

Issue No. 03 | May 2019 | © XLNC AG

MAGAZINE

Editorial

Dear XLNC Member,

A journey abroad would not necessarily have been possible for our grandparents, but we now take for granted regular international flights and many clients have businesses in international markets and frequently make deals and requests outside their home countries. Trusted advisers need to be able to provide relevant and up-to-date information to their clients when they are considering opening a branch office abroad or having any kind of international business transactions. Help is available through the members of XLNC.

It is easy to say that technology makes the world a smaller place and it is possible to look at information on international business transactions anywhere in the world from your mobile phone. However, while clients may be able to find out the facts, an important service XLNC members can provide is advice based on trust, experience and knowledge. In order to strengthen your international network of like-minded professionals, we look forward to seeing many of you at the upcoming XLNC Spring Conference in Vienna.

Once again, we love to shine a spotlight on you, our members – in this issue we introduce XLNC's new private Deal Sharing Platform, which has been launched to foster business referrals amongst XLNC members. Martin Schommer (Constantin GmbH, Frankfurt am Main, Germany) introduces their concept of a

"Shared Business Centre" and invites XLNC members to use it.

The Focus Groups Tax and Legal provide you with the summaries for their Focus Group meetings at the XLNC Spring Conference in Austria.

Of course, specialist articles written by our members are also featured. Louis Sapi and Saurab Mehta (HS & Partners LLP, Chartered Professional Accountants, Toronto, Canada) write on "Leadership in the 21st Century: How CPA Firms Need to Redefine Leadership for 2020 and Beyond", Olga Nadiezhdina (Eurofast Global Limited, Tbilisi, Georgia) informs on a new pension scheme introduced in Georgia, whilst Rocco Panetta (Panetta & Associati Studio Legale, Rome, Italy) reports on "Smart Contracts from a Data-Protection Perspective". Richard Kleiner (Gerald Edelman, London, UK) looks at the depth and breadth of services that the 21st-century accountant actually offers. Paul Hendriks and Henk Brat (Vestius Attorneys at Law, Amsterdam, the Netherlands) keep you updated on the new Netherlands Commercial Court in Amsterdam, and Werner Schulze (Schlecht & Partner, Stuttgart, Germany) writes about the "Impact of New Lease Accounting Under IFRS 16 on the Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement and Enterprise Valuation". Silvia Cancedda and David Jakovljevic (Eurofast Croatia, Zagreb, Croatia) keep us

updated on changes in Croatian Legislation: Third Chapter of the Tax Reform. Robert Haunschmidt (Haunschmidt & Partner, Vienna, Austria) highlights the key aspects of the planned Austrian Income Tax Reform, and Dr Mashal ALZarooni (MAZ Chartered Accountants, Dubai, UAE) shares some UAE Compliance Updates with the readership, on the issue of UAE residency. Albena Rasheva (Eurofast Global EOOD, Bulgaria, Sofia) informs on the requirements of setting up a company in Bulgaria, Nurmukhametdinov Timur and Marina Golubentseva (Bellerage, Moscow, Russia) share the latest updates on how VAT is to be collected for digital services in Russia, and Natalie Jones (Azure Group, Sydney, Australia) discusses what changes Artificial Intelligence and Data Science will bring in this year.

We wish you an enjoyable read and if you are interested in having your voice heard or if you have some interesting company news and want to contribute, then please get in contact.

We look forward to seeing you in Vienna.

