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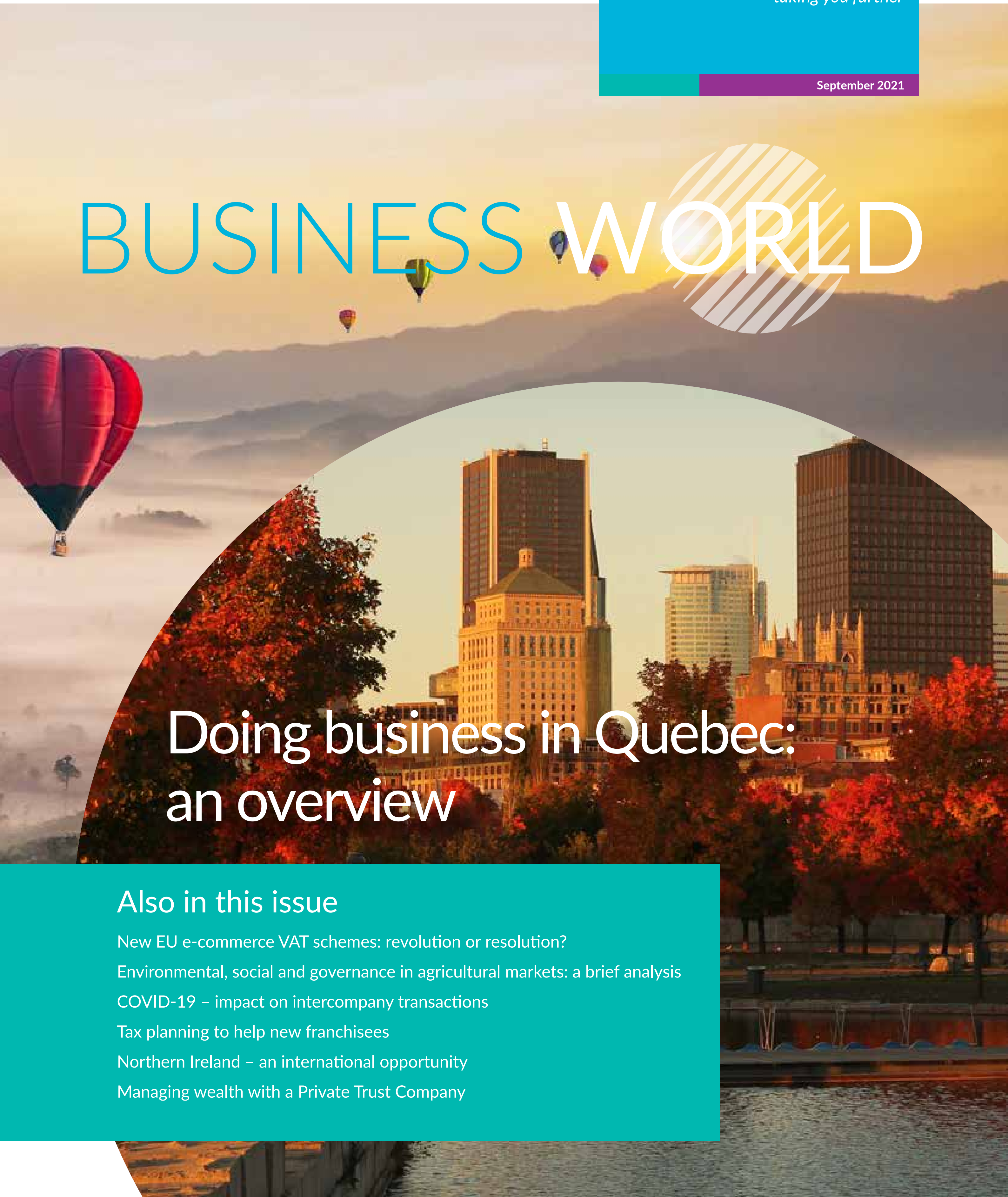
# BUSINESS WORLD



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Stephen Hamlet
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# Foreword

In a recent post on LinkedIn, I spoke about authenticity of leadership and referenced the sporting world, with the general premise being that authentic leaders inspire trust and create better teams.

These past eighteen months have changed a lot of people's thoughts on how they perceive life: how they can work and how they can adapt when given very little choice. The expression of sentiment and emotions has become more accepted in the workplace (or, I should say, 'remote workplace'), as colleagues battled through these difficult times, impacting on both their physical and mental well-being.

Openness, transparency, and honesty all lead to trust, which fuels authenticity.

At Russell Bedford, our network is nothing without integrity and trust. Clients are referred between offices around the globe, based on such reliance and a sharing of common culture and core values.

