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March 2020

BUSINESS WORLD

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BUSINESS WORLD

Stephen Hamlet
CEO
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Foreword

Much has happened at Russell Bedford since the last edition of Business World. My foreword, back in September 2019, was written before our double-awards coup, and hence before we were able to say "award-winning CEO of an award-winning network"!

A serious message for all – accounting practices and businesses alike – when you reach a level of success, and even win awards, it doesn't mean you've made it! It doesn't mean – that's it, job done! It means your efforts have been noticed, acknowledged and rewarded and you are now a credible force, in an even better position to be able to strive for even greater goals.

However, of course our network celebrated; we basked in the sunshine of such glory. We had a fabulous global meeting in Sydney, Australia, where our people from around the world noticeably felt part of an organisation that had reached new heights. But, there was a sense of a "new beginning". This was not a peak of the mountain. This was a stepping stone on the top of a hill that allows us to view, and aim for, the next level much clearer.

Greatness attracts more greatness. This year, writing this just two months in, we have already recruited four new member firms, and are about to announce more, as we continue to enhance our representation in several locations previously unrepresented. As clients expand, all over the world, it is important that the resources are there, to support such global expansion.

We've had our first meeting of the year; in Panama City for our Americas region. My travels also took me to Uruguay and Brazil, where I was met with incredible positive energy and passion. Our people want to help; they want to be successful and they want their clients to be successful.

My time in Latin America afforded me the opportunity to meet talented people with ambition, no sense of fear of failure, in a large yet troubled economy doing its best to keep afloat and to progress. We discussed strategic action plans for success, growth and strength; with plenty of joy in true Latin tradition!

I continue to write a lot about 'people' and, in a time of various and somewhat unprecedented uncertainty, your trusted advisers need to be strong and prepared to support businesses as they enter unknown territories (figuratively AND literally).

Our EMEA and International Tax meeting takes us to Bucharest, Romania this May, an important country for Central & Eastern Europe. This region has seen considerable growth for the network in the past couple of years, and in terms of recent investor confidence; particularly by being one of the most vibrant software development destinations due to its constant growth and development in the IT sector, adopting high levels of digital technologies.

Russell Bedford also continues to expand in several developing economies of Africa and the Middle East. It was pleasing to read in the World Bank's Doing Business analysis (a project in which Russell Bedford firms proudly participated for the 11th consecutive year), that many countries where our network has recently appointed a new member, were listed in the Top 10 economies where business climates improved the most.

So, there are signs of global positivity, there are improvements on the horizon and, dare I say, there may soon be even more areas of economic stability. In any case, our "award-winning network" of talented experts is here to help!

Investing in Romania – taxation considerations

About the author

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Romania is located in South-East Europe, ideally situated for access to markets in the EU, the Commonwealth of Independent States, and the Middle East. With a population approaching 20 million, Romania is the sixth largest EU country.

There are several reasons that make investing in Romania an attractive proposition, not least the country itself and the quality of its skilled and well-educated people. There exists also a well-established network of lawyers, accountants and consultants.

In this article, we will look at some taxation matters that you need to consider should you be thinking about investing in Romania.

Taxation of legal entities

Romanian law states that a company established in Romania, whether by someone resident or a foreign national, is deemed to be a legal entity and resident in Romania. The company will pay corporate tax in one of two ways.

Corporate income tax

Corporate income tax is due at the rate of 16% of profits. Romanian companies pay tax on worldwide income unless a double-taxation treaty exists.

However, foreign businesses carrying out activities through a Romanian company pay tax at 10% of those profits arising through the Romanian business. These profits are determined in the same way as any other Romanian business, based on the revenue and expenses arising from that business.

Depending on the type of business, there may be an advantage in owning the Romanian company through a holding company, thus centralising profits and losses. However, this is a difficult area and professional advice is essential.

Micro-company tax

Companies with turnover of less than €1 million (around 4.5 million lei) pay micro-company tax based on turnover rather than profit. Tax is due at 1% of turnover for companies with one or more employees, or 3% for companies with no employees. Once a company has issued share capital of €10,000 or 45,000 lei, and at least two employees, it can choose to pay profit-based corporate income tax instead.

Salaries and associated taxes

Romania stipulates a minimum monthly wage of 2,230 lei (around €465) or 2,350 lei (around €490) for those with higher education. Employees pay income tax of 10% of salary and social contributions of 35% (25% social security and 10% health insurance). Employers also pay an insurance contribution of 2.25% of salaries.

