit www.uhy.com



WIND REVOLUTION

UHY MEMBER FIRMS ACROSS EUROPE HAVE HELPED A POLISH WIND TURBINE COMPANY ACHIEVE AMBITIOUS INTERNATIONAL GROWTH THAT IS SET TO CONTINUE

“UHY is a trusted partner for high-growth companies.”

Viatec is flourishing in the wake of Europe’s booming demand for sustainable energy. Based in Poznań, Poland, with operations in seven European nations, the company constructs and maintains wind turbines for onshore wind farms, offering a turnkey service that includes the onsite installation and servicing of tower sections, generators, blades and cabling works.

ENERGY EXPANSION

The need to generate energy from wind has created a vibrant industry across much of Europe, enabled by friendly EU and local regulations. Countries such as Germany, Denmark and the UK have forged ahead in designing and building of offshore and onshore wind farms, but until recently Poland lagged behind due a lack of necessary skills and infrastructure. Viatec was founded with a goal to lead wind energy generation efforts in Poland, but quickly realised that the domestic market alone would not be enough to meet its ambitious targets.

Viatec financial director Olga Kazmierska says, “The strategy of Viatec was to build competence and presence in foreign markets. And that meant there was a natural requirement for a professional accountancy firm with a wide EU network, alongside tax advisory competencies and a thorough understanding of high-growth SMEs.”

Viatec partnered with UHY’s Polish member firm, UHY ECA, represented by partner Piotr Wozniak and his team. UHY ECA’s expertise and experience of helping other high-growth SMEs, combined with its central position in a highly connected network, has proven invaluable – and Viatec has been able to fulfil its ambition to quickly forge a presence in burgeoning wind turbine markets across Europe.

“We know Piotr and UHY ECA have a good reputation for tailoring services for SMEs, as well as offering a range of services,” says Olga. “We have been recommended by UHY ECA to a number of UHY member firms. We can always count on a full exchange of information and detailed discussions between UHY ECA and local UHY member firms in each location to arrive at the final solution for Viatec.”

CROSS-BORDER EXPERTISE

Viatec’s partnership with UHY, alongside its own expertise and determination, has seen business operations spread quickly across the continent. Assisted by several other UHY member firms – UHY BusinessCollegia LLC, Belarus; UHY TietoAkseli, Finland; UHY GVA, France; UHY LLC, Georgia; Govers Accountants/Consultants, the Netherlands; Revisorgruppen AS, Norway; UHY Fay & Co, Spain; and Winthers Revisionsbyrå AB, Sweden – the company has proved, without question, that a market for its products and services existed beyond Polish borders.

“We know there will always be a thorough knowledge regarding accounting, audit, tax and business advisory, alongside a thorough understanding of the nature of SMEs and the flavour of a high-

growth company. Importantly, there is also the ability to see and consider issues in perspective,” says Olga.

“UHY has helped us achieve compliance – with regard to both customer requirements and local regulations – and has aided our ability to grow the business overseas. I would describe UHY as a trusted partner for high-growth companies like us.”

Viatec’s pioneering attitude to international expansion is unlikely to end there. The company has had preliminary communications with other UHY member firms including UHY Audit CD S.r.l., Romania and UHY UZMAN Sworn in CPA and Independent Auditing Inc., Turkey, and is considering a move beyond Europe’s borders. UHY member firms remain on hand to help its integration into local markets around the world.

“We rely on the quality and accuracy of the services UHY member firms provide when considering approaching new markets with our services,” says Olga. “We are encouraged to see the ongoing development of the UHY global network – the recent addition of an Iranian member firm, Hadi Hesab Tehran, for example – as we look forward to further expansion.” ■

For further information, please contact Piotr Wozniak, partner, UHY ECA, Poznań, Poland: piotr.wozniak@uhy-pl.com

A WOMAN WITH HEART AND AMBITION

Accounting has come a long way in Indonesia over the last 30 years. Venancia Wijono has been on every step of the journey but has never lost sight of what matters most – people.



Venancia with her granddaughter



Venancia (centre) with her running club friends

When Venancia Wijono, partner, KAP Hananta Budianto & Rekan, Indonesia, was deciding which career to choose after graduating from high school, she could not decide whether to embark on a degree in dentistry or economics. At that time it was possible to register for two different subjects so she opted for both until she was accepted on to the faculty of economics and chose to major in accounting.

“As a child I had thought I would become a dentist because I was very good with my hands but looking back, I am glad I became an accountant. It is a profession I love, and I have met so many inspirational people through my work,” says Venancia.

When she first qualified in the 1980s, Venancia remembers that accountants were still rare in Malaysia. “We had to work hard every day to earn people’s trust in our profession. It was largely unregulated at the time, but we have come so far in the last 30 years, and now our reputation is secure and we move from one success to another. My motto has always been that every challenge is an opportunity and I have embraced that throughout my career.”