Our international board is in the process of completing a period of strategic review where, on the back of several recent years of incredible success, it was felt time to question who we are, where we are going and to ensure we continue on the correct path. This means examining why our network exists, what it aims to become, and how our vision will be fulfilled.

It is important to align achievements with vision, along with embracing and promoting our uniqueness and values, building on the network's strengths and togetherness while, at the same time, providing clarity of the strategy for the future.

It was also agreed, from the outset, that our authenticity lies in being who we are; and not trying to be who we are not. And, throughout a process of consultation, we collated several examples that supported our merits. This resulted in a confidence to harness such benefits inherent to our group, in determining who we are.

An authentic brand culture passes on such confidence to clients and prospective clients to use the services of Russell Bedford firms in various jurisdictions, knowing they will receive the solutions they need, enabling them to achieve their own goals.

I am delighted to see our experts contribute to this edition of Business World, with articles on tax planning to help new franchisees, new EU e-commerce VAT schemes, opportunities in Northern Ireland, managing wealth, the impact of Covid-19 on transfer pricing and an analysis on environmental, social and governance in agricultural markets.

We also have an article on 'Doing business in Quebec'. Montreal was the venue planned for this year's Russell Bedford Annual Conference. However, disappointingly, the ongoing uncertainties around international travel and social restrictions meant we, for the second year running, must hold this meeting online. We have learnt to live with such adaptability and flexibility for several months now and I am proud to see the accounting profession rise to this challenge; especially our Russell Bedford firms around the world!

I look forward to revealing our global strategy to members later this year as Russell Bedford continues on its path to even greater success. A path that demands authenticity, integrity, professionalism, and excellence; yet one that, in these continuing and challenging times, can never be certain and must often dictate a sudden need for prompt and effective refocus.

The same applies to businesses, as they proceed on their journeys of expansion and development; and on which our firms are fully equipped to help, with a huge range of experience, providing a broad spectrum of professional services.

As we approach the final quarter of the year, I wish our firms and businesses alike continued success and congratulate them on such admirable efforts and dedication throughout an indeterminable and arduous period.

# Doing business in Quebec: an overview


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Quebec is the second most populous province in Canada. Its location, within easy reach of important centres such New York, Boston and Toronto, has proved strategically advantageous for foreign investors and businesses.

When contemplating doing business in Quebec, foreign businesses need to consider its language, culture, and legal system, as well as the different business structures that are possible in the province.

## Business structuring

There are several forms of business structure possible in Quebec, and each has its own advantages and disadvantages. To make the best choice, you need to consider factors such as tax issues, the investor's position and the nature of the potential liabilities associated with the proposed business operations.

## Business sectors

There are many business sectors operating successfully in Quebec and elsewhere in Canada.

### Aerospace

There are more than 700 companies in the aerospace production and distribution chain. Manufacturing and supply companies account for more than 85,000 direct jobs and 109,000 indirect jobs, making Canada the third-largest producer of civil aircraft in the world.

### Renewable energy

Canada has almost 10 billion square kilometres of significant renewable resources, comprising water, biomass, wind, solar, geothermal and ocean energy. Generating 89 gigawatts, 64% of electricity comes from renewable sources and ranks Canada fifth globally for renewable energy capacity.

The sector offers opportunities in technology development, fuel supply, production, storage, and distribution.

### Bioproducts

Canada has around 190 companies offering biochemicals, biomaterials, biofuels, or bioenergy. Canada's investment in research and development, a highly skilled workforce, and reserves of biomass feedstocks are among the largest in the world.

### Information technology

This industry consists of companies involved in computer systems design, software development, data processing and hosting, and related services.

When compared with the other G7 countries, Canada's software industry boasts the lowest research and development costs, operating costs, and labour costs. In addition to its highly skilled workforce, Canada has a very successful education system that trains people to meet the demand in this industry.

## Prospecting for foreign investment

Montreal, Quebec's largest city, attracted a record 1.8 billion CAD in foreign investment in the first half of 2021 (representing 40 projects from 13 countries) up 33% on the same period in 2020. Further, this amounted to an increase of 11.9% on the same period in 2019.

Because of the pandemic, meetings with business prospects happened online, with an emphasis on the United States and France. This proved successful, producing 15 projects from the United States and 11 from France.

Consequently, 48.6% of total investment came from North American companies and 47.5% from European companies. 'Prospecting for foreign investment is part of the solution in order to ensure a rapid and sustainable recovery for the Quebec economy,' said Pierre Fitzgibbon, Minister of Economic Development and Innovation.