A higher minimum wage of 3,000 lei (around €625) applies in the construction industry. On meeting certain conditions, construction workers are exempt from income tax and pay social contributions at a lower rate of 21.25%. Employers also pay a lower insurance contribution of 0.3375%. Other categories of employee entitled to preferential income tax treatment include people:

- with disabilities
- employed in the IT sector
- employed in research and development.

Dividends

The remaining net profit after payment of corporate income tax or micro-company tax is available for distribution as dividends. Since 2018, it is possible to distribute a dividend based on the audited quarterly financial statements.

Dividends paid by one Romanian company to another Romanian company are generally subject to a 5% withholding tax; however, dividends may be exempt where the recipient has held at least 10% of the issued share capital for a minimum of 12 months.

Dividends paid by a Romanian company to a non-resident company are also subject to 5% withholding tax. However, where the recipient is resident in an EU member state, dividends may be exempt where the recipient has held at least 10% of the issued share capital for a minimum of 12 months.

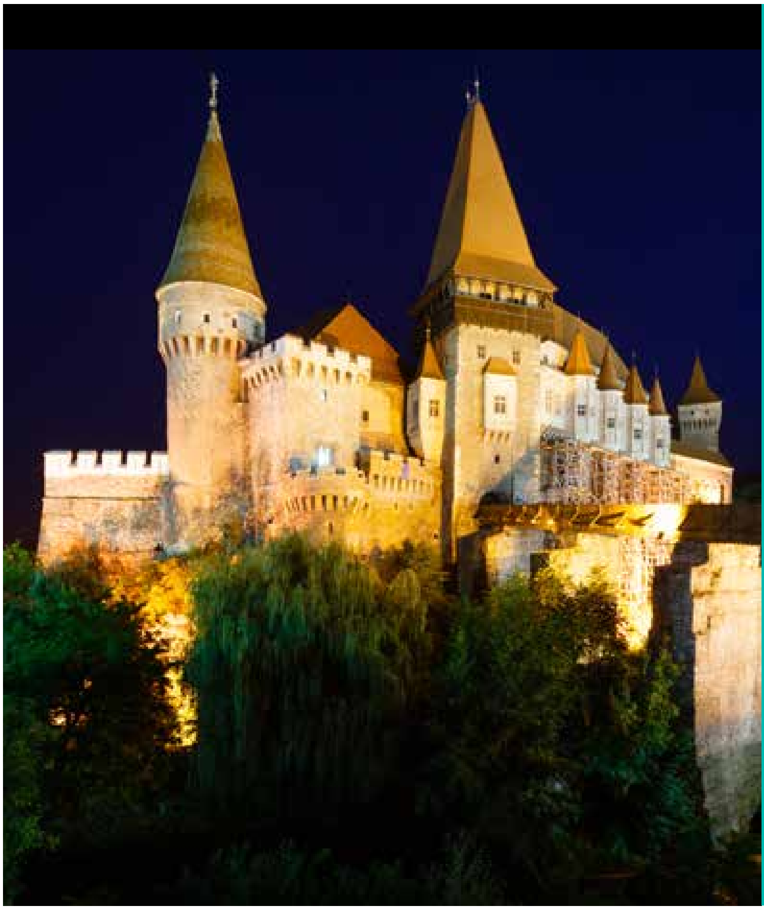
Capital gains

Capital gains made by a Romanian company are included in profits and taxed accordingly. This includes gains arising from the transfer, rental or disposal of property located in Romania unless exempted by a double-taxation agreement. Capital gains made by non-resident shareholders in a Romanian company are also liable to tax unless exempted by a double-taxation agreement.

Looking ahead

While it isn't possible to give an indication of future taxation developments – the Romanian government doesn't announce these well in advance – lobbying by the private sector has always exerted enough pressure on governments to keep taxes low.

While the tax incentives that once existed to encourage investment in areas of unemployment are not currently available, there are still plenty of reasons to invest in Romania.



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The important role of the probity adviser

Many countries, especially in Western Europe and North America, have processes in place to ensure transparency, fairness and integrity in the competitive tendering and award of major public sector contracts. In Australia, we use the term 'probity' to describe the required standards, and at all levels of government in Australia, the application of sound probity processes is a mandatory requirement for public tendering and procurement.

What is probity?

Probity means honesty and integrity, and in the procurement and contracting sense, probity assurance asks the question, 'Is it fair to all?".

