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client matters

a newsletter from **pkffpm accountants**

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BREXIT BRIEFING & TAX MATTERS
FREE INSIDE

Momentous Night for PKF-FPM at British Accountancy Awards

Leading island based accountancy practice PKF-FPM Accountants with offices in Northern Ireland and Ireland, continued an amazing 2017, winning the prestigious Mid-Tier Firm of Year Award at a glittering British Accountancy Awards Gala Banquet Ceremony on 13 October 2017 in London.

The Awards Ceremony, hosted by Mock the Week star, Hugh Dennis, attracted upwards of 1,000 guests, including high profile leaders from the UK business and accountancy sectors. PKF-FPM was the only firm shortlisted in three national categories at the Awards, the other categories being Tax Team of the Year and Accounting Innovation Project of the Year.

The Mid-Tier Firm of the Year Award is awarded to the firm with turnover between £3m and £25m that has added significant value to clients across all service areas. It was acknowledged that PKF-FPM provided a range of exceptional services, which had been fundamental in enabling clients to achieve their business goals. It was noted, as champions of evolutionary change, PKF-FPM embrace the ever-changing economic landscape, challenging traditional perceptions and equipping clients to minimise threats, maximise opportunities and advance from reaction and weakness to pro-activity and strength, positioning clients for success.

Founder and Managing Director Feargal McCormack with fellow directors and staff collect their award at the British Accountancy Awards Gala Banquet Ceremony at the Hilton Park Hotel in London. Back row (l-r) Malachy McLernon, Feargal McCormack, Paddy Harty. Front row (l-r) Caroline Preston, Teresa Campbell and Nicole Curran.

Receiving the Mid-Tier Firm of the Year Award, PKF-FPM founder and Managing Director, Feargal McCormack stated that he was overwhelmed but delighted to accept the Award on behalf of a passionate and caring Team PKF-FPM. He added PKF-FPM desire to create the highest possible operating standards and to develop the character and culture of our people, because we believe that collective team character will be vital to our success and exceeding clients' expectations.

Having previously won Large Practice of the Year and Overall Practice of the Year at the 2017 Irish Accountancy Awards, PKF-FPM are currently recognised as Best in Class by their peers in both Britain and Ireland.

Get Your Business Ready for GDPR

The new General Data Protection Regulations (GDPR) which come into effect on 25 May 2018 will transform how businesses store, process and secure personal data. The purpose of GDPR is to prevent misuse of personal information and to better protect the rights of individuals whose personal data is used by organisations.

GDPR will affect every business – there isn't a threshold below which companies are exempt. All personal data that can be used directly or indirectly to identify a person fall under the new regulations. Although GDPR is an EU law, it applies

to any company that interacts with any EU citizen, so the reach is global. The UK will be implementing GDPR whether Brexit happens or not.

While complying with the regulations may not initially appear onerous, complexity becomes apparent when looking at the individual steps that need to be taken to satisfy the new rules. For example, one of the first tasks in preparing for GDPR is to identify all of your organisation's personal data. How confident are you that you know all of the locations where your data resides? In most businesses, data are likely to be stored in numerous locations, including HR files, customer records, prospect databases, supplier records, contact records, websites, Excel and Word documents and email.

You also need to take steps to gain clear consent to hold and use that data, to protect it from unauthorised access (whether within your network or in transit), to respond to data access requests from the subjects of that information, to manage any data breaches, and so on.

It's not just the scale of the fines relating to a breach of GDPR that should focus minds (penalties can be as much as 4% of the annual worldwide turnover of an organisation or €20 million) but also the risk that an organisation may have to change its business model at short notice or suffer potentially irreparable reputational damage.

As preparing for GDPR is likely to be a major challenge for most growing businesses, PKF-FPM has resources to help clients assess how well their data security and usage controls compare to the GDPR requirements, and identify areas for improvement. For more information, please contact a mem ber of our Team.

HOW WILL BREXIT AFFECT YOU?

Brexit will have profound tax implications for individuals domiciled in Northern Ireland, the UK and Ireland.

Find out how you and your business will be affected and how to minimise your future tax liabilities.

Contact PKF-FPM's Brexit Centre of Excellence.

about us

PKF-FPM CORE VALUES

- Passionately believe in caring for our clients, colleagues and community.
- Listen, understand and solve, to make it happen.
- Invest in the Best!
- Pushing out boundaries and creating opportunities.
- A culture of ethical business and trust.
- An ethos of positivity, enthusiasm and fun!

PKF-FPM CORE FOCUS

- Caring and proactivity are at the heart of everything we do;
- We commit to helping you maximise your wealth and lifestyle aspirations, through understanding you and your business; and
- We have a proven track record in delivering simple solutions to complex problems.

PKF-FPM THREE UNIQUES

(1) We 'get' you, and foster a sense of urgency, with a bias towards passionate thoughtful action – (we're business owners ourselves).

(2) We're different ("brave, bold and gutsy", we tell you what we think, rather than what you would like to hear).

(3) Acknowledged independently at local, regional and national level as "best in class" with unique Cross Border expertise.

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NEWS

Irish News Awards

A fantastic turnout of 600 people attended the Irish News Workplace & Employment Awards in the Titanic Belfast where PKF-FPM was honoured to win the 'Managing Talent' (Small and Medium/Organisation) award.

Pictured are Kathyrn Mussen, Caroline Preston, Teresa Campbell, Ciara McFerran. Front row (l-r) Nicole Curran, Lauren Quinn and Amy Mulholland.

PKF-FPM's Fantastic Four!

For the second year running, PKF-FPM is celebrating a 100% success rate in the Chartered Accountants Ireland Final Admitting Examinations.

Congratulating the four TEAM PKF-FPM members who sat the examination this year, Staff Director Teresa Campbell, said, "We are over the moon with the accomplishment of our 2017 FAE students – Eoin Brannigan, Nicola Connolly, Emma Murphy and Denise Reilly. We are proud of TEAM PKF-FPM and our continued commitment to 'Invest in the Best'– this is a fantastic achievement for each of our fantastic four and they truly deserve this success."

The latest success builds on a strong track record of outstanding performance by PKF-FPM trainees. On average, over the last 15 years, our FAE success rate has consistently outperformed that of the Big 4 firms.

Barney Birt, Philip Gilliland, Ruairi Martin and Brendan Birt.

Food and Drink Expo

A large gathering of food and drink industry professionals took place at Citywest, Dublin in September.