## Government grants

To encourage prospecting for foreign investments during the economic recovery, the Government of Quebec announced 8.5 million CAD in financial assistance to Montréal International and Québec International.

Coordinated by Investissement Québec International, these two organisations aim to convince foreign businesses, or their subsidiaries already established in the Montreal and National Capital regions, to invest in Quebec.

For example, Montréal International was able to attract more than 2 billion CAD in foreign investment despite the pandemic, and Québec International secured 736.7 million CAD in economic benefits, including 324 million CAD in foreign direct investment.

## Strong currency

Of all the currencies in the G7, the Canadian dollar is 2021's best performer. Douglas Porter, Chief Economist and Managing Director of BMO Financial Group (Bank of Montreal), believes that the strength of the Canadian dollar will continue to be supported by Canada's robust trading in certain commodities, such as timber, copper, and wheat, noting that commodity exports recently reached all-time highs.

## Two official languages

To conduct business in Quebec it is important to understand the relevant legislation. In Canada companies need to comply with provincial laws, which can differ from one jurisdiction to the next, and federal laws, which apply across the country.

Quebec also has a singular law: Bill 101, the Charter of the French Language. Quebec remains the Canadian champion in terms of bilingualism. According to a report by the Conference Board of Canada, bilingualism is an even greater asset outside Quebec.

## Tax considerations in Quebec

Businesses looking to operate in Quebec must consider several tax issues. As well as complying with the Canada Business Corporations Act, businesses must observe Quebec's corporate tax system, governed by the Taxation Act (Quebec) (TA) and its regulations, and the sales tax system governed by the Québec sales tax (AQST) and other Quebec laws.

While the TA and the AQST are similar to the corresponding federal tax legislation, they each have their own unique features relating to income tax, sales tax, and payroll deductions.

All things considered, Quebec has much to offer for businesses looking to expand into Canada. However, its unique culture and laws mean expert advice is necessary before proceeding.

# New EU e-commerce VAT schemes: revolution or resolution?


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Charles is a senior VAT adviser at Zampa Debattista, Russell Bedford's Malta member firm. He joined the firm in 2014, following his retirement from public service.

Charles is an expert in the field of VAT, having served at the VAT department since the introduction of VAT in Malta, occupying several senior positions including Director of Legal and International Affairs and Director General VAT. Charles has significantly contributed to the development, growth, and consolidation of the VAT team at Zampa Debattista.

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The new EU e-commerce VAT schemes have been in place since 1 July 2021. As with any new initiative there are teething problems but ultimately the new e-commerce schemes may revolutionise how businesses charge and account for VAT on e-commerce transactions. Further, this may resolve the problem of uncollected VAT on e-commerce transactions emanating from the revocation of the VAT exemption on importing low-value consignments of goods not exceeding €22.

In its 2015 communication A Digital Single Market Strategy for Europe, the European Commission announced that the new e-commerce rules would seek to address the challenges arising from the VAT regimes for distance sales of goods and the abusive practices connected to the VAT exemption on the importation of low value consignments. There are several benefits including:

- the ability for EU businesses to operate in a fair and competitive digital economy
- a rise in VAT revenue for member states because of an increase in VAT payments and a reduction in VAT fraud
- a more trouble-free online purchase and delivery environment for EU consumers.

The new schemes cover online business-to-consumer transactions of goods and services made in the EU by:

- EU businesses
- non-EU businesses
- EU or non-EU electronic platforms such as websites and marketplaces that enable the distance selling of goods.

In principle, according to normal VAT rules, a taxable entity carrying out distance sales of goods or services in any member state where it is liable to pay VAT is required to register for VAT purposes in each member state. This leads to multiple VAT registrations in different member states. The new Import-One-Stop-Shop (IOSS) scheme is based on the successful Mini-One-Stop-Shop (MOSS) simplification scheme introduced in 2015 for supplies of telecommunications, broadcasting and electronically supplied services. The new schemes widen the scope of MOSS to apply to distance sales of goods and all supplies of services. Thus, simplification offers the benefit of VAT registration in just one member state (the member state of Identification) and the filing of one VAT return with payment of the VAT charged for supplies in the respective member states (the member states of Consumption). It is worth pointing out that registration under the schemes is voluntary and only available on meeting certain criteria.

The Non-Union scheme covers supplies of services taking place in the EU by non-EU businesses. On the other hand, the Union scheme covers:

- cross-border supplies of services by EU businesses
- intra-EU distance sales by EU or non-EU businesses
- domestic and intra-EU distances sales made by an electronic interface
- distance sales of low-value consignments (not exceeding €150) made by EU or non-EU businesses through electronic platforms and imported from third countries.
- charging and collecting VAT for the member states in which the goods will be delivered
- making customs declarations
- keeping records of transactions.

