



NEWSLETTER



Issue 40

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PRESIDENT'S REPORT

WELCOME to Issue 40 of the GSCCA Newsletter.

Whilst electronic communication is now the order of the day, by popular request from many of our Members it has been accepted that the newsletter still has a place in keeping our membership updated on issues of importance or interest. No doubt we will be using Facebook and Twitter in years to come or you will be reading this on the Kindle but for today we have The Newsletter!

For those who will welcome a written "round-up" of Society activity over the last year or so, I hope that this edition will not disappoint and, as always, we would welcome your views (good, bad or indifferent) on what you would like to see in the future.

Those close to the Society will know that there have been a number of changes over the last two years or so, not least of



President Jane Le Maitre and Vice President John Clacy with The Bailiff, Guest Speaker Rory Bremner and other Distinguished Guests before the Annual Dinner in November 2010

which was the appointment of Mrs Sandra Beaton as Permanent Secretary in July 2009. Since then Sandra has completely revamped our database (we now know for sure that we have almost 1000 members) and she has taken all Society administration to new (and in my opinion improved) heights.

We have a very diverse membership with Chartered and Certified Accountants making up over two thirds of our number, with associate members (including qualified accountants from other countries, Chartered Secretaries and Chartered Tax Advisers) making up the balance. In the past year or so, we have been pleased to welcome

Karen Haith onto the Executive Committee as the ACCA representative to take the place of Nick Le Huray who stepped down in April 2010. Karen is currently working in industry (as opposed to one of the auditing firms) and brings further diversity of experience to the Executive Committee. We have also seen André Trebert step down after three years at the helm of the Taxation Subcommittee, and Jo Huxtable took over this particularly busy position last year.

Those Members who have attended the Society annual dinners for the last two years cannot fail to have noticed that the format for these has also

changed with background music, colour and light taking equal parts in improving the ambience of what is, after all, a sports hall! The Society was fortunate to secure the services of John Sergeant to entertain everyone after dinner in 2009 and Rory Bremner kept up the standard in 2010. The Society now makes a point of advertising the speaker at the time that tables are offered to Members rather than keeping this a closely guarded secret (as in years gone by) so that Members have a far better idea of what the evening will entail. Rory did not disappoint and admitted later that he might have been outstaged by what he saw as the funniest joke of the evening when part of my own speech referred to “our ever popular Guernsey tax courses”. I note that Jo has also used these words in the tax section of this newsletter so it is obviously something that we tax people find perfectly normal – but if tax is not your favourite topic, then I can see his point!

The Society has had a very busy time over the last few years and this is borne out by the vast range of matters that my colleagues have covered in the technical, tax and training sections of this newsletter. I do not intend to steal their thunder but I think that it is worth noting that the Society does not just cover accounting, auditing and tax issues - although these disciplines form a large part of the everyday life of many of our Members. Those “industry” representatives on the Executive Committee (and I count myself amongst these as I am not a member of an auditing firm - spending my time equally between taxation and trust and corporate administration) are able to bring different experience

to bear on matters outside the traditional accounting and auditing arena, but which directly affect parts of our industry.

One such matter arose in 2010 in connection with annual validation fees payable by Guernsey incorporated companies. What should have been a simple matter to rectify earlier poor drafting of a States Regulation took on a life of its own when the States doubled the fee for many local companies, simply because they used the services of a licensed fiduciary to help with statutory matters. It became very clear that the States did not have sufficient information on just how much “local” work is carried out by licensed entities. Fortunately we were able to lobby the States and, on the third attempt, Regulations were issued which removed this ridiculous anomaly. At the same time we were told that the States intended to go out to consultation on the costs of the various annual validation categories early in 2011. Unfortunately, we have recently heard that this is not their intention, at least for the time being. As such we are left with a position where it is generally more cost effective to use companies incorporated in the BVI and elsewhere for some local and international business, and this is a situation which must be addressed in the future.