As an accountant who also has a background as a lecturer in accounting management and auditing, Venancia has always maintained a special interest in working with charities and aid bodies. One of her proudest achievements is that she created a consulting team that offers accountancy training and advice exclusively to not-for-profit organisations.

"In this field donors have to be absolutely sure they can trust any organisation they are supporting so it is critical that we look after them and show them at every level that we can be relied on and that all beneficiaries are worthwhile.

"We set up a separate entity for non-governmental organisations – through which we provide training and workshops to help them to improve their governance. Nowadays, several donors have appointed us to give training to the local partners they support.

"I get a thrill from knowing that our expertise contributes to the ongoing success and viability of many donor-funded projects, including Bread for the World and Cordaid," says Venancia.

Recognising that happy and satisfied clients and colleagues are her member firm's most effective marketing tool, Venancia invests a lot of time in building strong, enduring relationships with the people she works with and the businesses and organisations she advises.

"Contented employees and well-served clients are our best referral system because they go on to recommend us to others and the power of word of mouth cannot be overestimated," says Venancia. "I always stick to my motto that every challenge is also an opportunity and I think that has served me well when tackling any more difficult situations."

“

Contented employees and well-served clients are our best referral system.

”

The appeal of accountancy is obviously in the family's blood. Not only are Venancia and her husband accountants but all three of their children now also work in the fields of accountancy and finance. Her two daughters both majored in finance and accountancy and now run their own related businesses and

her son, Revano Hananta, a chartered accountant, spent three years working at UHY Haines Norton, Sydney, Australia, before returning home to help to develop UHY in Indonesia.

"I am very proud of all our children," says Venancia, "and now I have a wonderful granddaughter too who is very cute and very smart and has just started talking, which makes me laugh a lot. I wonder if she too will grow up to be an accountant!"

Although Venancia loves her work she also recognises the importance of relaxing with friends and family. Walking, jogging, travelling and a variety of sports are essential parts of her life too.

"I consider myself fortunate to have such a close, loving family and to be part of the UHY network too. Having member firms across the world to refer work to and to receive referrals from is hugely beneficial and the regional and annual meetings every year are always very positive experiences for all of us. There is nothing better than interacting with people from so many different countries to share our experiences and learn from each other.

"Here in Indonesia things are looking very buoyant too. Our new government is working hard to introduce new initiatives and technological advances – all of which should really boost our economy and improve our beautiful country's prospects to flourish." ■

To find out more about KAP Hananta Budianto & Rekan, visit www.hananta.com

“

There is nothing better than interacting with people from so many different countries to share our experiences and learn from each other.

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Venancia with her family



MAKING WEALTH WORK HARDER

AROUND THE WORLD, UHY MEMBER FIRMS SERVICE THE INCREASINGLY COMPLEX NEEDS OF PRIVATE CLIENTS AND THEIR FAMILIES

For those looking for insight into the current needs and priorities of high net worth individuals, the most recent Knight Frank Global Wealth Report provides interesting reading. According to the company's research, wealthy individuals are more mobile than ever, with a record number (26%) planning emigration in 2019.

At the same time, the report notes an increasing anxiety on the part of governments around the world with regard to tax evasion and avoidance (often mistakenly conflated with legitimate wealth management), and the tightening of rules in some jurisdictions in relation to foreign nationals and property investment. All in all, the report suggests that while high net worth individuals are, increasingly, citizens of

the world, lawmakers are scrutinising their financial activity in ever finer detail.

Staying compliant while legitimately protecting wealth can be fraught with complexity for private clients. Tax efficiency, cross-border compliance, personal and family finance, succession planning and wealth protection are all of concern. Coupled with this, the individuals involved may not necessarily be very wealthy, but simply people who want to protect the money they have earned and make it work harder on their behalf. We asked a panel of UHY experts from our member firms in Costa Rica, the Isle of Man, the UK and the US about their approach to supporting private clients.

TRUST AND CONCERN

Nigel Rotheroe, director at UHY Crossleys LLC, Isle of Man, believes that the increased complexity of tax and compliance laws, in the UK and abroad, is behind an increase in the number of private clients seeking professional advice

on how best to approach tax, wealth protection and estate management.

"Individuals and families often create trusts for wealth and estate protection, as well as for confidentiality reasons. Trusts are a good way to pass on the family business, protect assets from creditors, and pass on wealth in a careful, considered way," says Nigel.

The recent establishment of UHY Trust & Corporate Services Limited, a joint initiative between UHY Crossleys and UHY Farrelly Dawe White Limited, Ireland, designed to aid the formation and administration of companies, trusts, foundations and partnerships in Ireland and the Isle of Man, is helping to support this, Nigel explains.