PKF-FPM was pleased to support this event where Malachy McLernon (Tax Director) and Jim Fitzsimons (Technical Specialist) delivered a presentation on R&D tax credits. Businesses carrying out qualifying R&D activities can qualify for significant tax savings. PKF-FPM works with clients to reduce the complexity of preparing R&D claims and minimise the risks of a HMRC or Revenue Commissioners' enquiry. We also assist with commercialising R&D projects.

For further information, please contact a member of our team.

Family Business Seminars

Two recent seminars focused on identifying and resolving common challenges and issues faced by family businesses.

The events, hosted by PKF-FPM with Caldwell Robinson Solicitors at Glenavon House Hotel, Cookstown and NI Science Park, in Derry/Londonderry, attracted a large turnout and PKF-FPM Director, Ruairi Martin received very positive feedback following the events.

Invest in the Best

TEAM PKF-FPM members Kathryn Mussen, Aisling Hughes and Molly Kennedy attended the Queens University Belfast Graduate Recruitment Business and Finance Fair to talk about the opportunities our firm provides in a fast-paced corporate environment.

As proud winner of the 'Managing Talent' Award for Small/Medium businesses at the Irish News Workplace and Employment Awards, winner of Mid-Tier Firm at the British Accountancy Awards and Winner of the Irish Accountancy Large Price and Overall Practice of the Year Awards, PKF-FPM believes in investing in the best and our culture supports individuals as they develop both personally and in their professional careers.

For information on opportunities at PKF-FPM, check out our website or email recruitment@pkffpm.com

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ADVICE

North East Business Academy

A new networking group for the North East area aims to have a wide range of members from a variety of business types.

The benefits of membership will include opportunities to build strategic alliances and connections, raise your profile and promote your business as well as access to self-development and training. PKF-FPM were delighted to attend the launch at Creative Spark in Dundalk on 19 September 2017.

Speaking at the event, Managing Director Feargal McCormack shared insights on the power of networking and how to create an inspired team to help you develop and grow your business successfully and profitably. Feargal explained that networking is a marketing and business development function.

'It is building your circle of contacts, who not only know you but are also willing to help you because they know you and know that you would do the same for them. It is not what you know or even, who you know, but how well you know them and who they know. Business is all about people and relationships.'

Team PKF-FPM in attendance at NEBA launch at Creative Spark, Dundalk. (l-r) Patrick McKenna, Feargal McCormack, Mairead McParland, Michael Farrell and Nicole Curran

People don't buy what we do, rather they buy why we do it. In my view, regardless of organisation size, inspired leaders think from the 'inside out', Feargal said.

10 Steps to Family Business Success

It is common but not necessarily productive for families to discuss family business around the breakfast table. Successful family businesses understand the importance of keeping business and family issues separate.

1) If you don't take care of business, the business can't take care of the family. Ensure your family business has a Partnership /Shareholder Agreement and a clear division between ownership and management/employment responsibilities.

2) Be clear about your vision and plan. Ensure that everyone has a shared understanding of your core business values and rules.

3) Set boundaries to limit business discussions outside of work. Mixing business, personal and home life can lead to conflict that is detrimental to business success.

4) Hold weekly meetings to focus attention on core business objectives. Stick to a strict agenda to ensure these meetings are productive.

5) Don't provide 'sympathy' jobs for family members. It is important that each family member adds value to the business and works at a level aligned with their current skills. Clearly define each family member's role and put this in writing. Family members should be dealt with like any other business relationship.

6) Understanding the advantages of family ownership is key to success. Customers are often drawn to using family businesses because of their culture and togetherness.

7) Define clear management reporting lines. PKF-FPM sees many instances where family members feel they can reprimand employees who do not report to them.

8) Seek to ensure that family members looking to join the business gain suitable outside experience first. This helps them to understand how business works outside of the family environment.

9) Be open to seeking outside advice. Outside advice stimulates fresh ideas and can help make the working relationships of family members more productive.

10) Treat family members fairly. It is important to avoid favouritism. Pay levels, progression, expectation, criticism and praise should be even-handed between family and non-family employees. The standards you set for family members should not be higher or lower than for other team members.

Many experts advise against hiring family members however PKF-FPM experience shows that family members are usually dedicated to sustaining the business previous generations put blood, sweat and tears into developing. This affection for the business, combined with energy and enthusiasm, makes the contribution of family members a key factor in business success.

PKF-FPM is co-hosting a Family Business Breakfast Seminar with Newry Chamber of Commerce on Thursday 23 November in Newry. The cost is £20 for members or £25 for non-members. To book, contact admin@newrychamber.com or call Jessica on 028 302 50303.

Selling Dreams

BDLN, an online magazine and network for professionals, got a heartfelt reply from PKF-FPM Managing Director Feargal McCormack in a recent interview when they asked, 'Why does your organisation do what it does?'

"We help people to achieve their dreams," Feargal said. "When we are at the doctor's, in the crèche, or a football club, we create opportunities if we show interest in people."

"When I launched the firm in 1991 I had no clients. I leased an office and every day for the first year I walked through town to the furthest possible shop, bought a newspaper and walked back. As I walked, I talked to as many people as possible. And then I went back to my desk and read the paper! At 2 PM I repeated the journey, again chatting to everyone I met! You see I've always known that business is fundamentally about talking to people."

A quarter of a century later, Feargal still believes the same thing. "Professional services is not about selling features to anonymous businesses," he continues, "it's about creating an inspired team and selling dreams to people."

And because business is about people, suggests Feargal, to be successful you must prove to people that you care. Creating a caring culture is so important for Feargal that he prioritises it above all else.

BDLN notes that it is rare to find a professional services firm that has been so influenced by one person. Feargal's reason for doing business "to help

his clients dreams come true and passionately care in the process" has become PKF-FPM's raison d'être. The simplicity and clarity of this approach are its strengths, BDLN stated.

The full profile is available on www.bdln.com

Alumni Event

PKF-FPM Alumni and team members pictured at a recent alumni cookery event. Joining the Alumni Association is an excellent way for current and former colleagues to maintain the valuable connections and friendships formed at PKF-FPM. The Association organises regular networking events, technical briefings and exclusive alumni events.

Health & Wellbeing

Ciara McFerran and Kathryn Mussen recently collected a Health Matters certificate recognising PKF-FPM's progress in developing and implementing a workplace health and wellbeing strategy. They are pictured with Mary Doran and Catherine Downey, Health Matters.