There are four essential principles to promote probity which should be taken into account throughout all stages of the procurement process:

- best value for money
- impartiality and fairness
- avoidance of conflicts of interest
- accountability.

Outside the government agencies that enforce probity requirements and the private sector entities that are required to comply with them when bidding for government work, the concept of probity advice (or probity audit) is not readily understood.

Why is probity important?

The need for probity arose from the widespread adoption of competitive tendering and contracting philosophies in the late 1980s in the UK and the early 1990s in Australia. With a new emphasis on outsourcing and contracting for services, governments began to realise that the public sector was vulnerable to accusations of bias or unfair treatment of tenderers if those tendering processes were not open to scrutiny by external and independent auditors. The accountancy profession is, and always has been, ideally placed to fulfil this role.

The probity adviser: assuring procurement best practice

An independent probity adviser participates in the tendering and contracting process, advising the buying agency, and ultimately the government, to ensure fairness to all concerned. This means being certain that the procurement process has completed in line with all relevant government policies and guidelines, is free from bias, and is unlikely to be challenged as a flawed process by unsuccessful tenderers.

A breach of probity can result in:

- termination of a procurement process
- an aggrieved party ending the process
- a delay in the project
- an unfavourable outcome
- an award of punitive damages and wasted resources for the government and respondents
- increased costs
- reputational damage.

Continuous probity assurance support

A probity auditor reviews the procurement processes at key stages or at the end of the process, commenting on the degree of compliance with policies and procedures demonstrated by the procurement team and the parent agency. A probity auditor may also, on behalf of the project director, conduct reviews of specific issues arising during a procurement process.

A probity adviser provides continuous probity support during a tendering or procurement process to ensure the procurement team considers the impact of probity requirements before making decisions. This minimises the risk of a probity breach. The adviser will support the process with probity reports, certificates and opinions.

Typically, a probity assurance assignment can range from a short-term, relatively simple procurement activity of around four to six weeks, through to large complex projects lasting four to seven years.

Expertise that adds value

The experience, expertise and professional accounting qualifications of the independent probity adviser will add value to the client and will enhance the tendering process. The relevant experience is something that comes with time and exposure to relevant probity issues through other audit or advisory tasks. An experienced and qualified probity adviser will also display:

- sound and mature judgement
- an understanding of procurement processes, policies and guidelines
- thorough knowledge of audit concepts
- the highest standards of integrity
- an enquiring mind
- an ability to take a stand on an issue and resist pressure to change a well-supported opinion
- the ability to be an active but independent member of a project team.

Probity in the private sector

As the private sector becomes more familiar with probity and understands the benefits to be gained from an external review process, the more likely it will become a fundamental part of private sector governance processes when tendering for and negotiating contracts.

"...honesty and integrity... probity assurance asks the question, 'Is it fair to all?'"

Mergers and acquisitions – maximising value

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There are many good reasons for corporate mergers and acquisitions (M&A), but they all have the same goal: to generate and maximise value for the shareholders. Here in Kenya, mergers and acquisitions have emerged into a growing practice. In fact, Kenya is the fourth most popular destination in Africa (behind South Africa, Nigeria and Ghana) for foreign investors looking to merge with local businesses.

Why mergers and acquisitions occur?

Two companies operating in the same business sector may come together (horizontal integration) in a search for economies of scale, new markets, alternative distribution channels, cross-border tax advantages or increased market share. Notable examples are Walt Disney's acquisition of Pixar Studios and Facebook's acquisition of Instagram. Alternatively, two companies in a supply chain may join up (vertical integration) to share technologies and achieve greater competitive advantage. An example might be a mobile phone manufacturer acquiring a supplier of electronic components.

There are several ways that value can be created for the business initiating the transaction. But the key is for value to be generated through the realisation of synergies between the parties to the deal. Such synergies may be operational or financial. A successful merger or acquisition requires a solid plan that will help to create those synergies.

Don't underestimate the challenges

Regrettably, many M&A deals don't deliver the anticipated synergies and value.

There are challenges associated with quantifying possible synergies at the planning stage, and then with achieving them during the post-transaction phase.

The greatest risks are:

- unrealistic valuations
- overstated estimations of potential synergies
- insufficient financial and legal due diligence
- regulatory matters
- management and staffing issues
- integration problems (culture clashes)
- a failure to manage change
- poor communication with stakeholders.

Careful planning is essential

So, what must be done to ensure that an M&A deal does, in fact, create the maximum value possible?