Your XLNC Team

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Vienna, Austria | 17-19 May 2019

XLNC Spring Conference

We are delighted to have you join us for the second XLNC Conference, this time in Vienna, Austria, Nestled on the eastern fringe of the Alps, on the banks of the Danube River, this city gave birth over one hundred years ago to an artistic and cultural revolution. It was a revolution that changed the future and forever secured the future of Vienna as one of Europe's great cities. Free thinking flourished in its cafes, and new ideas in music and philosophy became embedded in its cobblestones. Today, visitors flock to Vienna to experience a dynamic art culture, set amidst historic streets where Strauss waltzes echo. They come to drink coffee where great thinkers such as Einstein and Freud spent time, and to enjoy some of the world's most magnificent artworks. The best way to navigate the city is slowly, on foot. We hope that you will find the time to wander



Prof Dr Thomas P. Müller

the streets, separately to the optional excursions that have been organised, but if your visit is only a short one, then do make sure that you have signed up for the tours listed below.

The first tour on the Friday afternoon, 17 May 2019, will

start at 13:00 pm and will cover a Historical Vienna Tour through Schloss Schönbrunn, the summer residence of the Imperial family. This baroque palace was reconstructed during the reign of Maria Theresia and the private apartments house the original furniture of Emperor Franz Josef and Empress Sisi.

On Saturday, while the Conference is in full swing, the Accompanying Persons will have the opportunity to walk the streets of Vienna as they examine the Life and Death of the Habsburg Dynasty, including a tour through Viennese Coffee Houses. The last tour will be an all-day tour on Sunday, of the Romantic Danube Valley of "Wachau". This is an area just west of Vienna, known for its romantic rolling hills, vineyards and fortresses. If you haven't signed up for one of



the tours, do make sure to email Aleksandra Jagiello (jagiello@xlnc.org) or Anita Szoeke (szoeke@xlnc.org) so that we can add you to our numbers. The tours are only available for those who have pre-registered for them. For delegates, four Focus Group meetings have been scheduled in two consecutive rounds on Friday afternoon, so each delegate can participate in two of these meetings:

In round one the Tax Focus Group (TFG) meeting, jointly chaired by Graham Busch (Gerald Edelman Chartered Accountants, UK) and Dr Benjamin Cortez (Schlecht & Partner, Germany) and the M&A Focus Group meeting, led by Carl Lundberg (Gerald Edelman Chartered Accountants, UK) will take place.

Round two features the Focus Group meetings Legal, organised by Enrique Brat (Vestius Attorneys at Law, The Netherlands) and Technology, organised by Gerald F. Paolilli (Paolilli, Jarek & Der Ananian, LLC, USA).

Participating in the Focus Group meetings will enable attendees to exchange ideas, experiences and latest trends, learn from each other and find better approaches and solutions to serving their clients better.

Prof Dr Thomas P. Müller will deliver the keynote speech on "Crisis situations and the power of psychology".

Crisis and complex challenges, especially if they last for a while, have specific ways of playing out. Those who recognise these patterns and can deal with them have an opportunity to grow with them. Those who find themselves trapped by a crisis will no doubt fail.

One of the recognisable patterns is the distribution of one's own self-esteem through feedback in the job, in the private environment



in particular, but also through actions and decisions, which may be referred to as one's "ego". How much "ego" do we need in normal situations and how much "ego" do we need, once we have tumbled into personal, content-related, emotional or psychological crisis.

During this session, we will learn not only from people who have frequently proven themselves in crisis situations but also from those who have failed. There are many lessons to be taken from failure.

Additionally, there is a clear indication that higher levels of unnecessary occupational stress also affect our private and personal lives.

The laws of criminal psychology help to provide clear guidelines, and looking back at history helps to show examples of what should be done but, also importantly, what should be avoided.

In the last issue of the XLNC magazine (No. 02, November 2018) we have introduced Prof Dr Thomas P. Müller with his biography.

This event is actually already overbooked, but the hotel may still have some hotel rooms available. If you haven't registered but would like to join us, please email either Aleksandra Jagiello (jagiello@xlnc.org) or Anita Szoeke (szoeke@xlnc.org) to double check availability.