CIOT Joint Seminar

A joint Brexit event organised by the CIOT European Branch, CIOT Northern Ireland Branch and Irish Tax Institute took place at the Conrad Dublin Hotel in June. Pictured above are (from left) Mark Barrett (President, Irish Tax Institute), PKF-FPM's Malachy McLernon (Chairman, CIOT Northern Ireland) and speakers Johnny Hanna, Anne Fairpo and Fionn Uibh Eachach.

Meeting Taoiseach

PKF-FPM Directors Malachy McLernon and Michael Farrell enjoyed meeting Taoiseach Leo Varadkar at the U2 concert in Croke Park Stadium in July.

GAA Lunch

Charlie Cullen, PKF-FPM with Brendan Looney, Horus and Aine Brolly, CPL.

PKF-FPM were pleased to attend The Leinster Chartered Accountants Annual GAA Charity Luncheon in Croke Park in September where Feargal McCormack, Michael Farrell, Gary Digney and Charlie Cullen together with guests, enjoyed an entertaining panel discussion comprising Marty Morrissey, James Horan, Mossy Quinn and Tomás O'Sé.

PKF-FPM appointed Brexit Advisors

InterTradeIreland recently appointed PKF-FPM as Brexit advisors and are providing funding support for manufacturing and internationally tradable service businesses who wish to avail of Brexit advisory services. This support is in the form of a £2k/€2k voucher (inclusive of VAT) which qualifying businesses can use to meet the costs of obtaining Brexit-related advice. There is zero cashflow impact on businesses as the cost of obtaining the advice is invoiced directly to IntertradeIreland.

For further information, contact Aveen McShane in our Brexit Centre of Excellence.

MLN Breakfast

World-renowned leadership guru, Rene Carayol MBE, was the guest speaker at an MLN Executive Breakfast in Belfast recently. Rene, pictured with PKF-FPM's Teresa Campbell and Malachy McLernon, has worked with some of the world's best-known leaders including Bill Clinton, Sir Richard Branson, Carlo Ancilotti and Kofi Annan.

Enisca Investment

Cookstown-based Enisca Group has announced plans to invest £1.5million in its workforce, training and business infrastructure. The company will recruit 29 additional staff at Enisca and a further 15 at Enisca Group businesses by 2020.

British Accountancy Awards

Momentous Night for PKF-FPM Accountants at the British Accountancy Awards Ceremony hosted by Mock the Week Star Hugh Dennis and award sponsor SAGE, Feargal McCormack with fellow Directors and staff Paddy Harty, Teresa Campbell, Malachy McLernon, Nicole Curran and Caroline Preston on stage collecting their prestigious Mid-Tier Firm of the Year Award.

Awards selfie with Nicole Curran and Caroline Preston.

Teresa Campbell delighted with receiving the Award.

PKF member firms celebrate their success.

Mairead's Zip Line...

Movie Night...

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Action Cancer Shops Challenge 2017 Winners!

PKF-FPM were recently crowned overall-winners of the Action Cancer Shops Challenge 2017, raising £9k for cancer services towards an overall company challenge total of £70k. The team also won the Recycling Star, Fundraising Initiative and Largest Amount Raised Awards. At the time of writing, a poster celebrating PKF-FPM's contribution to Action Cancer is displayed on a billboard opposite Newry's Buttercrane Shopping centre.

Spinathon at The Quays...

Shop Challenge...

Pub Quiz...

PKF Australia Visit

PKF-FPM Managing Director Feargal McCormack was hosted on Wednesday 8 November by Norman Draper, Chairman of PKF Australia at the PKF Melbourne office.

Newry Business Award

More than 530 people attended this year's Greater Newry Area Business Awards organised by the Newry Chamber of Commerce & Trade at the Canal Court Hotel in September. PKF-FPM, together with 10 of our clients were among the award winners. Michelle Hawkins collected the 'Best Place to Work' award on behalf of PKF-FPM from Gary McDonald, Business Editor, Irish News.

LEADER Programme

PKF-FPM Accountants are assisting clients in rural Dublin, Meath and Louth to obtain LEADER grants. 50% grants are available up to €200,000 for project costs. We are experts in preparing the Business Plans and in the application process and our clients are currently implementing growth and diversification plans as a result.

The LEADER Programme covers capital expenditure, professional costs, development, marketing and other costs so long as one of the themes of the programme is met, namely enterprise development and job creation, social inclusion or rural environment.

The Dublin LEADER grant is specifically targeted at rural enterprises or individuals with an idea to diversify or expand, the farming community and community groups.

In Louth they are targeting support for rural micro-enterprises, agriculture, marine diversification, food and beverage and the creative industries.

In Meath the initiative is open to all, from community and voluntary groups to private individuals and small to medium enterprises.

Please contact Charlie Cullen FCA in our North Dublin office on 01 691 3500 for a chat to discuss eligibility or email c.cullen@pkffpm.com.

Partnership Assets – What's Yours is Mine or is it?

By Alison Burnside, FPM Business Recovery & Insolvency Director

The ownership of partnership assets was discussed in Client Matters, Issue 42. In this second article, Alison Burnside focuses on the use of partnership assets as security for lending in situations where a partnership is being dissolved.

A question that often arises within partnerships relates to the partnership assets available as security for lending, especially when funders are not limited to the traditional lending institutions.

In the absence of a written partnership agreement, the current position defaults to the Partnership Act 1890.

The Clayton case noted that where any new facilities are granted or monies advanced on an overdraft after a relevant date (such as a change in the partnership), the entirety of the overdraft will be regarded as 'new monies' once sufficient time has passed between the change in the partnership and any action taken by the lender.

Where a partnership is dissolved, a lender may find their security open to challenge if the 'new funds' advanced are secured over assets in the now dissolved partnership rather than the new partnership.

In an ideal world the assets of the old partnership would transfer to a new partnership with the creditors getting paid when due and any new funding would be secured on the new partnership assets.

The new partnership has to continue trading so it is advisable that the partners meet their lenders as soon as possible to discuss any known issues or concerns while probate or the insolvency of a former partner are being resolved and processed.

A partnership's professional advisors will be able to guide them on appropriate interim measures. For example, a side letter agreement may be appropriate outlining, among other things, what security is available.