Selecting the right merger partner or takeover target is, of course, the primary concern. The strategic fit is crucial, so potential targets will have to be carefully assessed against the objectives of the move. It is essential to have a clear vision of those objectives and verify that targets have similar values and a corporate culture that aligns with your own.

Once a target has been identified, a thorough due diligence assessment must be performed. This will help to decide whether to proceed, how to structure the transaction and the financial aspects of the deal. Engage suitably qualified accountants and lawyers for this.

An M&A deal is a calculated risk. Due diligence will help to mitigate this risk and increase the chances of success. Depending upon the nature and size of the business and its geographic spread, the process could take several weeks or months.

In addition to an assessment of strategic fit, M&A due diligence activities would typically cover several key areas with respect to the target and the integration plans. A thorough SWOT analysis will reveal a lot but areas to focus on include:

- structural issues such as ownership, management and staff
- technology and intellectual property
- market position, competitors and supply chain
- financial data including cost assumptions, growth forecasts and tax obligations
- asset ownership and valuation
- legal, contractual, and regulatory matters
- change management and communication
- environmental issues such as audits, permits, licences, and insurance policies.

The most critical role in the due diligence process is a synergy evaluation. This means looking at areas where you can generate sustainable value and any changes you need to make to maximise this value.

Seek professional advice

When looking to grow and strengthen a business, a well-targeted merger or acquisition can be a successful way of achieving this. It can also be far quicker than trying to grow organically. However, the M&A process is complex and can take several months to complete. So, if you're considering embarking on a merger or acquisition strategy, be sure to seek professional advice.

Doing Business 2020: tackling burdensome regulation

At its core, regulation is about the freedom to do business. All too often, however, regulation misses its goal and one inefficiency replaces another, especially in the form of government intrusion in business activity. By documenting changes in regulation in 12 areas of business activity in 190 economies, from Afghanistan to Zimbabwe, Doing Business analyses regulation that encourages efficiency and supports the freedom to do business.

Doing Business 2020, a World Bank Group flagship publication launched on 24 October 2019, is the seventeenth in a series of annual studies measuring the regulations that enhance business activity and those that constrain it. The data collected by Doing Business address three questions about governments.

1. When do governments change regulation with a view to developing their private sector?
2. What are the characteristics of reformist governments?
3. What are the effects of regulatory change on different aspects of economic or investment activity?

Answering these questions adds to our knowledge of development.

Governments of 115 economies around the world launched 294 reforms during the past year to make doing business easier for their domestic private sector, paving the way for more jobs, expanded commercial activity, and higher incomes for many. Business-friendly environments are associated with lower levels of poverty; improved regulatory efficiency can also stimulate entrepreneurship, start-ups, innovation, access to credit, and investment.

The ten economies where business climates improved the most were Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India, and Nigeria. The ten economies scoring the highest on the ease of doing business rankings were New Zealand, Singapore, Hong Kong SAR China, Denmark, Republic of Korea, United States, Georgia, United Kingdom, Norway, and Sweden. Top performers typically had online business-incorporation processes, electronic tax-filing platforms, and online procedures for property transfers.

At the same time, 26 economies took steps that posed new obstacles to business activity. Many of these increased the costs of doing business. An entrepreneur's experience differs wildly in high-performing and low-performing economies. For example, it takes nearly six times as long, on average, to start a business in the economies ranked in the bottom 50 than in economies ranked in the top 20. Transferring property in the 20 top economies requires less than two weeks, compared to three months in the bottom 50. Obtaining an electricity connection in an average bottom-50 economy takes twice as long as in an average top-20 economy; the cost of such a connection is 44 times higher when expressed as a percentage of income per capita.

Starting a business, dealing with construction permits, getting electricity, and paying taxes were areas with the most active reform over this period. Reforms in dealing with construction permits and getting electricity have jumped in recent years. Many of the 37 economies that made construction permitting simpler streamlined interactions with agencies for preapproval and inspection. To connect businesses with the power grid more efficiently, 16 economies invested substantially in modernising electrical infrastructure.

Since its inception in 2003, more than 3,500 business reforms have been carried out in 186 of the 190 economies Doing Business monitors.

The Doing Business report would not be possible without the help of over 48,000 local experts in the 190 economies covered by the report who have provided the data on a pro bono basis over the past 16 years. Doing Business collects the data every year by sending questionnaires to its network of experts. The Doing Business team then analyses the questionnaire responses, reviews relevant laws and regulations and corresponds with governments, World Bank Group regional staff and private sector experts to continue verifying the findings. Russell Bedford contributes global research expertise to the Doing Business project.