In the US, Joe Falanga, managing director, UHY Advisors NY, Inc, agrees that while private clients approach him for a variety of services – personal tax strategy management, life management services (such as asset management),

and philanthropic planning and administration among them – some of their concerns are more acute today than they have been for many years.

“Private clients face economic uncertainty, changing tax laws, issues with children and inheritance, and geopolitical issues,” says Joe. “Add to that an increasingly complex cross-border trade and tariff situation – and of course they still want their wealth to work for them, to generate the highest returns while managing risk. This is why they need the best professional advice.”



Private clients face economic uncertainty, changing tax laws, issues with children and inheritance, and geopolitical issues.



THE RIGHT RELATIONSHIPS

Joe emphasises that finding the right solution is based on developing the right kind of relationship with the client, which requires rather unique skills and knowledge. Discretion and sensitivity is key, because to delve into the financial affairs of individuals and families is to open a window into their lives.

“Private clients do not want to trust another professional with their financial information unless that individual is personable, real, smart, understands family dynamics and has empathy for them,” he says. “To understand a private client, whether an individual or a family, you need to build the relationship and build trust. We, as professional advisors, need to show that we understand wealth and how the responsibilities associated with it are important. And we need to show a human side – clients like to know what an advisor does outside the office.”

Joe and Nigel also agree on another



important aspect of working with private clients: the necessity of working with other professional services providers.

“The type of work we undertake often involves lawyers, accountants, other professionals and financial institutions,” says Nigel. “One has to be a team player, especially if the service a client is seeking is to be provided on a timely and cost effective basis.”

“You have to be able to work with a client’s full team of advisors, which might include an investment manager, a solicitor, an insurance advisor and bankers,” says Joe. “We might recommend solicitors to draw up paperwork for a transaction, prepare wills and trust agreements.” Joe acknowledges that this is beneficial to all involved – but most importantly, this collaborative approach is key in enabling clients to access the precise expertise they need.

AN INTERNATIONAL OUTLOOK

Neela Chauhan, private client tax partner, UHY Hacker Young, London, UK, has also built up trusted contacts in a number of areas, from banking to property. Based in the city that claims the world’s largest population of ultra high net worth individuals (people whose net worth exceeds USD 30 million, excluding the value of their primary residence), she believes that working across national borders will also become increasingly important in providing services to private clients.

The world is shrinking, according to Neela. Wealthy individuals lead an increasingly international lifestyle, as the

Knight Frank report suggests. They might live in several countries over the course of a year, or work in one jurisdiction and live in another. By doing so they inevitably encounter the complexities of divergent tax systems. Without the right advice, this can lead to double taxation and an excessive tax burden.

“As an example, a US citizen renting out a property in the UK must absolutely obtain the right advice, or they may end up paying income tax in both countries without unilateral relief, as there is a mismatch in the domestic reliefs available. This also applies to capital gains tax on the sale of the property,” says Neela. She also points to similar mismatches between tax systems in various European countries and the UK, too.

Individuals who reside, invest or work abroad need specialist advice or risk paying far more than they need to. This is not tax avoidance, Neela adds – it is simply organising tax affairs so as to avoid punitive charges when overlapping between different fiscal regimes.



GLOBAL AND LOCAL

Nigel Rotheroe also notes the increasingly international nature of private clients, which he says puts an onus on members of a global network like UHY to work together to offer the very best private client service. "Crossleys has provided assistance in relation to client structure work to other UHY member firm offices, and has in recent years assisted UHY offices in Ireland, Israel, Italy, Malta, the UK and the US with various client offerings," he says.

Neela adds: "The advantage of being part of the UHY network is that, while you can only ever expect to be a true expert in the tax regime of your home country, if I need information about the nuances of the tax system in another country, I can quickly pick up the phone and ask a colleague in that part of the world."

This is especially important, because it is not just the arcane details of tax or property law that differ between jurisdictions. The culture of wealth protection and inheritance practice is highly dependent on local circumstances.

Around the world, UHY member firms offer private client services shaped by local priorities. In Saudi Arabia, for example, UHY Abdul Jabbar specialises in establishing 'family offices', a type of financial device to manage family wealth, plan for family financial futures and provide other services to members of the family under their ongoing oversight. In Australia, UHY Haines Norton has expertise in the creation and management of Testamentary Trusts, which provide more control over the distribution of assets to beneficiaries, as well as tax advantages.

In Costa Rica, Omar Pérez, partner at UHY Auditores y Consultores, S.A, explains that the estate planning services his firm offers to private clients, in some ways, is fundamentally different from that offered in Europe or America.

Omar says: "The interesting thing with Latin America is most people manage their personal wealth through their companies. I am pretty sure that is because we do not have a liquid stock exchange in Costa Rica, so if you have your money in a personal bank account or personal investments, you will not

have the same return as if you have it in a business. And it is so much easier to handle inheritance this way too. It is important to remember that the majority of businesses here are family businesses."