Every case is unique and it is the interaction of the issues that dictates the best way forward for the business. An important point to note, is that the dissolution of the partnership does not automatically render the lender's security invalid, but any uncertainty until the actual position is known can distract from the efficient running and management of the business.

If you have any queries on the matters discussed in this article, please contact Alison Burnside on 028 90243131 or at a.burnside@pkffpm.com.

FARM SUCCESSION

I am my father's son...

For many generations, family farms have been the defining and sustaining power behind the success of the agriculture industry on the island of Ireland. They are the core of every rural community and represent the biggest collective investment in our rural and urban economies.

Having survived many generations, the farm family is now faced with significant challenges just to 'keep the farm in the family'. It's sobering to note that the average age of farmers is 58.

We refer to these challenges as 'succession planning matters'. Even the mention of the words can be difficult in the farming family, however PKF-FPM's experience is that when such decisions are not thought through in advance, the results can be costly in terms of family, financial, tax and business survival.

By Lowry Grant Director

We must remember that farming is a business activity and, like most family business owners, farmers disadvantage themselves if they ignore or postpone succession planning.

The following are good starting points for any farm family thinking about the future of their business.

Have a clear objective

Consider whether you intend to 'pass it on' or retire. Will there be any viability issues? How should equitable treatment of non-farming family members be decided? Putting a plan in place early avoids the feeling of a loss of control, particularly where you consider yourself the custodian of generational assets.

Time is Critical

A sensible timetable must be in place for at least 5-10 years if tax efficient lifetime gifts and Capital Gains Tax allowances are to be utilised (in the UK it takes 7 years to reduce the CGT impact to zero).

Review Farm Assets

Clarify the ownership and value of farm assets and how these are farmed or used. This can have a dramatic impact on Inheritance Tax (IHT), Capital Gains Tax (CGT), Stamp Duty Land Tax (SDLT).

Keep Family Circumstances in mind

Be prepared for future changes in family circumstances such as health or residential care issues, widowhood, death, marriage and divorce, family members' expectations and needs.

Marriage and divorce concerns can lead to a great deal of fear when making plans. In cases of marital breakdown, there is rarely a 50/50 split with matters such as intergenerational farms, financial viability, your spouse's contribution to the farm taken into consideration. In many cases a financial settlement is preferable to a farm sale or split, but the question is how to fund this settlement.

Get the Structure right

Many farms in Ireland are structured as partnerships. Apart from the well-rehearsed risks of joint and unlimited liability, there are further risks in that each partner owns a proportion of the farm assets of the entire farm, not merely

Payrolling Benefits in Kind

The majority of benefits in kind employers provide to employees are taxable whether in Ireland or UK. For tax purposes you treat the value of the benefit as taxable pay.

In Ireland benefits in kind are taxed through the payroll. This option became available to employers in the UK for the first time in 2016/17 tax year.

Combining payroll and benefit reporting processes should reduce compliance time and costs, however relatively few employers have availed of the option. There are a number of factors which account for this reluctance.

For example, if an employer hadn't registered by December 2015, then HMRC couldn't guarantee the employee's tax code would be updated in time for the start of the 2016/17 tax year, potentially meaning employees would be taxed twice until the updated tax code made its way to the employer.

A further difficulty is that not all benefits can be payrolled, leaving the remaining benefits to continue to be reported on a P11D. For example, employer-provided accommodation and interest free loans cannot be payrolled.

In addition, employers are still required to complete form P11D(b) to report and pay over the Class 1A on benefits that are payrolled. The employer must also provide the employee with a benefit statement at the end of the tax year, no later than 1 June, outlining the value of the benefit and the amount that has been subject to tax.

In light of these limitations, particularly the fact that Class 1A compliance hasn't been streamlined and that the benefit statement sounds like a P11D by another name, it is perhaps not surprising that employers are not signing up for payrolling benefits.

Comparing this to payrolling benefits in Ireland, where benefits are added as notional pay through the payroll with all employee and employer taxes and pay related social insurance calculated and paid in the month in which benefit is received and with no further reporting required at year end, it seems HMRC have missed an opportunity to engage employers by not streamlining the process.

By failing to consider how the implementation would impact employers, I suspect that HMRC will have achieved very little in its own compliance savings, and I look forward to HMRC publishing figures on how many employers have actually taken up the option.

By Ruth Emery Manager

PKF-FPM's employment tax team offer support on both UK, ROI and international employment tax issues. Should you wish to discuss benefit reporting or any other employment tax issue please contact Ruth Emery (r.emery@pkffpm.com)

Vulture Funds - Protection for Irish Residents

With AIB preparing to launch the sale of an estimated £2bn of non-performing loans in a process dubbed 'Project Redwood', some borrowers are understandably nervous about the future.

The sale is not unique. There have been a number of loan sales both North and South of the border in recent years as a result of the hangover of the Celtic Tiger and associated boom and bust. The main driver of the AIB sale is pressure from the ECB to improve their balance sheet. At the end of the day, banks make money by lending money as that is their primary function. These distressed loans are quite simply an annoyance.

By Gary Digney Associate Director

Vulture funds are very much becoming the norm particularly in the South of Ireland. However, it is important for Irish residents to be aware that since the introduction of the Personal Insolvency Act 2012, there are now options available to address personal debt.

While by no means perfect, the legislation contains measures that allow borrowers to address not only unsecured debt but also secured debt.

The introduction of the Personal Insolvency Act 2012 was a game changer in relation to full and final settlement of personal debt for Irish citizens. The new Personal Insolvency Arrangement, which does not exist elsewhere in Europe, allows Irish citizens the opportunity to restructure mortgages on a sustainable basis and retain the family home. The now realistic opportunity to achieve full and final settlement of personal debts is a necessary first step on the path that allows a debtor to generate wealth again in the future.'

PKF-FPM believes that all situations involving personal debt can be resolved and a full and final settlement achieved. Having worked with all of the major lending institutions in the UK and Ireland, we have a lot of experience developing and negotiating sustainable solutions. We are uniquely positioned to offer client advice of the highest standard as we have experienced Insolvency Practitioners qualified to act under both the UK and ROI legislation.

If you're a trading business or have property portfolio that is at risk of inclusion in the forthcoming loan sales, or if you have a problem servicing any debt, contact Gary Digney for an initial consultation on your options. Email: g.digney@pkffpm.com

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their capital.

Transfers or new entrants may trigger CGT. While reliefs may defer this, death can bring it back into play.