Finally, navigating the intricacies of the new e-commerce schemes can be complex. Therefore, it is important to seek expert guidance.

## Case study

A business in Taiwan sells goods with an intrinsic value not exceeding €150 to consumers in the EU through both its own website, and an online interface that is already registered for IOSS. Aware that the abolition of the €22 VAT exemption on the importing of goods into the EU might render it uncompetitive, it decides to explore the possibility of registering its website under IOSS.

The Taiwan business may only register under the IOSS for sales conducted through its own website. Its sales through the online interface are governed by the interface's registration. The business can register in any EU member state but must appoint an intermediary established in that member state to fulfil its EU VAT obligations, which include:

- a monthly IOSS VAT return and payment
- collecting VAT from the buyer
- ensuring goods are shipped in consignments not exceeding €150 payments.

For this to happen, the Taiwan business must:

- charge VAT at the rate applying in each member state where sales take place
- keep a record of these transactions
- supply this information together with the VAT collected from customers to the intermediary.

This is just a brief overview of IOSS obligations, for more detailed information and advice you should consult an EU VAT adviser.

# Environmental, social and governance in agricultural markets: a brief analysis

As consumers and investors take a much closer interest in corporate ethical and sustainability behaviour, environmental, social, and governance (ESG) criteria are taking on a whole new importance.


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## A consumer-driven scenario

In large businesses, especially agricultural businesses, ESG has become strategically important. Investors who are increasingly looking for companies committed to governance, sustainability, and social issues are driving this, along with consumers who are increasingly aware and demanding socially responsible products.

Many companies have taken this as an opportunity, seeing room to add value to their product and boost their ESG data, attracting the attention of investors. Thus, we have certified eggs, chicken, beef, and even grains from certified farms with environmental sustainability practices.

While this enhances any ESG report and attracts investor interest, the driver for its creation is a public thirsty to consume proven sustainable products. While fostering interest in companies that can certify environmentally sustainable products, this has also encouraged innovation in the products becoming available to the public. The ESG commitment, while meeting the interests of investors, has also created a market niche: certified meats and grains coming from properties with environmentally sustainable practices.

The movement for environmentally sustainable consumption largely comprises those from Generations Y and Z who are far more committed than earlier generations. Consumer awareness of environmental responsibility and animal welfare has driven an increase in the availability of natural products as people stop eating meat and dairy products for ideological rather than health reasons. So, the agricultural businesses developed and offered products to meet the demand of this growing consumer sector, in the process merging customer service and environmental sustainability. Everybody wins. Further, the ESG data from the agricultural businesses are enhanced by a market driven by environmentally aware consumers.

While it may be difficult to point to any tangible added product value from governance and social aspects, environmental sustainability presents a huge opportunity, especially in the agricultural sector. While social responsibility, for example who a business hires and how it treats them, and corporate governance such as how a business meets its legal obligations, can have a positive or negative effect on brand and reputation, it doesn't filter down to an individual product level. That's not to decry its importance; for example, the G in ESG can add value to overall product portfolios through data-driven projects that optimise market position and attract consumers seeking environmentally friendly characteristics.

## Cost and Opportunity

The perception of cost and opportunity drives management vision and strategy. Agricultural businesses have an advantage over other businesses in that they bring fresh produce to market. Fresh produce prompts interest in its origin and attracts consumers who care about this. Answer questions about origin and a business begins to capture environmentally aware consumers who are willing to pay more for a sustainable and healthy product.

It is against this backdrop that certified chicken meat emerged, with evidence of origin and rearing methods. Eggs that are certified organic appeared too and we can buy beef certified to show a commitment to animal welfare. And it's not just animal products, grain products can be certified as non-transgenic and free of pesticides.

Not too long ago the market for these products was tiny. However, there is now a growing band of consumers who actively seek out sustainable products and they are willing to pay a premium. The environmental strand in ESG can bring the greatest returns for businesses. It not only enriches the reports that potential investors read, it also adds value to products that sell in a premium market niche.

In agricultural markets, unlike other markets, ESG brings enormous opportunities for both increases in sales and inward investment.

# Covid-19 – impact on intercompany transactions

Covid-19 forced companies around the world to review strategies and operations in rapid time. On 18 December 2020, the Organisation for Economic Co-operation and Development (OECD) published guidance on the implications of Covid-19 for transfer pricing.