AN INFORMED CHOICE

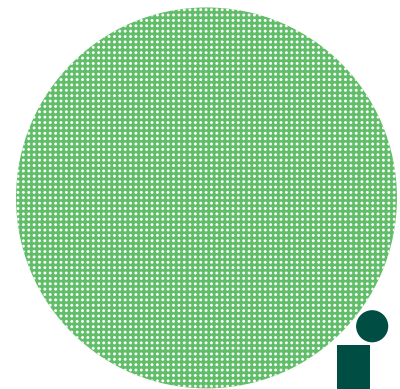
Both high net worth individuals and less wealthy individuals keen to make the most of their money are increasingly well informed. "People are more financially astute, with information being more readily available through advanced technology and media coverage," says Neela Chauhan. "They know that there are more ways to make their finances more efficient. They realise they have more choice."

It is against this background that UHY member firms around the world are developing specialised private client services. The number of financially literate individuals and families seeking to exploit new opportunities, while remaining fully compliant with ever more complex rules and regulations, is growing. They demand real expertise and a relationship with their advisors that is built on trust. ■

For more information about UHY's capabilities in private client services, email the UHY executive office, info@uhy.com, or visit www.uhy.com



People are more financially astute, information is more readily available through advanced technology and media coverage.



NEW CHIEF JOINS IMF



© World Bank Group/Grant Ellis

Bulgarian economist Kristalina Georgieva became the second female managing director of the International Monetary Fund (IMF) in October 2019 – the first IMF leader from Eastern Europe and an emerging market economy.

Georgieva has worked for the World Bank and European Union (EU). She joined the World Bank as an environmental economist in 1993, leaving in 2010 to become European commissioner for humanitarian aid and crisis response. She was named European of the Year and Commissioner of the Year by *European Voice* newspaper for her leadership in the EU's humanitarian response to crises. She was EU commissioner for international cooperation and humanitarian aid during the Euro area debt and 2015 refugee crisis. In 2017, she returned to the World Bank as its CEO.

Georgieva acknowledged the challenges of slow economic growth, trade tensions and historically high global debt. "Our immediate priority is to help countries minimise the risk of crises and be ready to cope with downturns," she said. "Yet we should not lose sight of our long-term objective – to support sound monetary, fiscal and structural policies to build stronger economies and improve people's lives. This means also dealing with issues like inequalities, climate risks and rapid technological change."

Georgieva replaces Christine Lagarde, who left the IMF in September 2019.

DUBAI DELIVERS NEW REAL ESTATE LAWS

Dubai started 2020 with a raft of measures in place to regulate and manage its real estate market.

In September 2019, Sheikh Mohammad bin Rashid Al Maktoum, vice president of the United Arab Emirates (UAE) and ruler of Dubai, announced a new Higher Committee of Real Estate, aimed at balancing supply and demand to ensure that construction projects add real value to the economy.

The city of Dubai, the most populous in the UAE and a major regional and international business hub, is renowned for its large-scale construction projects and opulent hotels. Despite contributing 13.6% of GDP to Dubai's economy in 2018, the oversupply of property has led to a reduction in the value of real estate in recent years.

Sheikh Mohammed stressed the need for 'quality projects' built at a pace that brings value to the economy. With a membership including the General Secretariat of the Dubai Executive Council, the Dubai Land Department and senior representatives of major property developers, the committee was welcomed by industry experts, who believe that restoring balance in Dubai's real estate market will consolidate its position in premium global real estate.

The committee forms part of a broader regulatory framework to boost competitiveness and enhance investment in Dubai real estate. This includes new laws on joint ownership and reorganising the Real Estate Regulatory Authority.

HUMAN TOUCH FOR EMERGING TECH

The World Economic Forum (WEF) has announced a Global Technology Governance Summit in April 2020, aimed at shaping a human-centred approach to the governance of emerging technologies.

The summit follows the first meeting of the WEF's Global Fourth Industrial Revolution Councils at the Centre for the Fourth Industrial Revolution (CFIR) in San Francisco, US, in 2019. It brings together stakeholders from government, business, civil society, startups and international organisations.

CFIR was established in 2017 as a hub for stakeholder cooperation in developing policy and collaborations that accelerate the benefits of science and technology. The councils align with CFIR's core focus areas – artificial intelligence, autonomous and urban mobility, blockchain, drones and aerial mobility, the Internet of Things, and precision medicine.

Governing emerging technologies to benefit business and society while minimising risks, is one of four urgent global issues to be discussed at the WEF Annual Meeting in Davos in January 2020. Next-generation life-sciences, smart cities, mobility, robotics and human labour and advanced computing in the light of artificial intelligence and machine learning are themes likely to be significant.

The announcement comes as other international organisations aim to shape policy and governance around emerging technologies in a societally-focused way.