Getting acquainted and solidifying relationships for future joint business

First North American Regional XLNC Meeting

What a prosperous year it has been for XLNC! In just six months, our North American presence has grown by nearly 10 firms, and we are thrilled to welcome our new members. To show our gratitude and appreciation and to celebrate the success of XLNC, we decided to invite all the North American members to a dinner event

in New York City on 30 January 2019. The night began with a pre-dinner champagne toast in the Eventi Suite inside the Hotel Eventi, with more than 20 members attending. After an hour of mingling and introductions, the toast concluded with a few words from our founding New York member, Marc Neiderhoffer from

Buchbinder Tunick & Company. Our members then braved their way through the harsh winter elements to the Scarpetta Restaurant, where everyone enjoyed some great food and wine. It was a memorable event for all in attendance and would not have been possible without their commitment and loyalty to XLNC.

Our prime intention for this dinner event was to gather all the accounting and legal professionals who have created the foundation of XLNC in North America and who will shape the trajectory of this organisation in the future. It was important to give everyone an opportunity to get acquainted before the XLNC Spring Conference in Vienna, Austria, which will help solidify their relationships for years to come. After a positive response from the attendees, we look forward to planning more

events like this in the future.



Enjoying good company of fellow XLNC members

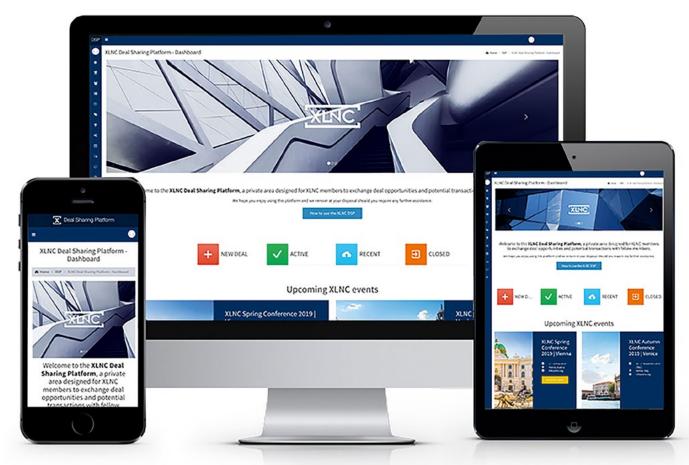
XLNC Has Launched Its Private Deal Sharing Platform

As a global, multidisciplinary alliance, XLNC provides networking and business-exchange opportunities for professional firms all over the world. The increasing demand for similar services in relation to M&A and corporate finance activities. motivated XLNC to develop its own private Deal Sharing Platform (DSP), accessible via the XLNC website (www.xlnc.org/xlnc-dsp) or directly at the link www.xlnc. deals. The XLNC DSP is a private tool, accessible exclusively to members of XLNC, which provides various benefits, such as:

- Finding existing deals shared by fellow members.
- Posting new opportunities for the member firms' representatives to review.
- Communicating with M&A/ corporate finance professionals within XLNC, as well as with accountants, lawyers and advisers worldwide.
- Making the complex world of M&A/CF deals simpler, more efficient and cost effective.

 Providing an efficient website internal area with a private forum (Blackboard), events information and document-sharing area.

All the members of XLNC are welcome to access the DSP. To obtain your personal login details, please email us directly at info@xlnc.org with a formal request, including your full name, email address, profile picture, phone number and the city in which you are based. We hope that you enjoy this new tool and we certainly remain at your disposal should you have any queries or feedback.



The Efficient Way to Germany: Shared Business Centre

XLNC member firm Constantin GmbH responded to their clients' needs by establishing a Shared Business Centre (SBC).

Constantin GmbH exclusively serves subsidiaries of international groups and corporations. As these clients do not come to Germany solely for tax issues, but also have other appointments and business meetings, many of them have asked Constantin GmbH for the use of conference rooms. They did not want to reserve hotel rooms but preferred having well-equipped and comfortable office space with infrastructure. Confidentiality was also an important criterion for them.

This was the origin for the establishment of the SBC business concept.