The new Registrar of Companies has recently been appointed and I hope that he will give this matter further, and urgent, consideration. If you share the view held by many of our Members and strongly believe that the fee categories (across the board) should come back to the States, then I would urge you

to make your views known to the new Registrar and the Department of Commerce and Employment.

As I will step down in April, this will be my first – and regrettably my last - contribution to the Newsletter as President of the Society. My term has certainly been a busy one, but enjoyable all the same. I would like to take this opportunity to say a sincere “thank you” to the Executive Committee and all those who give their time to our Technical, Tax and Training & Courses Subcommittees for their help and support over the last two years. The Society would not carry weight without you, but we cannot work in isolation, and I will finish by asking you, the Members, to continue to engage with the Society on matters of concern for the benefit of everyone in the accountancy profession.



Jane Le Maitre
President

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TAXATION

When I agreed to take on the Chair of the Taxation Subcommittee from André Trebert in April 2010, I was under no illusion that it would be a busy year; and a busy year it has been! I have been very grateful for the support and contribution of all

Committee members. With changes and proposals covering all aspects of our tax system and pressures coming from both within and outside the Island, the sheer variety of issues has been notable. As a Committee, we have worked hard to assess and respond to these challenges with continued dialogue with the Tax Office on matters of local taxation.

The most significant issue in Guernsey during 2010 has been the corporate tax review. Following the EU's challenge to the business tax regimes in Guernsey, Jersey and Isle of Man in September 2009, Guernsey has continued to review its corporate tax regime and consider what type of system might be a viable alternative, *if* a change were required. As a Committee, our approach has been to support the decision of the States to undertake a review whilst remaining committed to the view that any decision to change must be made after the final outcome of the EU's review of Jersey and Isle of Man is known, and follow developments in those Islands very carefully.



The Tax Subcommittee has been closely involved in this process with individual members taking part in the Tax Professionals

Panel chaired by the States of Guernsey. When the consultation was launched in June, the Committee met to debate the key technical and practical issues. A formal submission was made encompassing these views as well as specific contributions from the GSCCA membership which were much appreciated.

Key messages conveyed in the submission were the need to balance certainty against the possible downsides of a premature move which could compromise Guernsey's competitive position compared to Jersey and Isle of Man. We also highlighted the need to maintain tax neutrality for financial products and to ensure that the benefit of the tax cap is not diluted. It seems that our comments were broadly in line with the general views of the other 49 submissions which were summarised in the Preliminary Responses document issued by the States in November. The Committee remains close to these developments and will be providing further input into the next round of consultation expected in June. Our aim as tax practitioners is to respond to the tax technical issues whilst keeping the long term interests of Guernsey's key industries at the heart of our analysis.

Collective investment schemes should not be covered by the review and it is expected that the tax exempt status will remain. However, it is recognised that the law governing exempt status is

out of date. The Committee is working with GIBA towards a rewrite of the law which should cover the full range of Guernsey's funds and related vehicles. This new legislation should be put to the States during 2011.

"The most significant issue in Guernsey during 2010 has been the corporate tax review....."

Jo Huxtable

Guernsey's implementation of the EU Savings Directive is subject to change in 2011 following a decision in late 2010 to abolish the retention tax and to retain automatic exchange of information. This followed a process of consultation which considered similar moves by other jurisdictions (IoM and Belgium), increasing complexities with possible changes to the Directive and other measures which can apply where a jurisdiction does not operate automatic exchange of information (for example, more punitive penalties levied by the UK). A common industry view shared by the Committee was that the change would be beneficial to the extent that the Directive may become more complex in the future and is further evidence of Guernsey's willingness to be transparent in all areas of taxation.

The Zero 10 regime has continued to produce challenges in certain areas. The technical working party commenting on Statements of Practice (comprising myself, Tony Mancini, Jane Le Maitre and André Trebert) has been less active in recent months although continues to provide input where specific clarification is required.

Of course, the deemed distribution regime, which was introduced as an anti-avoidance measure to counter the impact of 0%, has not yet bedded down in practice. Recognising this, the Committee has regularly raised practical issues with the Tax Office on behalf of Members but there continue to be complexities arising with compliance which are often not commensurate with the amounts of tax at stake. The Committee has therefore set up a formal working party with representatives of the Committee member firms and the Tax Office to discuss how the regime can be simplified to reduce undue administration. The Tax Office intends to publish a new Statement of Practice containing certain easement measures in the next couple of months.