2020 VISION: ACCOUNTING FOR CHANGE

WHAT DOES THIS YEAR HAVE IN STORE FOR A PROFESSION STEEPED IN TRADITION BUT AS VULNERABLE TO CHANGE AS ANY? WE LOOK AT SOME OF THE LIKELY DIRECTIONS OF TRAVEL

Extraordinary transformation sweeping through societies, economies and cultures means that long-term planning for many businesses amounts to little more than a journey into the unknown. Driven primarily by rapid technology advance, changing attitudes and expectations and a new wisdom that to disrupt is good, businesses and consumers inhabit a world of uncertainty. The accounting profession, like most others, is not immune to change. So what is the profession expecting from 2020?

It is likely that this year will be remembered less for watershed moments or rulings, than for the relentless need to embrace change. To turn challenges and threats from disruptive technologies into opportunities for growth. To implement changes required by tougher regulation and international quality standards. To manage the talent pool and workplace skills mix through astute recruitment, development and succession planning.

EMBRACING TECHNOLOGY

Cloud accounting has been the breakthrough success story of the last few years. Moving from the desktop to the cloud has benefited clients enormously in terms of speed, accuracy, efficiency and a closer collaborative relationship with accounting providers. Governments have also assisted in accelerating uptake through online policies, such as the UK's *Making Tax Digital* rollout which will continue through 2020.

Unsurprisingly, the biggest agent of change for the profession in 2020 and beyond continues to be technology, and in particular artificial intelligence (AI) and robotic process automation (RPA). These will continue to impact on data analysis, generating better predictions, deeper insights, reducing risk and cutting the cost of human error in audit and assurance. However, the rate of adoption by businesses and advisors in 2020 will depend not only on the choice and accessibility of cost-effective analytics tools and their potential return on investment, but also on the more nuanced issues of trust and human judgement, and having the capabilities to implement change effectively.

Tools such as CaseWare's IDEA analytics product is an example of an established desktop and cloud accounting software provider now incorporating AI to enable

a step change in what accountants can achieve through precision analytics and the value this adds for the client. Described by AICPA (the American Institute of CPAs) as the dynamic audit solutions of the future, products like IDEA enable data collection from any source – and the more data you have, the more insight you build. An RPA-based workflow engine quickly generates all the workpapers auditors need, and advanced AI-based analytics launching in 2020 will make possible additional substantive testing of datasets, with limitless inputs, resulting in a scalable and rigorous solution for client engagements. The right product choice is an important one for accountants to make but so also is when to make it. Each firm's circumstances and motivations to change will be different, but an increasing client expectation that tools such as these will be deployed by their external auditors means uptake is more likely to be sooner than later.

Looking further ahead, the practical implementation of real-time distributed ledgers (blockchain technology) is unlikely to be widespread by the end of this year, or the next. However, infant technologies often surprise, so the profession is not taking its collective eye off the ball, and there continues to be significant investment in blockchain development by many large professional service providers and systems integrators with the financial capacity to trailblaze. Mainstream adoption is almost inevitable, but perhaps not yet.

KEEPING UP STANDARDS

According to Tom Seidenstein, chair of the IAASB (International Auditing and Assurance Standards Board) in his October 2019 address to the ICAEW conference in London, UK, "Setting standards at the international level is the most effective way to respond to the relentless globalisation of business." In 2020, audit firms will begin preparations for implementing a new raft of IAASB measures aimed at improving audit quality standards still further, and expected to come into force in 2021.

The revisions to existing international standards and the introduction of brand new measures come after five years of planning and consultation.

In recent years the quality and efficacy of audits and auditors has been brought into question by a spate of high-profile corporate failures, including – most recently – the collapse of UK travel giant Thomas Cook. So heightened scrutiny of a company's books in the public interest will be seen as a welcome development and the profession must engage with and be ready to deliver on the new standards.

Jerry Townsend, audit and assurance partner at UHY LLP in the US, UHY Board member and head of UHY's global audit special interest group, believes that audit firms – and especially those operating internationally – must begin to tackle these changes now. "Working with colleagues to deliver cross-border client audits to these new and revised standards, could mean a substantial overhaul of existing quality and quality review systems for all parties, to consistently mirror the new risk-based approach," he says. "We will also need to assure engagement quality at the front end of the process rather than afterwards, which is not traditionally the way it has been done. There are significant implications for engagement partners and every audit firm will need to evolve its governance to suit. This could easily take a year or more to implement."

The International Ethics Standards Board for Accountants (IESBA) develops and promotes ethical standards and guidance for professional accountants. It also has been consulting on revisions for accountants to meet more stringent public expectations on role and mindset (professional scepticism), in a project aiming to complete in 2020. Together with a 2021-targeted initiative to

extend the ethics code to non-assurance services, there will be plenty to occupy the profession in the year ahead on these vital public interest goals.