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The SBC serves Constantin's clients easily and effectively. Clients can rent, by the hour or by the week, fully furnished offices centrally located in the heart of Germany, close to the Frankfurt Airport and Frankfurt main railway station. The modern infrastructure available in the SBC includes eight customisable offices and five conference rooms, meeting rooms and parking spaces.

All meeting rooms are comfortable and equipped with communication and information technology. A sophisticated security concept ensures that users, their employees and their data are safe. And all users of the SBC can use the know-how of the Constantin experts valuable knowledge about law, human resources, business administration and taxes.

The premises are free for XLNC members to use for meetings. If an XLNC member requires office space for a longer

requires office space for a longer period, Constantin GmbH will be pleased to offer discounted rates



for them. For further information on the SBC, contact Martin Schommer at info@constantin.de.

Tax Focus Group (TFG)

With great enthusiasm, we are looking forward to the upcoming XLNC conference on 17-19 May 2019 in beautiful Vienna.

As at our inaugural meeting in Madrid, the TFG will hold a separate meeting filled with interesting and current topics in the ever-developing world of international taxation. Our agenda for the conference meeting

includes current topics such as "Tax and Digital Economy" as well as a section looking into the tools that may facilitate our day-to-day work in the tax environment.

We would like to extend a warm and heartfelt welcome to all interested members. Should you have any questions on the TFG conference meeting in particular or the TFG in general, please do not hesitate to contact either Graham or Ben. We are happy to answer any questions you may have or address any issues that may arise. We are looking forward to a successful and inspiring XLNC conference in Vienna and welcoming members to the TFG Session.

Graham Busch, Global Co-Chair Dr Benjamin Cortez, Global Co-Chair

Legal Focus Group

We are looking forward to meeting with many of you at the XLNC Spring Conference in Vienna. It will be the perfect opportunity for all of us to get to know each other we wanted to make you excited about joining the Legal Focus Group. The Legal Focus Group is open to all the members of whatever profession who have a profound interest in any legal matters, so please take note that the Legal Focus Group is not just for lawyers (does the world really need more lawyers?!).

Being involved in this Focus Group will enable you to provide your clients with a global background of professionals who have similar practice focuses and interests, through which you can: (i) exchange information to find better approaches and solutions to clients' needs, (ii) stay internationally connected and updated about information and issues that are relevant to our professional areas, (iii) exchange ideas, experiences and views to further strengthen communication among fellow members, and (iv) develop relationships and generate business opportunities through networking with like-minded individuals from all over the world.

We invite you to become a member of the Legal Focus Group. Why?

Because it will be fun, it will enhance your international business, and it will allow you to stay at the forefront of your profession.

Please join us at the XLNC Spring Conference in Vienna and take the opportunity to form this new Focus Group by sharing your views and ideas, so that we can jointly determine the exact focus of the Legal Focus Group as we move forward.

Hope to see you in Vienna!

Henk Brat, Global Chair Markus Leitner, Global-Co-Vice Chair Matteo Vitali, Global-Co-Vice-Chair

Follow us on social media!

Have you visited XLNC's social media sites? Go to LinkedIn and Facebook and get connected – an easy way to share information and stay abreast of latest developments.





Leadership in the 21st Century:

How CPA Firms Need to Redefine Leadership for 2020 and Beyond

By Louis Sapi and Saurab Mehta

Leadership is an interesting concept, with scholarly experts constantly championing new theories which challenge us towards more malleable styles and structures. Professional service industries have evolved slower than most, with a reticence to alter the traditional hierarchical order of things. But times are

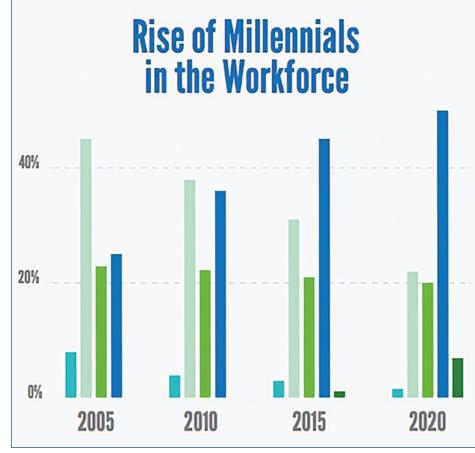
changing, and our willingness to adapt and progress must accelerate if we are to succeed.