The guidance focuses on the practical application of the arm's-length principle in four key areas:

- comparability analysis
- losses and the allocation of specific Covid-19 costs
- government assistance programmes
- advance pricing agreement (APA)

The primary objective of the guidance is to give tax administrators and taxpayers some context in which to structure their transfer pricing policies. The OECD recommends that related parties review and update their transfer pricing policies in the following areas to ensure they are adequate for the current economic situation:

- the risks assumed by each party in carrying out relevant functions
- all transfer pricing policies, conditions, contractual terms, and the development of any new policies or business restructures
- extraordinary and one-off expenses incurred specifically because of the COVID-19 pandemic; for example, HR, marketing, and IT, as well as an evaluation of experience among companies of comparable size and operations
- used assets and fixed costs

The review should contain documentary evidence that supports the analysis. The OECD guidance also states the importance of documenting the financial impact caused specifically by the pandemic through a risk analysis of each entity in a multinational group.

Let's now consider two examples of possible impacts of COVID-19 on intercompany transactions in Spain and Mexico.

## Spain

Company A is a Spanish entity that imports and distributes wholesale beer and other drinks products to customers in the hospitality industry. Company A buys its products from Company B, a related party in Belgium. Company A has negotiated payment terms of 45 days with its customers, identical to the terms it has with Company B.

When the pandemic struck, the hospitality industry shut down and customers were unable to meet the 45-day payment terms. This, in turn, caused Company A cash-flow problems preventing it from paying Company B.

A review of the functions and risks assumed by Company A and Company B within the overall group showed that Company A is a limited risk distributor, assuming the principal risks of credit and market risk for its activities in Spain. Company B was able to extend its payment terms to 75 days, easing Company A's cash flow while it waited for payments from its customers.

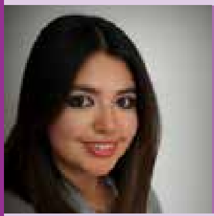
Importantly, this extension enabled Company A to avoid seeking external finance to cover its liabilities and eliminated the tax risk related to the deduction of interest. Company A signed an amendment to its distribution agreement with Company B, modifying it temporarily, in accordance with paragraph 44 of the OECD guidance.

## Mexico

The automotive industry is one of the most important in Mexico. It proved particularly sensitive to the pandemic when year-on-year activity collapsed by 64% in the second quarter of 2020. The automotive sector includes sales and after-sales service; at a manufacturing level it assumes limited risks, while its associated parties deal with end customers. The manufacturer supplies the product and other specific services to its related network in Mexico.

The collapse in the automotive market clearly created problems with intercompany payments for supply and services. By considering factors such as historic performance, production and sales indicators, and exchange rates, the automotive industry was able to renegotiate payments and offer discounts. These actions met the OECD guidance as they were incurred specifically because of the pandemic.

COVID-19 has affected business in all areas, of which intercompany payments is one specific area. The OECD guidance provides welcome help in this area, but it is no substitute for professional advice.

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# Tax planning to help new franchisees


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Investing in a franchise can be a wonderful opportunity, but it can also involve a completely unfamiliar set of rules when it comes to your taxes. Whether you are considering becoming a franchisee or have recently become involved, it's important that you seek the right adviser to help ensure you understand your tax obligations and prepare accordingly. Here are just a few of the things that you need to keep in mind.

## Organising your franchise

How you organise your franchise is going to be one of your earliest decisions, and one of your most important. From a tax perspective, your tax adviser can advise on different incorporated and unincorporated structures and the tax implications of each. You should also be sure to engage an experienced franchise lawyer to review legal documents related to the franchise, lease agreements, and/or bank loans. The lawyer can also advise on asset protection strategies based on the organizational structure you choose.

## Unincorporated franchisees pay self-employment taxes

Even though you take direction from the franchise on marketing materials, training methods, employee rules, suppliers, and many other decisions, you are still in charge of the business in ways that the tax authorities may define as being self-employed. You make your own schedule and establish your own community and business relationships, so the government puts you in the same category as a sole proprietor. This means you need to report your earnings as a self-employed person. In the US this means on a Schedule C, just like single-member limited liability companies and sole proprietors do, while paying the additional 15.3% tax that self-employed people in the US are assessed.

## Are you an active or a passive participant?

One of the advantages of being a franchisee is that you can be either an active or a passive participant. Making the decision about whether you are hands-on or simply purchasing the business and handing off the day-to-day operational responsibilities to a partner

*"You make your own schedule and establish your own community and business relationships, so the government puts you in the same category as a sole proprietor."*

can have important tax ramifications. Establishing whether your earnings are passive or active will be one of the first tasks on your tax adviser's list. By answering questions like the ones below, your adviser will be able to understand what you do and to what extent.