Other challenges we face include the possible introduction of new tax return deadlines for companies and individuals. The Committee has been in correspondence with the Tax Office and is seeking to ensure that the proposed deadline is as late as possible whilst not clashing with other important events and deadlines. Any change would require new legislation and is not expected before 2012 at the earliest.

The Tax Office has suggested that they may cease to send out pre reminders to taxpayers who have agents on the basis that this is unnecessary duplication. The Committee's view is that this approach is unfair and that there should be no difference of treatment between taxpayers with and without agents. This matter remains under discussion.

There have been a number of active groups meeting and

debating issues in 2010 involving different members of the Tax Subcommittee. Mark Colver and Mark Watson have joined discussions with the Tax Office on possible changes to the taxation of capital expenditure and how the tax system could be simplified to bring the tax treatment of capital expenditure in line with the accounts. Any changes would be unlikely to come in before 2012 at the earliest.

Fran Snoding represented the Committee during discussions between February and September on the reform of Guernsey pensions, the proposals of which were announced in November following a full consultation with input from the Committee. It is hoped that the new provisions announced in November will encourage greater provision for retirement and will increase Guernsey's reputation as a centre for pension provision.

Michael Fattorini continues to work with the Social Security Department to raise concerns over various issues including the possible liability to pay contributions on dividends, the treatment of persons who are equally self-employed and employed and the apparent lack of disclosure of information between the Department and the Tax Office.

Of course, we are not necessarily involved in all proposed changes. In December, the Tax Office published a new disclosure facility ("ITIS"), the main aim of which is to encourage non-compliant taxpayers to disclose omissions and irregularities without the fear of penalties. The deadline for registering is 31 March 2011. The Director also

issued a letter in December clarifying the way in which concessions agreed before 2008 should be interpreted where there is an ongoing tax effect. These developments were circulated by email to the membership in December.

So, like anyone practising tax in the Islands, I find there is never a dull moment. The main challenge of the Tax Subcommittee throughout 2011 will be to stay close to the political and economic direction the Island takes in relation to its corporate tax strategy and provide technical support. In this regard, I will welcome the continued contributions made by all members of the Committee as well as the wider membership.



Jo Huxtable
Chair

Subcommittee:
Marie Cassidy
Mark Colver
Michael Fattorini
Tony Mancini
Graham Parrott
André Trebert
Mark Watson

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TECHNICAL

As I write this brief annual update for the newsletter I get the feeling that we are currently weathering a lot as a profession and a jurisdiction and certainly there is more to come in 2011 and beyond. The Island continues to see its reputation and status abroad in the spotlight and, on the whole, we have handled all the external pressures very well indeed. That is a credit to all involved in view of the fact that the vast majority of our economy is so dependent on exporting and our main export is financial services!

So what of these external pressures and changes we are facing and will face? During 2010 we met with two delegations from the IMF review focussing on anti-money laundering as well as the insurance and banking sectors. These meetings were supplemented by some of the individual firms also assisting in giving the inspectors their views. Legislation and, as a consequence, regulation is constantly evolving and we have seen this with the new Conduct of Business and Licensees Capital Adequacy Rules which were brought in on 1 January 2010 and 30 June 2010 respectively, as well as other changes in local laws. Post the financial crisis we are now seeing the US and the EU getting to grips with their very own versions of laws to attempt to avert a repeat and, as a small island that plays globally in financial services, we are impacted. In the EU the Alternative Investment Fund Managers Directive is clearer and better and the next 18 months

will see the Level 2 rules come out. In the US we are still looking at the potential impact of Dodd Frank and just how a number of the investment managers operating here might be impacted with the need to register with the SEC. We are hopeful that some contemplated exemptions which have been out for consultation will be implemented by the SEC in due course.