By way of an example, Martin and Jean are in partnership and bring in their sons, Fred and Peter transferring £3,000 of their capital to each. This is within the annual £3,000 gift relief limit for CGT, IHT. The total capital of the farm remains unchanged at £60,000 (land and other assets have been recorded at historical value). Today's value on land and farm assets is £3m. Effectively the gifts of £3,000 to Fred and Peter have a CGT value of 5% of the £3m which works out at £150,000 for each son. While this can be dealt with by electing to hold over such gains, the proportion of the partnership 5% would be used if any dispute arose. So, a gift of £3,000 partnership capital could have serious implications.

Farm succession is not a simple matter. Like other succession related issues — such as financing the succession, post-succession issues, dealing with non-family children and beneficiaries, diversification on IHT/succession, gifting, wills, or selling up (no farm succession) — the challenges are complex and highlight the importance of obtaining good professional advice and the critical urgency of taking early action to consider all potential issues.

PKF-FPM are holding a free farm succession planning seminar on Tuesday 5 December 2017 at CAFRE Greenmount Campus. If you would like to attend, please contact: Catherine Scott: 028 9083 0801 or email c.scott@pkffpm.com

CASE STUDY

John (Grandfather) aged 73 has been farming all his life and remains a partner in the farm business on a 50/50 basis with his son, Junior. John handed over the operation to Junior (age 52) eight years ago and believes that due to APR (100% relief against IHT) they have no IHT problem.

However on close inspection the land is not in the partnership's name but is in John's name since he inherited it from his mother 30 years ago. 25 acres of the land, while used for agricultural purposes has been zoned for development and is worth £12.5m, the agri value, being £250,000. The other land and farm buildings have a purely agri value of £2m.

The agricultural land (£2.25m) should be eligible for APR at 100% since John is a farm partner and the land is used for agri purposes.

However since the land is owned outside of the partnership it would qualify for only 50% BPR (John's proportion of the farm partnership) and the development value of £12.5m would attract IHT of £2.5m.

Gareth Chambers, CEO of Around Noon, with Jenna Mairs, investment manager at WhiteRock Capital Partners

Around Noon

PKF-FPM client Around Noon has recently secured a £750,000 loan from the Growth Loan Fund which provides loans to established Northern Ireland businesses. CEO Gareth Chambers plans to use the funding to develop Around Noon's IT systems and infrastructure and their newly acquired London operation.

Kukoon Awards

Kukoon Director Clare Vallely with Attracta Magennis, First Trust Bank.

Newry based business Kukoon recently won the Small Business Marketing Award at the Business Eye First Trust Bank Small Business Awards. PKF-FPM client Kukoon, who sell rugs throughout the world, also received a Highly Commended from the judges in the overall 'Small Business of the Year' category. Kukoon also recently won the Website of the Year 2017 award at the Ulster Tatler Awards.

Milestone NisaExtra Rathfriland Scoops Three Awards

Milestone NisaExtra Rathfriland was recently named the overall winner at the Neighbourhood Retailer Awards, picking up three awards including the Neighbourhood Retailer of the Year prize.

As well as the coveted overall prize, Milestone Rathfriland took home the prestigious Deli of the Year trophy and were pronounced top in their field as Neighbourhood Retailer of the Year in their category.

Tom McCoy Milestone Nisa Extra, Rathfriland with Meagan Green.

Success for Mulkern's Eurospar

PKF-FPM client Mulkern's Eurospar has won several prestigious awards this year. In September, the Newry forecourt retailer scooped the Best Customer Care Award at Ireland Forecourt & Convenience Retailer Awards in Dublin. Following on from their September success, in October, at the UK-wide Retail Industry Awards in London, Mulkern's Eurospar was named Food-to-Go Independent Retailer of the Year and took the overall Fresh Produce Independent Retailer of the Year award. They also reigned supreme at the All Ireland Speciality Fine Foods Competition, taking home the 2017 All Ireland Champion Grand Prix Award and receiving a string of accolades including category wins for Butcher Shop Ready Meals, Cook in the Bag Product, and Ready to Reheat Soups.

R&D Incentives

HMRC statistics released in September show that in 2015/16, 640 SME R&D scheme claims were made by Northern Ireland businesses, up from 480 in 2014/15.

Commenting on the statistics, PKF-FPM's Siobhan McCreesh said, "While it is encouraging to see more SMEs availing of R&D incentives, the overall level of claims by Northern Ireland businesses is low. Businesses who are adapting and restructuring operations as they prepare for Brexit stand to gain significant tax benefits by improving their understanding of the available incentives on both sides of the border. The most common barrier to claiming R&D tax credits is the complexity of the rules. The claims process can be difficult to navigate, particularly for smaller businesses who do not have the administrative resources of larger companies. We see similar issues in the Republic of Ireland where there is low take up of R&D tax credits among SMEs because of the difficulty in preparing and administering claims."

To avail of R&D tax relief, it is vital to ensure that the correct procedures and documentation are in place. Businesses should firstly identify their R&D activities and then capture the qualifying R&D costs. Most businesses require professional assistance to quantify their R&D claim and organise the necessary supporting documentation. In the current climate, it makes sense to talk to advisors with cross-border expertise as businesses may need to form strategic alliances to overcome Brexit-related difficulties.

PKF-FPM has secured over £4m for clients in R&D tax savings since 2011. Our R&D team assist with quantifying R&D claims and work with businesses to commercialise projects to bring them to life. Potential claimants will maximise their chances of success by contacting us at an early stage. For more information, contact Siobhan McCreesh.

Rathfriland Fun Run

Following a well supported 10k fun run in Rathfriland, a total of £8k was raised for Cruse Bereavement and Cancer Focus. Pictured holding the cheque are Aveen McShane, Treasurer Cruse Bereavement Care with Gregory Devlin of Rathfriland Runners, Tom McAvoy, Milestone and Irene Trimble of Rathfriland's cancer focus group.

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CLIENT FOCUS

Killeavy Castle

An Australian with family roots in Northern Ireland plans to transform Killeavy Castle and estate on the slopes of Slieve Gullion into a four star hotel, spa and working farm.

Mick Boyle of Jamaras Investments NI Ltd moved to Australia with his parents in the 1960s when he was just four years old. He went on to qualify as a civil engineer and founded a successful construction company but he retained his connection with Newry and has been a regular visitor over the years. In 2013, he bought Killeavy castle with his wife Robin and they have ambitious plans to transform the castle into a £10m hotel.