- When did you buy this business and how have you interacted with it since then?

  Franchisees that have materially and regularly participated in the business can be determined to be active participants, regardless of their answers to any other test questions they might be asked.

- Over the course of the past year, how many hours did you actively participate in the business?

  While treatment in various jurisdictions will vary, in the US, if you answer more than 500 hours, the IRS can consider you a material participant rather than a passive one.

- How does your participation level in the business compare with others who are involved?

  If you spend similar hours working in the business to others, it is easy to see you are an active participant. In the US, if you work at least 100 hours on the business and no less than anybody else, then you can be considered an active participant.

These are just some methods a tax authority might use to establish your active participation in the business. It can be an important distinction as it may affect the way that passive losses are handled. If you are identified as passively involved, then any losses you realise as a franchisee may only be offset by other passive income, so you might be unable to offset passive losses against wages, active business earnings, or other ordinary income.

Any passive loss rules will likely apply whether you decide to incorporate your franchise, operate as a partnership, or as a self-employed individual.

## Be aware of eligibility for specialised tax incentives

Different types of businesses may be eligible for specialised local tax incentives, and if you are new to franchising you may not be fully aware of them. Your tax adviser can help identify them for you, but here are some examples of incentives that exist in the US:

- FICA tip credit

  Owners of businesses where employees commonly receive tips may be eligible for the FICA tip credit that allows you to claim the difference between the taxes you pay on your workers' tips and the federal minimum wage.

- Work Opportunity Tax Credit

  If a franchise employs members of groups known to face challenges to being hired, you may be able to claim up to $9,600 for each employee. The eligible employee groups include ex-offenders, food-stamp recipients, and others; the amount of the credit is dependent on numerous factors, including the specific targeted group and the employee's tenure with an organisation.

## Why franchisees need expert tax advisers

The opportunities that come with being a franchisee can bring a host of tax regulations that may be unfamiliar and confusing. To set yourself up for success and avoid both confusion and the potential for penalties, you should seek professional and expert help and advice.

**About the author**

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John is Company Principal at Hannaway CA, the Belfast, UK member firm of Russell Bedford International.

A Big Four partner for 25 years, John is a former Ulster Society chairman and past president of Chartered Accountants Ireland (CAI).

John specialises in providing strategic, financial and taxation advice to owner managed and entrepreneurial businesses. He is passionate about providing professional, practical and personal financial advice to businesses with a growth mindset.

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# Northern Ireland – an international opportunity

Much has been written about the UK and Brexit. However, while Great Britain seems to be moving ahead in a post-Brexit world, Northern Ireland is having to adapt and change to a different post-Brexit (and post-pandemic) trading environment. But this article is not about historical or political differences; it is about a shared future for Northern Ireland – a future inside both the United Kingdom and the EU single market.

Northern Ireland is home to many global success stories. It is also renowned for the excellence of its education – Queen's University Belfast and Ulster University highlight the quality and quantity of well-educated staff available to global companies seeking to grow a strategic base in Northern Ireland. During the last twenty years, large businesses such as Citibank, Allstate, and CME Group have all established operations in Belfast. However, SMEs are now also looking to base themselves in Northern Ireland to take advantage of the high-quality skills and lower costs available in the region.

As, traditionally, a ship building city, Belfast has faced many challenges in recent times. However, a new renewable industry is growing rapidly as local companies turn to manufacturing offshore wind turbines, expanding their global offering to meet an ever-increasing world-wide demand. There are also examples of new technologies resulting in new research and development companies forming to explore energy efficient ways of reducing pollution in the shipping industry.

Northern Ireland is home to many innovative companies leading the way in new markets and sectors, developing the technology of the future, helped by the availability of a highly skilled workforce that is used to working on large-scale projects and products. Yet, Northern Ireland is unquestionably underdeveloped in terms of mergers and acquisitions; thus, there are significant opportunities for overseas companies to acquire owner-managed and established family businesses in Northern Ireland.

This trend is already well-established in the financial, legal and technology sectors. But there is a wider opportunity, driven by Northern Ireland's unique position of being simultaneously inside the UK and the EU single market (for the sale of goods). Overseas companies seeking access to both markets will find that Northern Ireland can trade freely with either. Add to this a continually growing population of young, skilled, and educated people and Belfast provides the perfect base for long-term growth.

During the pandemic, and since the Brexit deal was announced, we have witnessed several international companies using Northern Ireland as a base for growth by establishing joint ventures and forming new companies. However, much more is still achievable given Northern Ireland provides businesses with an immediate and well-established distribution footprint in both the UK and the EU.