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Olga is a co-author of the World Bank Group's annual Doing Business report. She manages external relations with respondents, and knowledge management within the team.

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Five strategies used by fast-growing businesses

Over the last decade or so, professional services businesses have experienced enormous change: buyer behaviour has changed, and it has proven difficult to keep up with rapid technological advances. However, during this time some businesses have performed exceptionally well, growing three times faster than the average business.

To understand this, Hinge Marketing's High Growth Study 2020 analysed more than 1,000 professional services companies. In this article, we look at five growth strategies that growing businesses are using that you can also deploy to turn your business into a high-growth business.

1. Become a digital disruptor

Business use of digital and content marketing techniques has increased dramatically in the last three years. Indeed, half of the participants in the Hinge High Growth Study 2020 study reported that they have published blog posts, networked on social media, and used email marketing. While these marketing techniques are useful in themselves, on their own they are not enough to drive extraordinary growth.

David C Baker, author of 'The Business of Expertise', tells us that giving away generalised expertise freely attracts opportunities to charge for applied expertise. High-growth companies are skilled at this. They invest more effort in creating high-value, high-quality content, examples include:

- case studies
- downloadable content, gated so that users supply contact details before gaining access
- podcasts
- research reports.

In short, digital and content marketing allows you to scale your expertise and drive your online lead generation.

About the author

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For the past six years, John has conducted extensive research at the Hinge Research Institute, a division of Hinge that publishes primary research focused on what drives extraordinary growth in professional services.

He has personally reviewed the perspectives of over 15,000 buyers and sellers of professional services and has helped hundreds of professional services organizations use data to influence brand and marketing strategies.

Passionate about market research, analytics and using data to drive decisions, John's research is an essential part of Hinge's work, and is used to solve client problems, identify trends, create content and establish industry benchmarks.

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2. Research your target markets frequently

High-growth businesses are less concerned about threats such as changes in buyer behavior, and unpredictable markets, because they continually research their marketplace. Businesses that know their markets can anticipate threats.

David Burrus, author of 'The Anticipatory Organization,' believes that for businesses to grow and thrive, they must anticipate problems before they happen. Businesses can do this by researching and analysing target markets and internal business data frequently. Statistics show that businesses that do this grow faster and are more profitable.

Having done your research, there are two ways in which you can use it. First, to inform your branding and marketing strategy, examples of this might include brand tracking studies, client experience research, and marketplace visibility analysis. Second, you might research issues and topics that are relevant to your target clients and then publish that research as high-value marketing content.

Ultimately, frequent research reduces your risk and gives you a competitive advantage because you are better informed than your competitors.

3. Invest in workflow automation

While high-growth businesses worry less than others about the future, there is one thing that concerns them: automation – they are 60% more likely to see automation and artificial intelligence as a challenge they need to face in the next five years. An explanation for this nervousness is that high-growth businesses are more aware of it and are, thus, more likely to embrace workflow automation technology. But what is this technology?

In an interview with Andrew Filev, CEO of Wrike, creators of a collaborative work management software platform, he told us of his aim for professional services businesses to boost productivity by streamlining their project management processes.

We have also collaborated with Bill.com, a software company that uses innovative technology to streamline how businesses pay invoices and send invoices for payment. Experience shows invoices get paid quicker, freeing up time for professional services businesses to focus on offering advisory services to clients.

Deltek is a technology company that helps professional services businesses to connect and automate the project lifecycle. Deltek recently hosted a panel discussion about what's necessary to drive growth in today's market. The discussion revealed that high-growth businesses drive growth by exploiting technology to automate their project resource planning.

4. Make use of marketing technology

Our High-Growth Study 2020 revealed that high-growth businesses are twice as likely to prioritise marketing technology and automation. Scott Brinker, Vice President of Platform Ecosystem at HubSpot and founder of the Martech East and West conferences, believes that, while there is a potential risk of conflict between marketing and IT departments, businesses should promote collaboration to build success with marketing technology.

New streamlined and automated marketing processes allow businesses to make their expertise more visible to prospects. This probably explains why, in the last three years, content creation has become the top marketing priority.

High-growth businesses are finding new channels and formats for their content too. Our study shows that businesses invested:

- 28% more effort in publishing primary research, resulting in 30% more impact
- 21% more in case studies, with 30% more impact
- 30% more in podcasts, producing an incredible 136% more impact.