Mick Boyle, Jamaras Investments NI


Directors, Peter and Leo McAllister with football legend, Peter Shilton.

McAllister Bros

McAllister Brothers have recently won the UKSTT Large Renovation Award in recognition of their work on the Bank Station Project in London.

The McAllister Group was engaged in 2016 by Dragados SA UK to carry out mitigation works to Thames Water sewers as part of their Bank Station Capacity Upgrade Project. The project involved the cleaning and articulation of the Low-Level Sewer No 2 in the area surrounding King William Street in the City of London.


The team celebrating on completing the last articulated joint.

Mourne Mountains Brewery

Mourne Mountains Brewery received two stars for three of its core beers at the 2017 Great Taste Awards and has also made it into the Campaign for Real Ale's Good Beer Guide 2018.

A PKF-FPM client, the brewery recently secured a deal to supply Sainsbury's stores across Northern Ireland having previously secured a similar agreement with Marks and Spencer.


Brewer Tom Ray (left) with Connaire McGreevy, founder.

Minister Visits Re-Gen

Minister Robin Walker visited PKF-FPM client, Re-gen Waste Ltd in Newry on 29 September 2017.

The Minister's visit was part of a wider programme of engagement with all parts of the UK on Brexit. Pictured are Aidan Gough, InterTradeIreland with Northern Ireland Minister Chloe Smith, John Doherty, Re-Gen Director of Finance & New Business Development, Minister Walker and Joseph Doherty, Re-Gen Managing Director.

Re-Gen Waste Ltd, who won the Best Export Business category at the Greater Newry Business Awards recently, has made a £2m investment in its Newry plant with a further £7m to be invested within 3 years.

Braham Electrical

Braham Electrical was named as the Electrical Contractor of the Year (Medium) at the NI Electrical Awards in September. A PKF-FPM client, Braham Electrical was praised by the judging panel for their ability to complete complex projects by adapting to customer requirements.

Directors Ciaran McQuaid, Thomas Braham, Chris Hickey and Jason McQuaid.

Deli Lites Food Award

Deli Lites won the Food-to-Go category award at this year's Irish Quality Food and Drinks Awards for their 'Vitality Salad' sold under the Applegreen brand and available in all stores nationwide.

The awards recognise achievements in new product development and point the way for future success. PKF-FPM client Deli Lites Ireland Ltd started as a small family run sandwich bar in Newry, Co. Down over 20 years ago and has grown into a major presence in café and convenience food sectors throughout Ireland.

200 Ulster Caps for Rory Best

Congratulations to PKF-FPM client Rory Best who earned his 200th Ulster Cap against Leinster at the Aviva Stadium on 28 October. Rory is pictured with his three children Ben, Penny and Richie.

STATSport partner with Rugby League Ireland

STATSports Group Limited recently announced a partnership with Rugby League Ireland ahead of the 2017 Rugby League World Cup.The partnership between the two sides will see the Rugby League Ireland using STATSports devices throughout the tournament in Australia. This follows a previously announced three-year partnership with SA Rugby which will see the Springboks using STATSports' revolutionary APEX device in preparation for their 2019 Rugby World Cup campaign in Japan.

PKF-FPM client STATSport Group has more than doubled its workforce over the last year, growing from 17 to 40 employees and moving to new bespoke office space at Dromalane Mill.

£10m contract for Novosco

Managed cloud provider Novosco has secured a deal worth over £10million with a major UK housing association. The Belfast-headquartered company won the business with Notting Hill Housing, which manages nearly 32,000 properties across London, and is building thousands more. As part of the five-year deal, Novosco will provide a range of IT services, including service support and delivery, application management, ICT commodity services, and strategic planning.

PKF-FPM client, Novosco are on a winning streak this year having been named IT Team of the year at the Belfast Telegraph Awards and winning the Best Place to Work and Workplace Wellbeing categories in the Irish News Workplace and Wellbeing awards. They also made it on to the all-Ireland shortlist of the EY Entrepreneur of the Year Awards.

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tax matters

a tax supplement from **pkffpm accountants**

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Putting Your Affairs In Order

The UK taxation system becomes more complex each year, so it is understandable that many people can't face the prospect of addressing the issue of inheritance tax planning.

The territorial limits for UK inheritance tax are decided by the concept of domicile. If you are domiciled (or deemed domiciled) in the UK inheritance tax will be charged on your worldwide assets.

Northern Ireland's unique geographical position with a land border between the UK and RoI means that often we have the added complexity of cross-jurisdictional tax traps.

By Lauretta McGeown
Senior Manager
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UK inheritance tax is charged on the value of your estate at the date of death, or on the value attaching to lifetime chargeable transfers. An individual's estate consists of all the property they owned immediately before death, together with anything acquired as a result of death such as the proceeds of a life assurance policy or pension fund death benefits where they have not been written into trust, plus any lifetime transfers which are deemed to still form part of the estate. The estate value is the open market value at date of death. The value of a lifetime transfer is the 'loss to the donor's estate' which is not necessarily the same as market value.

The current rate of UK tax on death is 40%, and on lifetime chargeable transfers is 20%.

The first place to start your inheritance tax planning is to make a list of your 'worldly goods'. The easiest assets to identify will be property and land, personal belongings, deposit accounts, credit union accounts, shares, packaged investments such as unit trusts or bonds, business assets. Don't forget about life policies, pension funds and digital assets such as online and social media accounts.

Check how the assets are owned – it is surprising how often people are not sure whether property is owned jointly with their spouse or civil partner. There are two types of legal joint ownership. These are known as joint tenants and tenants in common. Where assets are owned as joint tenants they will pass automatically to the surviving joint owner – for example, joint bank accounts are normally held as joint tenants and the conveyance for the matrimonial home usually places it into joint tenancy. Where assets are owned as tenants in common, on death the ownership does not pass automatically to the joint owner but passes according to the terms of the will (or intestacy).

The distinction is important when undertaking planning as property law takes precedence over probate law. It can mean that assets may pass to recipients in a manner in which you had not expected, or it could result in insufficient assets being dealt with in a tax efficient manner under your will.

Check whether life policies and pension plans are written under trust. If policies are not written in trust the death benefit actually falls into the estate and thus compounds the inheritance tax problem.

Remember to list any gifts of cash or assets that you have made in the past seven years.