Northern Ireland offers a unique proposition: a growing, well-trained workforce and a pipeline of highly educated students graduating every year from local universities. International businesses will discover that the region's cost-effective base and attractive growth story will excite both boards and shareholders alike.

For those businesses looking to invest in Northern Ireland, the importance of meticulous planning and having deal-ready businesses – those with strong growth prospects and an experienced management team – cannot be over stressed. A key component of any transaction is creating a comprehensive and robust Heads of Terms before starting due diligence and instructing lawyers. Next, ensuring the deal is as tax effective as possible (which necessitates fully integrated tax, legal and financial advice) together with prompt liaison with lawyers is vital. Finally, it's essential to anticipate early on any factors which may be used in price negotiations.

While there are many opportunities in Northern Ireland for ambitious companies looking to exploit them, the local mergers-and-acquisitions market remains largely undeveloped. However, there is local expertise available, and several international businesses have already seen the value and reaped the benefits of this. Appointing local and professional advisers at the outset will help to avoid problems and pitfalls later.

## Belfast – a top-10 tech city of the future

Northern Ireland has very quickly become a top location for businesses, especially fintech businesses – around 40,000 people in Northern Ireland work in financial and professional services. Indeed, Belfast is seen as a fintech centre of excellence, a fact recognised in the inaugural report *Tech Cities of the Future 2020/21*.

The report focused on European cities with the most promising prospects for start-ups, tech, and innovation investment. Belfast ranked ninth, behind only London in the UK and ahead of illustrious cities such as Madrid, Frankfurt, Zurich, and Milan.

Andrew Jenkins, the UK Government's Fintech Envoy for Northern Ireland, had this to say:

*"Confirmation that Belfast has been ranked in the inaugural top 10 'Tech Cities of the Future' for 2021/2021 by fDi Intelligence is another significant endorsement of the burgeoning tech sector in Belfast and indeed Northern Ireland as a whole. To be ranked above world-leading financial hubs such as Frankfurt and Zurich are testament to this.*

*There are many reasons why Belfast is fast becoming a world-beating tech destination and prime investment material. The resiliency, adaptability, and innovation at the heart of the sector here along with the talent on offer is continually noted by those global businesses who have already invested here. Despite the challenges posed by Coronavirus, there is an energy and drive about the sector, and it is important that we harness this energy as we move forward."*

Belfast's ranking is reward for its success in attracting global fintech names such as Citi, Allstate, Liberty Mutual, and First Derivatives. Belfast also boasts a thriving start-up and SME tech community.

The fintech industry also benefits from Northern Ireland's unique political position. As part of the UK, Northern Ireland operates within the UK's robust financial services regulatory framework. As part of the island of Ireland, it also has access to the European and Irish financial services markets.

# Managing wealth with a Private Trust Company


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Managing multi-jurisdictional trust and corporate structuring for the business, Claire has been involved in business development for the last six years, with a key focus in Africa, in particular Kenya. Claire manages a team who support the establishment and ongoing management of structures for private, corporate, and institutional clients worldwide.

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The wealth management landscape has evolved in recent years, with international developments such as Brexit, political and environmental challenges, regulatory change, and digital advancements all playing their part. Then in March 2020, the coronavirus pandemic added more uncertainty.

Investors have become anxious during these volatile times and are keen to protect their wealth. They need trusted advisers handling their wealth, while retaining some control and flexibility.

One way to achieve this has been to establish a trust, using a professional trust company, placing their wealth in the hands of experienced professional trustees. However, given the current climate, they may be reticent to hand over full control when circumstances can change suddenly forcing them to adapt their requirements quickly. A more appropriate solution may be a private trust company Private Trust Company (PTC).

## What is a PTC?

A PTC is an entity whose sole purpose is to act as a trustee in relation to a specific trust or trusts. They do not provide trust services generally and they cannot solicit business from the wider public.

## Using a PTC

The most common use of a PTC is to act as trustee for a trust holding a variety of assets. This can include shares in a family company. Settlors of such trusts often wish to maintain some control of the assets; this can conflict with a professional trustee, who may wish to keep full control over the assets to avoid any risk of breaching their duties as a trustee.

In the past, express provisions in the trust deed allowing the trustees to hold the assets and removing all discretion on their part to manage the investment may have resolved any issue. Alternatively, the trust could give the settlor powers over specific assets and investments, but this can cause tax issues and may not be ideal for the settlor.