5. Develop a skills advantage in marketing and sales

The talent war shows no sign of abating, but high-growth businesses worry less about losing key people.

Businesses looking for rapid growth may need to differentiate their employer brands to attract the best people. This is especially true of marketing – as more companies invest in marketing technology, new skills will be in demand. Marketing departments in high-growth businesses have more highly skilled researchers, networkers, strategists, and data analysts.

Our study shows that creating this skills advantage results in a stronger marketing impact in nearly every marketing technique tested. High-growth businesses reported 30% more impact from publishing research, and 33% more impact from social media networking, just two examples of the impact from this skills advantage.

Read more about how high-growth businesses grew three times faster than the average by downloading the High Growth Study 2020 Executive Summary: www.hingemarketing.com/library/article/2020-high-growth-study-executive-summary.

Entering the US market? State sales tax mistakes can be costly

State sales tax rules can surprise businesses that sell into the US. While treaties between the US and other countries make federal tax laws straightforward, taxes on the sale of products and services can vary widely between jurisdictions. Not every state imposes sales taxes; where they do, there is little consistency or predictability when it comes to defining who is taxed, what is taxable, and how taxes are collected. This means businesses are frequently aware of their value-added tax (VAT) obligations but find it difficult navigating complex local taxes applying in different states and municipalities.

Fifty states but more than fifty systems

Currently , 45 states impose a sales tax. According to the Tax Policy Center, state general sales tax rates range from a low of 2.9% in Colorado up to 7.25% in California. Also, many municipalities within states levy a sales tax, pushing rates even higher. These taxes typically apply to sales of tangible personal property to state residents, but more states are taxing sales of services to raise additional revenue.

States vary widely in how they administer their sales taxes. Some states apply and collect tax locally, with cities or counties managing the collection process. But most states manage the collection centrally, at the state level. States place the responsibility for collecting and remitting taxes on sellers doing business in the state. Sellers can be liable for sales taxes that are not paid to the state, and subject to penalties and interest on outstanding balances.

Nexus — the connection that triggers an obligation

Sellers become obliged to collect and remit sales taxes when they have enough activity in a state to establish a connection known as nexus. Historically, this threshold was crossed when a seller established a physical presence in a state.

The US Supreme Court overturned the physical presence rule in the Wayfair case of 2018, supporting an expansion of sales tax jurisdiction based on economic nexus, a concept that lets a state require businesses to collect and remit sales taxes even if a business has no physical presence in the state. Many states that impose sales taxes have taken steps to expand their laws to recognise economic nexus when remote sellers cross a statutory threshold based on the number of sales or total dollar volume of transactions.

Activities that could establish a presence have become less and less substantial in recent years. For example, visits by salespeople, locations of servers for an internet seller, and acceptance of returns by a third party in a state could all trigger an unexpected sales tax obligation for a remote seller. These thresholds vary from state to state, which can compound the confusion and potential for error when businesses outside the US start selling products or services into the country.

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"Sales tax exemption rules present another area of inconsistency and complexity among states."

Exemptions — not every product is taxable in every state

Sales tax exemption rules present another area of inconsistency and complexity among states. Many states carve out broad product-based exemptions for classes of consumer goods, such as food, prescription drugs, and non-prescription drugs. A product that is subject to sales tax in one state could be exempt in others.

In addition, most states allow some tax exemption on sales to resellers or manufacturers. The goal of these exemptions is to place the sales tax liability with the final consumer of the product, not with those involved in its manufacturing or distribution. States typically require the seller to collect and retain an exemption certificate from any buyer that would otherwise be subject to sales tax. This differs fundamentally from the VAT system, where tax is assessed at every stage along the supply chain, requiring each participant other than the end consumer to recover the VAT charged to them.

Get help from sales tax compliance specialists

Non-US businesses entering domestic markets put themselves at risk if they tackle difficult state sales tax compliance on their own. The sales tax landscape changes frequently, so if you're considering selling products or services into the US, or already do so, it's important you seek help from a consultant that focuses on these issues.

DIFC foundations – protecting family assets

The Dubai International Financial Centre (DIFC) is a leading financial hub serving the Middle East, Africa, and South Asia. Established in 2004, it ranks eighth globally and provides a stable and secure platform enabling businesses to gain access to many emerging markets. The DIFC also has its own codified legal framework and independent common law judicial system. The DIFC Courts adjudicate both civil and commercial international disputes.