As professionals, we face many coming changes; some welcomed and others concerning. As leaders, we may choose to allow these headwinds of change to slow and debilitate us or use them to our advantage. The coming

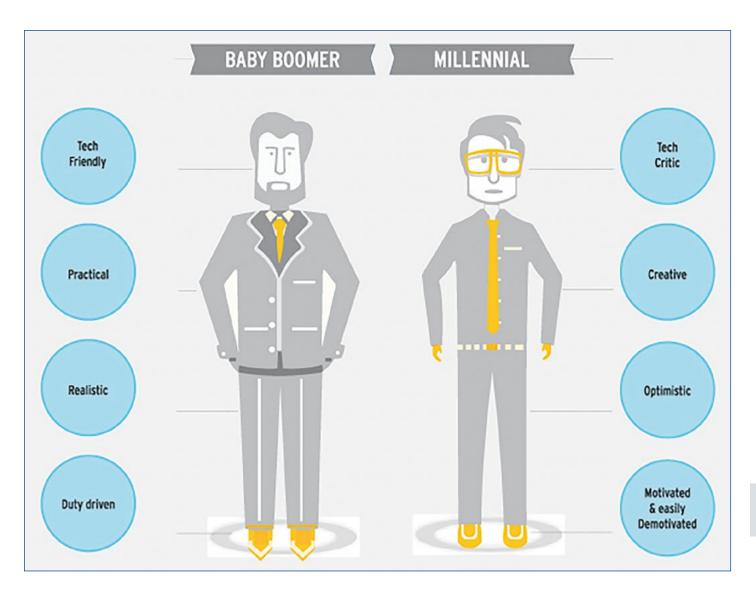
tsunami of technological changes monopolises most of our strategic thinking but there is a far more pedestrian change upon us: a change all-enveloping, confusing, rewarding or disastrous. Change that demands a complete rethink on how we need to lead in the 21st century: the rise of the millennials.

A breed all their own, these adults, born in the 1980s and 1990s, are guite different in how they think, work, use technology, and socialise and...they will represent 75% of our workforce by 2025. In some firms, it has already happened. We will lose our ability to successfully lead our firms into the future if we do not understand how they think, work and feel. We need to adapt our tone at the top to build the new style of CPA firm that the future demands. This new leadership theory, "tone at the top", is gaining in popularity. It will determine the type of people you hire; the type of leadership they require. Millennials gravitate towards a specific style of leadership in order to extract the best of their talents.

Millennials crave a tone at the top, whereby leaders respect and recognise their individual competencies by practicing and displaying autonomy, but also provide coaching as required. Management must create an environment for millennials with



Source: Bureau of Labour Statistics Employment Projections 2012



ambitious goals which have specific objectives, e.g. achieving weekly targets that feed into monthly targets which feed into quarterly targets. Next, tone at the top must simplify and eliminate complexity to ensure millennials remain engaged. Millennials gravitate towards leaders who advocate for them and are masters of diplomacy. For instance, empowerment is not just a buzz word; rather, it's synonymous with the freedom to act and make decisions. Management must now have both the ability and willingness to play quarterback to facilitate decision making and autonomy.

In terms of the personality characteristics that management must embody, humbleness is at top. Millennials are attracted to selfless leaders who inspire everyone



Louis J. Sapi

around them to achieve and surpass individual and corporate objectives.