By using a PTC, the settlor can keep control while still benefitting from the help and advice of experienced trustees. The PTC also allows other family members or advisers to be appointed to its board.

## Advantages and disadvantages

The key advantage of establishing a PTC is the control it provides – control over both the assets and who sits on the board of directors. Control can be especially important where the settlor lives overseas or is from a jurisdiction that is unfamiliar with the concept of trusts and is, therefore, reluctant to relinquish control to someone in another jurisdiction.

A PTC also has the added advantage of allowing for more privacy and rapid decision making, while also offering some potential tax advantages.

The settlor and family members can be shareholders in a PTC, which gives them the power to appoint and dismiss the board of directors. This can be a particularly welcome advantage, but it can bring tax consequences. Often, as an alternative, the settlor will establish a purpose trust with the sole purpose of holding the shares of the PTC. This gives the settlor the advantage of being the enforcer of the trust, allowing removal of directors and the professional trustee.

The main disadvantage of a PTC is the establishment costs: setting up the trust also means creating a company. Creating a purpose trust adds more cost. This means PTCs are only likely to be attractive in a commercial context, or for very large family structures where the control advantages may outweigh the cost.

## Jersey as a provider of PTCs

Jersey is a jurisdiction that offers PTCs. The PTC doesn't need to be licensed and regulated by the Jersey Financial Services Commission (JFSC), although the JFSC continues to exercise a supervisory role. It is a requirement that the PTC must be administered by a Jersey licensed trust company; one or two directors of the trust company will sit on the board of directors in a corporate governance capacity.

With worldwide uncertainty set to continue, Jersey's PTC solutions demonstrate their commitment to protecting clients' wealth and offer a level of reassurance, certainty and forward-thinking to prepare for whatever the future brings.

# News in brief

**Russell Bedford Marketing Meeting July 2021**
Members from all regions joined for Russell Bedford's marketing meeting which took place online on Monday, 19 July 2021. Opening the meeting Russell Bedford's CEO, Stephen Hamlet, discussed aligning members' marketing messaging with the overall global strategy, and the network's vision and mission. Stephen stressed the importance of: 'Ensuring that everyone knows what Russell Bedford stands for, why we exist and where we're going.'

**Wojeski & Company joins Russell Bedford as member firm in Albany, NY**
Russell Bedford has announced the appointment of Wojeski & Company CPAs, P.C. as its member firm in Albany, NY, USA. Founded in 1991, Wojeski & Company is a full-service accounting, tax, financial and business advisory firm, based in the State of New York's capital city.

**Russell Bedford's International Tax Conference 2021**
Almost 200 participants joined online for Russell Bedford's International Tax Conference 2021, on 17-18 June. Jennifer D. Lindy, Esq. (Chamberlain, Hrdlicka, Attorneys-at-Law – Atlanta) joined to discuss Current IRS International Enforcement Campaigns and Remedies to Correct U.S. Tax Reporting. Jennifer shared compliance considerations in respect of foreign trusts and challenges related to overseas investment into the US.

**Mitten Clarke announces major developments with new mergers**
Russell Bedford's member firm for Stoke-on-Trent and Manchester, UK, Mitten Clarke, and leading accountancy firm, DJH, have announced that they have taken the fantastic opportunity to merge and come together. The combined practice is now known as DJH Mitten Clarke.

In April, DJH Mitten Clarke joined with one of the north-west's leading independent accountancy firms, Morris & Co, based just outside Chester. A further acquisition was announced in July as Manchester firm, Lloyd Piggott Chartered Accountants, joined DJH Mitten Clarke.

**Russell Bedford secures Zampa Debattista as member in Malta**
Zampa Debattista has joined Russell Bedford International as its new Maltese member firm, based in Mosta in central Malta.

Founded in 2014, Zampa Debattista is a fast growing and ambitious firm, which currently employs more than 45 personnel and offers a broad range of services including audit, tax (with a focus on VAT), corporate services and registered office facilities.

**CORE Revision joins Russell Bedford as member firm in Bern**
Russell Bedford International, has announced the appointment of CORE Revision AG as its member firm in Bern, Switzerland.

The CORE Partner group, which has eight partners and around 70 personnel, supports private clients, SMEs, large corporations, public sector entities, non-profits, associations, and foundations, providing a broad range of services.

**Russell Bedford appoints two new firms in West Africa**
ECA has been appointed as the first ever Senegal member firm for Russell Bedford International, in addition to BAFT Chartered Accountants, who have joined the network as its member firm in Accra, Ghana. The appointment of the two full-service accounting and audit firms firmly cements the network's position in West Africa.

Russell Bedford
taking you further

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