In 2018, the DIFC introduced legislation enabling the establishment of foundations, governed by DIFC law. A DIFC foundation is an incorporated legal entity, which holds and conducts transactions in its name on behalf of a family. It gives flexibility in succession planning, wealth management, and asset protection. Structured properly, it allows a family to protect its privacy, and it can be a Sharia compliant structure and therefore works well for both Muslim and non-Muslim families. This article gives an overview of DIFC foundations, the requirements to set one up, their uses, and accounting requirements.

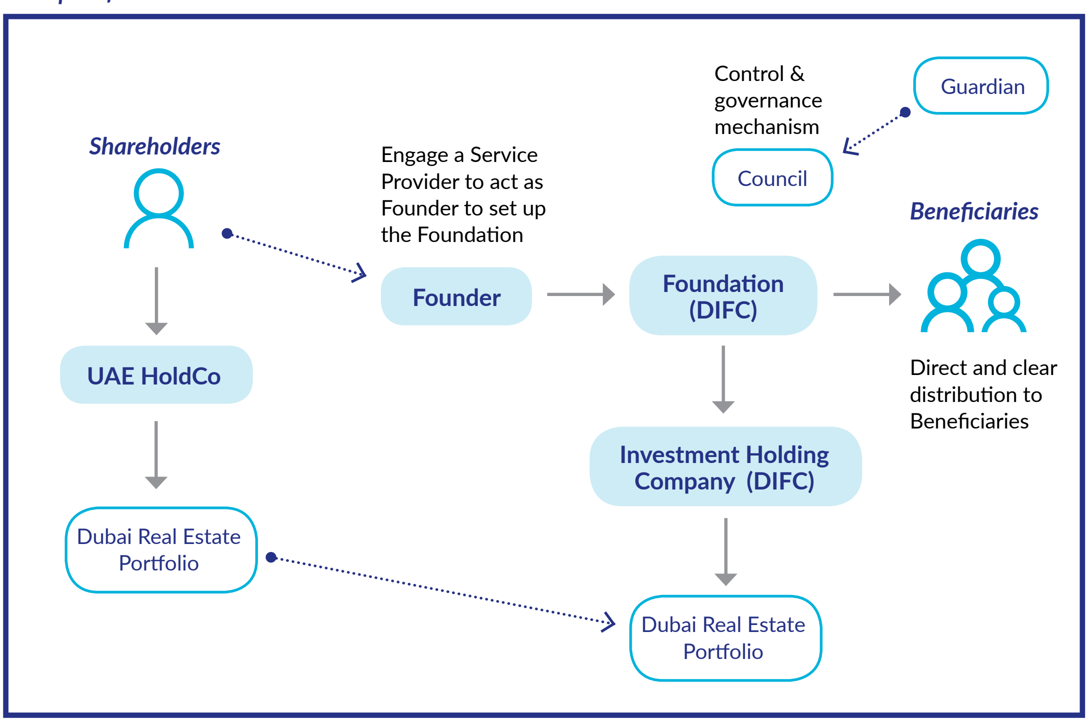
Establishing a foundation

A foundation is established by a charter that sets out its purpose, whether charitable or non-charitable, and governs its management and operations. The charter is filed with the registrar and contains basic information about the foundation such as its objectives, the key office-holders, a basic description of the beneficiaries, registered agent and office address. Detailed governance provisions (including details of beneficiaries) are only contained within the by-laws of the foundation. The by-laws are a private document.

A foundation needs at least one founder member; the founder creates and controls the charter and can vary it at any time. To further protect the privacy of the family, a corporate entity can act as the founder.

A managing council (similar to a board of directors) exists to carry out the foundation's objectives and uphold the by-laws. The council must have at least two members. There are no specific eligibility requirements to qualify as a council member. A founder can opt to take a seat on the foundation council, but this is not mandatory. Often, the council will consist of the founder, together with family

Example of DIFC Foundation



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Sunita is a full member of STEP (Africa and Arabia) and speaks at international forums and conferences in the Middle East and South-West Asia. She has established intrinsic relationships with private banks, financial and legal advisers, corporate service providers and the regulators (DIFC and ADGM). She regularly advises families and family businesses in relation to their succession planning, corporate governance and wealth management.

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members, trusted advisers or professional service providers. If the foundation has charitable objectives then a guardian must be appointed, whose purpose is to ensure that the foundation is governed and administered by the council in accordance with the charter and by-laws. The guardian cannot take a seat on the council as this would create a conflict of interest.