Market Traded Companies are now subject to registration and a higher level of oversight as well as the new Crown Dependencies Audit Rules. I am sure that some firms will see an external inspection of the quality of their audit work on these Market Traded Companies in 2011 and should that go well, the hope is that the separate registrations these firms have around Europe can fall away with our own regime being deemed to be equivalent by the EU. It should be, as it has been based on the UK audit oversight regime!

In February 2011 we were formally advised that the supervision of audit firms for these Market Traded Companies would be split between the ICAEW/QAD and the AIU, depending on which audit firm was involved. This is a very interesting development as the oversight from the AIU is expensive for the firms concerned and there are now discussions going on as to whether or not there will be public reporting locally from the AIU arising from these audit reviews. In contrast, the ICAEW/QAD has no such public reporting remit.

Guernsey companies in this listed sector have also seen the UK Combined Code revamped and the name changed, and the requirement from 1 January 2010 to be fully compliant with the UK Code and/or the AIC Code rather than the previously voluntary requirement to comply. Expect more in financial statements for these companies in 2011 as well as more work for the non executive directors.

“The UK ASB is presently out to consultation with Exposure Drafts on the future of UK GAAP with a comment period which expires on 30 April 2011. There are many challenges for Guernsey arising from this change as so many of our clients use and have the flexibility of UK GAAP.”

John Roche

Closer to home, it is now clear that all accountants on the Island are effectively within the anti-money laundering/CDD net from October 2010. There are ongoing discussions with the ICAEW, led by Dave Clark, to see whether experience on local audit work might be allowed to count towards the UK Responsible Individual Accreditation. In this respect, it is clear that there will be a creeping change to the scope of audit oversight in Guernsey and this might extend to include audit oversight from the ICAEW for all audit work on all Guernsey companies by all local audit firms. In the oversight of the work of local firms, the main change in 2010 was the introduction of the EU 8th Directive in the Island whereby all local audit firms auditing

The annual GIFA/GSCCA funds industry update was postponed in December but was held in early January 2011. A lot of time and effort goes into this event and my thanks to Cyril Swale, Nickie Paul and Steve Stormonth for their time. The slides from their presentations are available on the GSCCA website.

I have not commented on the extensive changes we have all seen to Auditing Standards with the introduction of Clarity ISAs, and no doubt you are all grappling with these for the first time as at 31 December 2010. The one certainty is that these new Auditing Standards do impose more onerous responsibilities on management and auditors alike and there are challenges for management and audit committees to work much more closely with their audit firms.

I will wrap up with some words on the future of UK GAAP..... basically there is one but it is a cut down future. The UK ASB is presently out to consultation with Exposure Drafts on the future of UK GAAP with a comment period which expires on 30 April 2011. There are many challenges for Guernsey arising from this change as so many of our clients use and have the flexibility of UK GAAP. In a number of cases this flexibility may be lost as some entities may not qualify for the cut down version and so the choice is to move perhaps to full IFRS. I am pleased to say that Tony Veillard and Justin Hallett (assisted by Nicky Mills) have agreed to lead the Technical Subcommittee's discussions and response to the UK ASB on the Exposure Draft and they have already circulated an email soliciting Members' views. I look forward to the

results of their communications to Members, discussions with GFSC and other efforts in this area in the early part of 2011.

This will be the last newsletter from me as Chairman of the Subcommittee as I stand down from April 2011. I am delighted to inform you that Nickie Paul has agreed to be the new Chairperson and I wish her well in the role over the next few years.



John Roche
Chair

Subcommittee:

*Lee Clark
John Connolly
Justin Hallett
Andy Offen
Nickie Paul
Cyril Swale
Tony Veillard*

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TRAINING & COURSES

During the intervening period since the last newsletter, the Training and Courses Subcommittee has continued to be busy with our main aims of bringing you useful courses and lectures as well as promoting accountancy as a profession across the Island.

Courses

Each year we run the Audit and Accounting Update courses with a view to providing necessary technical training to our Members, as well as providing valuable CPD points. The sessions cover not only UK GAAP but also International Financial Reporting Standards and have proved to be very popular. We will be running these once again this year and the dates for you to save in your diary are 12–16 September.