TAXING THE DIGITAL ECONOMY

The many-faceted anti-BEPS (base erosion and profit shifting) programme from the OECD continues to gather momentum with an increasing number of countries signing up to the actions and the multilateral instrument to help ensure fair and proper distribution of multinational profits to the jurisdictions in which they are made. In the US, businesses and professional services providers are still navigating the Tax Cuts and Jobs Act (TCJA) and this will continue through 2020 as the IRS implements its tax code reform.

But tax repatriation issues for technology operators in the digital economy – where physical trading presence is not a measuring point of economic activity – have taken longer to address. Despite the digital economy being Action Plan 1 out of 15 action plans in the BEPS framework, the OECD's detailed proposals for tackling online sales have only recently been published for consultation, to a mixed reception.

The proposals aim to force the tech giants to pay tax in the countries where they make the sales, rather than transferring to offshore or other low-tax jurisdictions, but some critics believe the measures do not go far enough; and in particular, that the exchequers of poorer or developing economies will continue to largely miss out on tax income they should have.



Some countries have bypassed BEPS altogether with digital economy discussions of their own. Andrew Snowdon, partner and head of tax, UHY Hacker Young, London, and chair of UHY's global tax special interest group, says the UK is at an advanced stage already. "The UK government's Digital Sales Tax will be introduced on revenues earned from April 2020," he says. "There has been an appetite for some time now to bring the large internet companies into line, and the new tax will target search engine companies, online marketplaces and social media platforms, that derive value from UK users."

It is clear that internet-based businesses will be working hard in 2020 with international tax specialists to understand and deal with the impacts of the proposals.

CULTURE AND CREDENTIALS

This year will also see accounting firms and professional bodies continuing to develop their people policies to more appropriately reflect the realities of change: specifically the need for broader IT and business development skills, and a recognition that the workplace and its associated culture cannot stand still.

The influence of the millennial generation (25 to 40 year-olds) is well documented. More tech-savvy than their predecessors, less traditional, and more open to new ideas, they are more visual and would prefer to learn from YouTube than from

an instruction manual. They expect a digital workplace. In the US, there is now a majority of millennials in work. In many countries and industries the needs and expectations of this workforce are outpacing the provision – and with growing competition for talent across the board it is incumbent on employers to understand this and invest accordingly.

The accounting profession, like others, is finding opportunity in changing generations, because technology advance is forcing the issue. Embracing AI and RPA means realigning the organisation skills base and the development path of partners, managers and staff. In 2020 firms should be focused on managing the declining need for clerical, repetitive or data-heavy duties, with the growing one for systems and analytics, interpersonal skills and leadership. The accountant of the future will be a trusted advisor to the client of the future.

Professional bodies are also stepping up. In the US, a joint initiative between two heavyweight authorities promises to transform the career licence of tomorrow's accountants. The American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) are developing a new framework for the CPA licence of the future. It recognises the need to train and test in technology skills, business intelligence and IT governance, as well as accounting, and will offer candidates options for specialisation, such as in audit, or cybersecurity.

Dennis Petri, partner, UHY LLP in the US, and chairman of UHY International, believes the evolving licensure requirements will be influential around the world. "The CPA profession must adapt quickly," says Dennis. "Change like this must be rapid, transformational and substantive. Technology and analytics expertise is essential; the qualification will test an accountant's ability to use and review systems. It is an exciting – and necessary – step forward."

The new licence, once redesigned, will replace existing initial licensure requirements but will not require the relicensing of existing CPAs. Instead, it is a benchmark for the future generation of accountants. "There is no completion date set yet," says Dennis, "so this is not something we should expect in 2020. But it does mark a significant preparation for the future, and will play a big part in encouraging talented young people into the profession." ■



INTERCOMPANY CONNECTION

In this issue our *Cogs and Wheels* section looks at the challenges multinational enterprises face from tougher regulation on intercompany transfer pricing – and how UHY member firms can help.

TRANSPARENCY COMES AT A PRICE

When the OECD/G20 countries revised guidelines on transfer pricing (TP), part of the 2015 BEPS report (anti-base erosion and profit shifting to reduce tax avoidance) they raised the bar considerably. Since implementation began over 130 countries have signed up to new international framework measures.

In the same period, the US brought into law the 2017 Tax Cuts Jobs Act (TCJA) which affects existing US transfer pricing provision and like BEPS, raises scrutiny to protect the US tax base. However these laws are not part of OECD guidelines or BEPS recommendations and do not apply equally to all countries.

Action 13 of the BEPS programme includes a three-tiered approach to TP documentation: the Master File, the Local File and Country-by-Country reporting. Its aim is to improve transparency and deter companies from exploiting tax loopholes. The US TCJA also introduces new reporting requirements for intangibles as well as complicated international tax concepts. As a result, multinationals are overhauling their TP policies and process – a painful journey for many.