When you have put together a list of your assets and the estimated values attaching we can provide an indication of potential inheritance tax liability. There is nothing like quantifying the amount of money likely to be handed over to HMRC to concentrate the mind on the need for planning!

Having established the extent of the potential inheritance liability, you can consider strategies available to mitigate the tax charge and agree on a plan that will satisfy your objectives and complement your family dynamic.

In future articles we will look at the strategies available in your inheritance tax planning to reduce the potential liability, but for the moment a good place to start is by identifying the extent of the problem.

Finally, keep in mind that individual circumstances vary so it is advisable to seek advice for your particular situation.

IHT PLANNING OPTIONS

1. Do nothing. Accept the level of inheritance tax liability to be paid by your heirs.
2. Arrange life assurance. Accept the level of inheritance tax liability but ensure life policy death benefits provide sufficient cash to pay the tax.
3. Ensure wills are drafted, and affairs arranged, to maximise all available inheritance tax exemptions and reliefs
4. Reduce the value of the estate at death by transferring assets during your lifetime
5. Convert assets subject to inheritance tax into assets which attract inheritance tax reliefs
6. A combination of some of the above.

For more advice contact Lauretta McGeown or any of our Tax Team TODAY...

Cost Effective Incentives to Retain Staff

A senior manager has recently left my company to work for one of our competitors for an increased salary package. I have a number of other key staff who are vital to the success of my business and I don't want to lose them. We are currently expanding the business and have a significant capital investment plan in progress so it is a difficult period for cash flow. I can't increase staff salaries or offer cash bonuses at this time. Are there any other cost effective ways to create loyalty and secure the long term services of my senior managers?

By Janette Burns
Associate Director
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Key staff know their value and if companies only offer standard remuneration packages it is often difficult to retain those employees who are important to the business. One way of involving employees in the progress of a business is to offer them a range of additional rewards. Not only can such rewards help to attract and retain experienced or suitably qualified members of staff, they can also provide a boost to productivity, improve workforce morale and often result in significant tax savings.

The Enterprise Management Incentive Scheme is a share scheme which enables many companies to grant eligible employees the opportunity to acquire shares in their employing company on advantageous terms. From an employee's perspective, the potential to share in the future capital growth of their employer is a powerful incentive to remain focused on the goals and targets of the business and a chance to share in the rewards of their own efforts. For the employer, the alignment of the employee's interests with those of the shareholders can only have a positive impact on employee motivation and loyalty also.

An employer can select whichever employees they want to join the scheme provided the employee works for at least twenty five hours a week and does not already own more than thirty percent of the equity in the business. Great care must be taken to ensure that the company also fulfils the various conditions for the scheme. If both the employee and employer conditions are fulfilled the tax benefits available under the EMI legislation are extremely generous, with no Income Tax or National Insurance Contributions due either at the date of grant or on exercise of the options. Also, the share options generally only give rise to Capital Gains Tax when the shares are eventually sold, allowing employees to benefit from Capital Gains Tax rates, which can be as low as 10% rather than Income Tax and National Insurance rates on salary increases which are often in excess of 50%.

When introducing a share option scheme, there are important considerations an employer should take into account. The scheme should have well-defined business objectives such as improving teamwork or securing the loyalty of key staff and it should be affordable and proportionate to the firm's other benefits. The share scheme needs to be meaningful and valuable to employees, and while encouraging better levels of performance, it should not put their targets beyond realistic reach.

Employees need to be consulted so that the benefits can be properly communicated and the scheme ought to be measured with results reviewed at regular intervals. Before proceeding with the establishment of a staff incentive share scheme, such as the EMI scheme, professional advice should be sought to ensure that employment law and tax law is being adhered to and that the appropriate disclosures are made to HM Revenue & Customs.

For more advice contact Janette Burns or any of our Tax Team TODAY...

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Brexit Briefing
No: 04 // NOVEMBER 2017

Brexit Opportunities And Risks

Figures published by the Northern Ireland Statistics and Research Agency earlier this year show that total sales of NI products and services amounted to just short of an estimated £66.7 billion in 2015. Exports amounted to £9.1 billion of which £3.4 billion went to the Republic of Ireland, £1.9 billion to the EU, and £3.8 billion to the rest of the world.

While Northern Irish businesses rely heavily on the local economy, the export sector is critical for growth and the creation of a viable and sustainable private sector. In this uncertain period it is vital that growing export businesses and their advisors work in partnership to overcome challenges and take advantage of the opportunities that will inevitably present themselves as the Brexit jigsaw is put together. This however is only half of the story as the importing of raw materials and components sourced outside of Northern Ireland, typically from the Republic of Ireland or the UK, will present further challenges for these businesses. Nowhere is this more apparent than in the food sector where the supply chain for higher value finished products often depends on high volume low value cross-border trade at an earlier stage in the process.

Meanwhile, the UK continues to be an important market for Northern businesses and one where ambitious companies see opportunities to expand. In 2015, NI sales of goods and services to GB amounted to an estimated £13.9 billion, more than four times sales to the Republic of Ireland and seven times sales to the rest of the EU. The strength of the trade relationship with the UK and a common currency have insulated Northern Ireland businesses from the worst impact of Brexit, but that is not to say that there are not other

By Michael Farrell
DIRECTOR

concerns. In the food sector, for example, profit margins are well below potential tariff levels and hiring of non-UK staff is becoming more difficult because potential employees are worried about their future residency rights.

Dependency on cross-border trade is particularly evident in the agri-food sector, with Ireland the destination for 53% of NI export sales according to an additional data paper published with the UK Government's Brexit position paper on Northern Ireland in August.

Given the volume of trade and traffic, it's not surprising that the question of border controls has been at the forefront of Brexit discussions. However, the issue will be difficult to resolve. Michel Barnier, the EU negotiator, recently dismissed the notion of a 'frictionless border' and Irish foreign minister, Simon Coveney has said that a technical solution involving cameras and pre-registration will not work. A proposal to have a border in the Irish Sea was not popular either and although UK and EU officials have said they want to preserve the Common Travel Area, it is as yet unclear how this might be achieved.

While the negotiations continue, businesses across Ireland have little option but to plan for the worst while hoping for the best.

To mitigate Brexit-related risks, some NI businesses are exploring relocating certain functions out of the region. PKF-FPM are working with a number of clients who are exploring strategic alliances to mitigate potential supply chain and market entry risks associated with Brexit. Successful and progressive businesses leaders are identifying risks and actively looking at innovative solutions.