As you will be aware, our accounting update to the Investment Management industry, held jointly with GIFA, and covering UK GAAP, IFRS and US GAAP, was due to be held in December but had to be postponed due to the snow. This was held on 10 January and has been addressed by John Roche in his Technical Subcommittee report.

Our annual Guernsey Tax Update courses have proved to be popular and, subject to availability of presenters, we are hoping to run these again this year. Dates will be added to the website in due course.

Lecture Lunches

We have followed the same format for our lecture lunches for a number of years but we will be changing the format in 2011. Owing to the busy world in which we all now work, we find that very few, if any, of the attendees at the lecture stay behind for the lunch. As a result, we will continue to run the lectures over lunchtime but will no longer offer the buffet lunch at the conclusion of the lecture. We look forward to receiving any feedback you may have on this.

We ran a number of lecture lunches during the course of 2010, including presentations from the Insurance and Investment Business Divisions of the Guernsey Financial Services Commission and an overview of the new regime for the regulation of auditors, as well as an entertaining and informative canter through the inheritance laws of the Bailiwick by Advocate Russell Clarke of Carey Olsen.

We are currently finalising our programme of lunchtime presentations for 2011 and would actively encourage Members to contact Sandra Beaton, myself or any member of the Committee should you have any suggestions for future presentations. Contact details are provided on the



Debbie Smith, Jo Huxtable and colleagues ensure this group of Elizabeth College students is well informed about careers in accountancy and taxation

website and at the end of this newsletter.

Career Promotion & School Visits

The Committee has again continued to be active in this area. We had a stand at the Higher Education Fair at the Grammar School in March and at the Careers Show, which was held at Beau Sejour in April.

A number of firms provided volunteers to help man the Society's stand at the Careers Show and this was invaluable in enabling us to offer hands on advice to visitors to the stand.

These annual events are supplemented by a rolling programme of school visits and during 2010 we presented jointly with the Chartered Institute of Taxation. We have found that interest in accountancy continues to grow as school leavers and graduates alike recognise the opportunities that arise from having a professional accountancy qualification. The Society's website offers information and advice for those interested in a career in accountancy and includes a list of organisations which offer training and support in Guernsey.

Offshore Tax Planning Conference

In February 2010, in conjunction with the Chartered Institute of Taxation, we arranged a one day conference on Offshore Tax Planning for Foreign Domiciliaries, Offshore Trusts and Companies. This was very well attended, with a waiting list for places.



The Society's stand at the 2010 Careers Show

Annual Quiz

Finally, one of the hotly anticipated events of the year (!) is the GSCCA quiz. The 2011 quiz was held on 10 February when 19 teams competed to try to wrestle the Technical trophy from Deloitte, last year's winners, and compete for the main Quiz trophy, which was won by a conglomerate named *The Furious Yoghurt* in 2010. This year's overall winners were again *The Furious Yoghurt*, with PKF claiming the Technical trophy.



Debbie Smith
Chair

Subcommittee:

*David Becker
Evelyn Brady
Fraser Hiddelston
Vicky Le Poidevin
Richard Le Tissier
Susan Shaw
Jane Smith*

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To ensure you continue to receive circulations from the Society, please remember to advise me when you change your contact details.

The new membership year commenced on 1 February 2011 and membership renewal is in progress. Please note that your renewal form and subscription must be submitted before the AGM on 7 April 2011. Memberships not renewed by that date will lapse.

*Many thanks
Sandra Beaton*

DATES FOR YOUR DIARY

Annual General Meeting
7 April 2011

Annual Audit & Accounting
Update
12-16 September 2011

Annual Dinner
4 November 2011

Please visit the Society's website
www.gscqa.gg
for up to date information about
forthcoming courses and events

EXECUTIVE COMMITTEE

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Jane Le Maitre

Vice President

John Clacy

Treasurer

Fraser Hiddelston

Committee

Dave Clark
Karen Haith
Jo Huxtable
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