For example, a study from Deloitte revealed more than two-thirds of millennials think it is management's

job to provide them with accelerated development opportunities in order for them to stay with their current employer. With their seemingly restless job-hopping mentality and need for constant recognition and reward, we need to refine our leadership of them to keep them with the firm. We need to rethink the type of person we hire. Do we want "robots" or entrepreneurs who can help lead from below while rising up the ladder? We need to adapt the way we mentor them. According to a University of North Carolina study, 88% of millennials crave feedback in real time as well as frequent inperson check-ins on progress. They expect us to provide them a clear personal advancement plan and timeline outlining what we are going to do to make it happen and happen faster than we are accustomed to.

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Their learning and training styles dramatically differ from those of us that came before and lead today. Millennials expect their employer to enable learning anytime and anywhere and make it easy to learn and grow on the go with cloudbased or mobile e-learning app solutions. This caters to millennials' penchant for multi-tasking. Our new training and mentoring must make segments short and visually appealing. Millennials are social everywhere they go and are too busy multi-tasking to spend more than a few minutes on one topic. A firm must also not be perceived as anti-social. We must include

elements for social sharing or engaging with our platform via Twitter, LinkedIn, Facebook, Instagram and other social networks.

Unequivocally, this paper represents just the tip of the iceberg for new-age firms, which requires a new tone at the top, with new-age leaders. This new leadership style will need to truly display a holistic and complete approach to managing a firm.

The ability to debate, motivate and coach millennials to attain a harmonious marriage throughout the organisation is paramount for the future success of firms.

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New Pension Scheme Introduced in Georgia

By Olga Nadiezhdina

A pension reform was initiated by the Government of Georgia and entered into force on 01 January 2019. This scheme consists of the activation of a so-called "funded pension", to which everyone will make a minor contribution – the employee, the employer and the state treasury.

Participation in the new scheme contributions is mandatory and is imposed on employers, resident persons, citizens of Georgia, foreign

citizens and stateless persons permanently living in Georgia.

Those who have already reached 40 years of age by 06 August 2018 (when the new law was initially announced) will have the option to withdraw contributions from the pension scheme between 01 April and 31 May 2019 and receive back the contributions for preceding months.

Another important point of this scheme is that, as of 01 January 2019, women under 55 and men



Olga Nadiezhdina

Amount of salary and / or self-employment income [GEL]		Amount to be contributed by an Employee [%]	Amount to be contributed by the state [%]	Total [%]
Below 24,000 GEL	2	2	2	6
>24,000 and <60,000	2	2	1	5
Exceeding 60,000 GEL	2	2	0	4

under 60 years, with a permanent job, will be automatically included

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in the new pension scheme. Older employees are given the opportunity to be included on a voluntary basis. A depositor will be able to receive back pension contributions before reaching the retirement age in case of withdrawal from Georgian citizenship or changing their permanent residency, as well as in case of disability. In the event of death, the legitimate heir of the depositor will receive the pension contributions.

The total percentage of the instalment varies from 4% to 6%, depending on the annual taxable

salaries and/or self-employed income. Payments from the fund to the depositor will commence after the employee reaches the retirement age (currently 65 for males and 60 for females) and once the depositor submits an application to the Pension Agency.

Given the importance of the reform and its wide-reaching impact, we encourage Georgian businesses to seek immediate assistance in ensuring compliance with the new scheme and evaluating and adjusting their current payment practices.

Smart Contracts from a Data-Protection Perspective

By Rocco Panetta

Panetta & Associati Studio Legale (Panetta & Associati) is considered one of the most innovative Italian law firms in the field of privacy and data protection.

During the last few years, Panetta & Associati has been conducting considerable research on the integration between law and new technologies.

In particular, Panetta & Associati was among the first law firms in Italy to offer legal advice to some sensitive EU projects on data sharing for scientific research purposes. In this article, the recent evolution of the relationship between contracts

and automated decision-making processes, in relation to "smart contracts", is briefly explored.

What do we mean by smart contract?