A NEW SYSTEM UNDER BEPS

Businesses facing a greater compliance obligation have had to allocate more resources for the extra collection of data, its validation and analysis, and preparing reports.

Under BEPS, businesses transacting with their operating entities in other countries must now disclose to tax authorities a full account of operations, financial activities and transfer pricing policies, for goods and services (the Master File) as well as providing detailed intercompany transaction data from each business in each country (the Local File).

To complete the three-tiered requirement, a Country-by-Country Report is compiled, comprising an enterprise's aggregate data on the global allocation of income, profit, taxes paid and economic activity among all the tax jurisdictions in which it operates. The report is shared with tax authorities in these countries for use in high level transfer pricing and BEPS risk assessments.

GLOBAL CONNECTED SOLUTIONS

Given the changes, the challenges and cross-border nature of transfer pricing, the involvement of local tax authorities (whether in the US, or operating under BEPS TP provisions, with their different legislative implementations and guidelines) it makes sense for multinationals to take advice from professional specialists. Transfer pricing can be an effective tool for international tax planning, so it makes sense to outsource analysis, documentation and planning to a trusted advisor with international connections.

The UHY network operates in over 100 countries and is constantly expanding

to meet the increasing global needs of clients. A key competitive differentiator of the network and its member firms is its longstanding collaborative culture and strategic goal of *working together* – with clients and with each other. The result is effective, seamless and high quality work, and transfer pricing is a typical example.

KEEPING CURRENT

UHY strongly values knowledge-sharing between firms in different countries. UHY's TP specialists collaborate weekly, meet and exchange ideas via formal meetings, working together on client engagements – despite borders.

The network's global tax special interest group infrastructure facilitates this and enables member firms to stay current and offer the most authoritative advice. Plus two specialist transfer pricing centres of excellence representing the US and the BEPS jurisdictions ensure that TP knowledge sharing and effective client support is a key priority during this time of regulatory change.

CLIENT CAPABILITY

UHY member firms offer transfer pricing support to clients in the following areas:

- Documentation and compliance
- Design and implementation of TP policies
- Benchmarking services
- Defence files and dispute handling
- Analysis for highly leveraged entities
- Valuations for tax and TP purposes

For more information about UHY's capabilities in global tax and transfer pricing, email Andrew Snowdon, global tax special interest group chair, a.snowdon@uhy-uk.com, or the UHY executive office, info@uhy.com, or visit www.uhy.com.



STAR CHARITY PARTNERSHIP

Specialist sector knowledge and global reach enables UHY to provide expert support to a leading HIV/AIDS charity founded by Sir Elton John.

The Elton John AIDS Foundation (EJAF), is one of the world's foremost independent charities working to support people affected by, or at risk of, HIV or AIDS. The organisation is backed by many high-profile and internationally renowned patrons and trustees, from musicians like Sting and Annie Lennox, to tennis legend Billie Jean King.

With operations in both the UK and the US, EJAF is the fourth largest philanthropic funder of global HIV grants. As of 2018, it has raised over USD 400 million to support HIV-related programmes across Africa, Asia, the Americas and Eastern Europe.

SPECIALIST KNOWLEDGE

In 2017, after seven years working with the same auditor, and following recognised good practice, EJAF's UK arm undertook a review and tender process. Fiona Russell, global finance director at EJAF, says, "Having worked with the same auditor for several years, and despite getting a very good service, we felt it was time to see what other networks could offer. We invited several auditors, including the incumbent firm, to submit tenders. We focused on networks that offered experience with charity accounts and grant foundations

and, due to the consolidation of our UK and US operations, we wanted to find an audit partner who could offer us a global service. We did not consider one of the Big Four networks."

The specialist expertise presented by audit partners Subarna Banerjee and Daniel Hutson, UHY Hacker Young, London, UK, alongside the UHY network's global reach, provided the solution that EJAF needed.

"We were impressed by the fact that UHY Hacker Young was a larger firm with more experience in giving specialist advice about VAT, not-for-profit organisations and other queries, plus the fact that we could use the same network to build a relationship with UHY member firms in the US for the audit of EJAF there – which is something we acted on very quickly when Subarna put us in touch with Michael Burke, audit partner at UHY LLP, New York, US," says Fiona. "The UHY team had the expertise and experience to help EJAF move forward and our trustees were immediately impressed by their enthusiasm."

TRANSATLANTIC PARTNERSHIP

Since their engagement in 2017, UHY Hacker Young in London and UHY

LLP in New York, have successfully carried out audits of both EJAF UK and EJAF US. They have also supported EJAF UK through the government's Making Tax Digital programme and they offered specialist VAT advice for an event which took place in France.