Across the island, agile businesses are exploring all options to maintain access to the UK market and/or to access passporting rights, international talent and the ability to pursue government tenders in EU member states.

However, where Brexit prompts businesses to restructure, there are a plethora of issues to consider. Tax must be high on the list as changes to functions or profit earning activity will alter a business's effective tax rate while changes to an entity's legal structure may affect losses brought forward in the UK or elsewhere. Exit charges where functions are moved out of one jurisdiction into another may trigger taxable gains or require transfer pricing adjustments.

Ambitious NI businesses see opportunities to expand their trade with the UK on the one hand, and potentially to retain access to EU markets by establishing cross-border alliances or restructuring. Similarly, we are seeing some Irish businesses actively exploring opportunities to establish in Northern Ireland.

Similar issues will arise for the disposal of assets. Supply chain changes potentially impact VAT and businesses also need to factor in the potential cost of tariffs changes to inter-company terms and IT systems. There will be capital acquisitions tax issues for Irish farmers whose land straddles the border as the existing regime for agricultural property relief refers to agricultural land being land situated in the EU. Similarly, the Irish CGT exemption for investment property bought in the period 7 Dec 2011–31 Dec 2014 and held for at least seven years refers specifically to property within the EEA. Other potential problems are that non-residents wishing to establish an Irish company must have an EEA resident director under current legislation and that UK/Irish social security legislation currently refers to residents/workers in EEA countries. Many clients are worried by the uncertainty about the enforceability of UK judgments and potential legal conflicts in contracts and cross-border matters.

Across all sectors, regardless of whether businesses plan to restructure, relocate, source new markets or concentrate on the UK, there are concerns about currency, financing, grants, data protection and various sector specific issues. Yet, amid the talk of problems, there is also talk of opportunities. Ambitious NI businesses see opportunities to expand their trade with the UK on the one hand, and potentially to retain access to EU markets by establishing cross-border alliances or restructuring. Similarly, we are seeing some Irish businesses actively exploring opportunities to establish in Northern Ireland.

History shows that with great change comes opportunity. Now is the time to become agile, de-risk your business model and develop strategies to take advantage of opportunities.

PKF-FPM provides specialist Brexit support for clients. Contact our Brexit Centre of Excellence for details.

Brexit Briefing

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UK Customs Regime

Last month (October 2017) the UK Government published a white paper outlining their approach to legislating for a future customs regime. The paper, which is titled 'Customs Bill: legislating for the UK's future customs, VAT and excise regimes' provides both for implementation of a negotiated settlement with the EU and for a range of other possible outcomes, including leaving the EU without an agreement on customs.

If customs checks are required at the border, it is envisaged that EU goods will have to pass through roll-on roll-off ports in the UK. The paper acknowledges that, 'Because of the nature of the trade and the fact that the majority of ro-ro ports are space- constrained, it would not be desirable to hold vehicles for any amount of time in order for declarations to be lodged.' Consequently, the paper envisages that consignments will have to be pre-notified to customs with checks to ensure businesses comply with relevant obligations.

For trade between Northern Ireland and Ireland, the paper reiterates Government's desire to avoid a hard border on the island of Ireland. It acknowledges that many of the movements of goods across the land border are by smaller traders operating in a local economy, and they cannot be properly categorised or treated as economically significant international trade. It proposes a cross border trade exemption to ensure that smaller traders can continue to move goods with no new requirements in relation to customs processes at the land border.

Where businesses are not eligible for an exemption, the paper says, 'the UK will explore how to ensure that administrative processes could be very significantly streamlined, including for 'trusted traders' on either side of the border' and that this could allow for simplified customs procedures, such as reduced declaration requirements and periodic payment of duty.

Fully funded Brexit advice

InterTradeIreland funding is available for manufacturing and internationally tradable service businesses who wish to avail of PKF-FPM's Brexit advisory services. This support is in the form of a £2k/€2k voucher (inclusive of VAT) which qualifying businesses can use to meet the costs of obtaining Brexit-related advice. The cost of this advice is invoiced directly to InterTradeIreland so there is zero cashflow impact on applicant businesses. 95 per cent of businesses don't have a plan for Brexit according to the latest quarterly (July-September 2017) InterTradeIreland Business Monitor Report.

PKF-FPM's Brexit Centre of Excellence will help you assess the potential impact of Brexit on your business whether it relates to the movement of labour, goods, services or currency management. We will then work with you to develop an action plan to mitigate the risks. For further information, contact Aveen McShane, Senior Manager.

Border Region...

A new study by 11 local authorities along the border between Northern Ireland and the Republic of Ireland shows the significant impact Brexit will have in the border region where there are an estimated 87,000 businesses with approximately 40 percent in the agricultural sector.

The report, 'Brexit Border Corridor on the Island of Ireland, Risks, Opportunities and Issues to Consider', says that both Northern Ireland and the Republic of Ireland depend on a small number of markets and urges government bodies, including local government to work together to help businesses expand their reach.

Brexit impact Irish Tax receipts

Almost 40,000 vehicles a day entered Ireland from NI in 2016 according to a recent paper by the Revenue Commissioners which shows widespread linkages between Irish and UK economies.

Revenue predicts that while Brexit will not eliminate trade flows between Ireland and the UK, the change in trade patterns will have implications for Irish Exchequer receipts.

Brexit Loan Scheme

Ireland's Minister for Finance, Paschal Donohue announced a €300 million Brexit Loan Scheme in Budget 2018. The fund will provide affordable financing for Irish businesses that are either currently impacted by Brexit or will be in the future. It is open to all trading SMEs and large firms employing less than 500. In addition, a further €25 million is being provided for Brexit response loan schemes for the agri-food sector.

EU workers in N. Ireland

Migrant workers from the EU account for around 5 percent of the total labour force in Northern Ireland, with many of these workers employed in the tourism, manufacturing and agriculture sectors.

It is as yet unclear whether EU workers will be able to remain in Northern Ireland after Brexit. Consequently, now is the time to audit your workforce and take appropriate action to address your future skills requirements.

Contact PKF-FPM for information on how we can help.

HOW WILL BREXIT AFFECT YOU?

Brexit will have profound tax implications for individuals domiciled in Northern Ireland, the UK and Ireland.

Find out how you and your business will be affected and how to minimise your future tax liabilities.

Contact PKF-FPM's Brexit Centre of Excellence.