As a perpetual concept, a foundation can continue in existence after the founder's death, as it is an ownerless, orphan entity. This is what makes it an excellent choice for succession planning, as it ensures the smooth continuity of business and ownership of assets regardless of births, deaths or the composition of the family. If a foundation exists for a specific period, the charter must define how the assets are dealt with on winding up the foundation.

Uses of a foundation

Typically, a foundation is created for:

- succession planning and wealth preservation
- financial planning and asset protection
- corporate restructuring
- inheritance planning and protection against forced heirship rules
- holding assets in underlying companies
- charitable purposes.

Although the council exists to manage the foundation, the founder can choose to retain control and influence over the assets during lifetime and beyond if the by-laws are carefully drafted to reflect this position.

Accounting requirements

The accounting requirements of a foundation are similar to those of a company. A foundation must first prepare annual accounts in line with international accounting standards. Next, the council of a foundation must approve the accounts within six months of the end of its financial year. However, the accounts are only filed with the registered agent of the foundation (not with the registrar), unless the foundation maintains its own physical office in the DIFC and self-administers.

A foundation's accounts do not need auditing. Although a foundation must file accounts with the registrar or registered agents, other than for limited legitimate purposes they do not appear on any public register.

The DIFC's independence, common-law framework, tax-friendly regime, and enabling environment make it the perfect place for a family to manage its wealth and protect its assets by establishing a foundation.

News in brief

Russell Bedford scoops top honours at prestigious International Accountancy Awards

Russell Bedford International was awarded the title of 'Network of the Year' at the 2019 International Accounting Bulletin Awards ceremony which took place at the iconic Waldorf Hilton in London on Thursday, 3 October 2019.

As winners of the award for 'Network of the Year', Russell Bedford demonstrated the successful execution of profitable growth strategies and was recognised by the industry as a reputable brand that consistently delivers high quality professional services.

Russell Bedford enters new year with continued growth in Africa

ARC - Auditing & Consulting as been appointed as the Russell Bedford member firm in Yaoundé and Douala, Cameroon.

Established in 2003, ARC is a full-service accounting firm with a focus on statutory auditing, accounting, tax, management consulting and due diligence services.

Former Moore Global firm goes to Russell Bedford in second coup of the year

Russell Bedford has further enhanced its UK presence with the appointment of Mitten Clarke as its member firm in Stoke-on-Trent and Manchester, United Kingdom.

The firm which is led by five directors has been named 'Firm of the Year' by Accountancy Age and 'Independent Firm of the Year' by the British Accountancy Awards.

Russell Bedford celebrates first ever *'taking you further'* day!

On Friday, 6 December 2019, members of Russell Bedford International joined in celebrating the network, its people and its culture, on its first ever 'taking you further' day.

An initiative established to encourage members to unite through various team building and charitable activities, to cement the network's shared ethos, 'taking your further' day is essentially a day for celebrating Russell Bedford's individuality and acknowledging the collective successes and achievements of the network.

Members of Russell Bedford International support World Bank Doing Business project for 11th consecutive year

For the 11th consecutive year, Russell Bedford member firms assisted the World Bank in researching its annual Doing Business project, contributing data on tax regulation, recent reforms, and the real costs of tax compliance worldwide. The report, Doing Business 2020, which over 40 Russell Bedford firms contributed to, shows that governments worldwide are motivated to undertake business reforms with the goal of bolstering sustainable economic growth.

Croatian Group joins Russell Bedford as third recruitment of 2020

The appointment of firms in Zagreb, ANiS Revizija and Anić-Antić & Sesar Tax Advisors, has provided a further boost to Russell Bedford's growing European presence. The first Russell Bedford members in this region, the firms together provide a full range of accounting, bookkeeping, payroll, audit, financial consulting, tax consulting and compliance and transfer pricing services from their shared offices located in Zagreb.

Saudi Arabia improves 30 places for ease of doing business

In this year's report, Doing Business 2020: Comparing Business Regulation in 190 Economies, Saudi Arabia has improved its score for Ease of Doing Business by an impressive 7.8 percentage points. This improvement marks Saudi Arabia out as the biggest improver and moves the country 30 places up the league table to 62nd position from 92nd position in last year's survey.

Russell Bedford firms, including Saudi Arabia member Russell Bedford AlHoshan, contributed to the 2020 survey.

Russell Bedford
taking you further

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