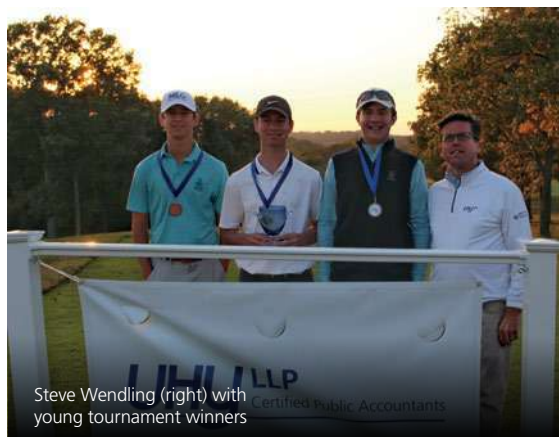
Fiona says, "Working with Subarna and his team has made the year end audit efficient, smooth and straightforward. Despite the Board meeting date moving forward by a few weeks, both the US and the UK financial statements were ready in time for sign-off. Subarna, as our main contact, is always extremely helpful and responsive. We look forward to building on our already strong partnership which has a great cultural and commercial fit."

For more information, contact Subarna Banerjee, UHY Hacker Young, London, UK: s.banerjee@uhy-uk.com



UHY had the expertise and experience to help EJAF move forwards.





Steve Wendling (right) with young tournament winners

BIG DRIVE FOR FUTURE TALENT

When audit partner Steve Wendling, of UHY LLP in St Louis, Missouri, US, realised his son's love of golf was more than a passing fancy, he had no idea it would lead to a sponsorship deal and platform for nurturing future talent.

Steve was first introduced to the American Junior Golf Association (AJGA) through his son Steven's participation in AJGA tournaments throughout the US and Canada. The AJGA regularly held events in St Louis and Steve, who was responsible for business development in the Midwest, saw potential for a partnership to help young players develop their skills. Two years later, UHY LLP is the official accounting firm of the AJGA – sponsoring seven tournaments annually and supporting an annual accounting internship at the AJGA's headquarters.

"UHY LLP's relationship with the AJGA began with a local agreement to serve as the title sponsor of its St Louis tournament in 2018," says Steve. "It was named the UHY St Louis Junior Championship, and in our first year as sponsor the tournament hosted 78 junior golfers from 22 states and seven countries."

UHY LLP became a national sponsor of AJGA tournaments, combining support with community and charitable activity. A new three-year agreement began in 2019, and Steve now administers the UHY Prep Series, junior golf tournaments that award exemptions for entering the AJGA Junior Championships, opening opportunities to more young golfers.

Funds raised through the initiative will support AJGA's grassroots ACE (Achieving Competitive Excellence) Grant programme, as well as helping young people pursue scholarships through the Evans Scholars Foundation. The non-profit organisation Vets Returning Home, rehabilitating soldiers returning to civilian life, will also benefit.

LEADERS IN THE MAKING

Every year, UHY Haines Norton (Auckland), New Zealand offers local students a chance to win a study scholarship for a commerce or business studies degree. It recently announced its 2019 winner as final year student Steven Philalom, who excels academically and within his community.

The scheme is about identifying future entrepreneurs, managers or CEOs. "Winners are not necessarily top students but those who apply themselves and set examples to younger students and peers," says Debbie. "Steven works hard at school but also gives up his time to volunteer, fundraise and mentor younger students."

Steven, whose Laotian parents met in a refugee camp, works with anti-bullying groups to help raise awareness for youngsters struggling



with mental health issues. When asked what is important to him he said, "Family, friends, good mental health, a sustainable future."

The scholarship is open to schools in West and Northwest Auckland. Debbie Robson, the firm's marketing coordinator says: "It is a way we give back to our community. There are not many scholarships like this locally."

Steven plans to undertake a Bachelor of Commerce at Auckland University, majoring in accounting and information systems.



CHARITY FUNDRAISER IS A SMART MOVE

UHY ECA in Poland has a reputation not just for professional excellence – ranked as one of the best audit firms in Poland – but also for its charity and community engagement.

Since 2018, UHY ECA has sponsored a chess tournament in Warsaw to raise awareness of the life-limiting disease cystic fibrosis (CF). Grandmasters and amateurs take part while learning about CF's symptoms and treatments.

The entry fee for the 2019 event was donated to the Polish Society for the Fight against Cystic Fibrosis (PTWM), the main CF charity to which UHY ECA offers pro bono support. PTWM volunteers, mainly parents of sufferers, gave

presentations and information, while coffee and cake boosted funds to PLN 15 880 (USD 4,120).

Competitors played in two groups: under-13s and an 'anyone else' regardless of age or skill. Eleven grandmasters competed, including legends of Polish chess such as Bartosz and Monika Soćko, Radosław Wojtaszek, Kacper Piorun, Mateusz Bartel and Michał Krasenkow.

"This cause is so close to our hearts and we were delighted to support the work of PTWM," says Michał Kołosowski, partner. "It brought the community together and Warsaw TV and radio attended. We hope the next challenge will be even bigger and better!"



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