Recently revived by the advent of blockchain and distributed-ledger technologies, smart contracts were defined, more than 20 years ago, as "computerised transaction protocol – i.e. an algorithm – that executes term of contract" (Nick Szabo, 1997). Once they are embedded in a distributed ledger, such agreements become as binding between the parties as traditional contracts, with the peculiarity that they are



Rocco Panetta

auto-executive, not requiring any intervention by a trusted third party (i.e. when certain conditions are met, these contracts are able ...next page

to automatically perform actions or execute provisions). Therefore, smart contracts can now work thanks to the blockchain technology.

Why are smart contracts relevant?

Nowadays, the use of smart contracts is deeply associated with privacy and data protection. Since the entry into force of the General Data Protection Regulation n. 679/2016 (the "Regulation" or "GDPR") there was a need to conciliate the privacy legislation with the automated inherent nature of smart contract.

In fact, when a smart contract involves the processing of personal data based on the consent of the data subject, it is crucial to foster privacy-by-design solutions, in compliance with the GDPR. In this regard, some forms of "dynamic consent" are now being developed to allow data subjects to better control their data. Smart contracts are important to demonstrate the trustfulness of data sharing, identifying the data subject and his/ her consent preferences, in order to provide the data controller with a transparent and tamper-proof record of the permissions obtained and their subsequent traceability.

What is automated individual decision-making?

Based on the above, it is easy to understand why smart contracts certainly fall into – and maybe are the best expression of – the definition of "Automated individual decision-making" processes set out by Art. 22 of the GDPR. To this extent, a smart contract can be such



as to trigger "a decision based solely on automated processing (...) which produces legal effects concerning [the data subject] or similarly significantly affects him or her".

This is one of the most innovative provisions of the GDPR, being an opening clause aimed at governing and putting reasonable limits on any form of fully automated decision-making, including artificial intelligence. Said limits are represented by the obligation to make the individual fully aware (by means of a privacy notice or ad hoc clauses) about the entire informatisation of the processes leading to a decision which produces effects on the data subject, and by the need for the data controller to ground the relevant processing on the data subject's explicit consent, or on the existence of legal provision requiring or authorising this kind of automated activity or, finally, on

the need to enter into, or perform, a contract between the data subject and the data controller.

What kind of safeguards are necessary?

Smart contracts and the related processing of personal data shall be subject to suitable safeguards, which shall include specific information to the data subject, or de-identification techniques, in order to protect the data subject's rights and freedoms and legitimate interests, with particular reference to special categories of personal data referred to in Article 9(1) of the GDPR. It is worth stressing that even when the automated decision-making process is necessary for entering into or performing a contract between the data subject

and the data controller, or is based on the individual's consent, the controller is required to adopt measures to

- ensure that the data subject can obtain a human intervention (thus breaking the full automation of the processes),
- 2) express his or her point of view on the relevant outcomes, or
- 3) contest the decision resulting from the process.

The new borders of smart contracts are now about actually enabling the data subjects to control the processing of their personal data and to allow them to easily exercise the rights granted by the GDPR.
As an example, through a complex blockchain-based mechanism, the exercise of the right to access personal data can be "translated" into

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a smart contract that automatically executes data transactions whenever the predetermined conditions are met. Consequentially, if only one of the conditions is not properly satisfied, the smart contract keeps itself on standby, until all conditions are verified.

Smart contracts, in other words, can be leveraged as a privacy-preserving tool to enhance the security of personal data and foster accountability.

Rocco Panetta is the founding member of Panetta & Associati Studio Legale and Country Leader (Italy) of the International Association of Privacy Professionals (IAPP).

"Accountants" Will Soon Be Extinct

By Richard Kleiner

At Gerald Edelman, you'll never hear anyone refer to themselves as an "accountant", and it's not a word you'll see on our website, either. Actually, that's not quite true – if you Google "Gerald Edelman" the first thing you'll see is: "If you're looking for just an 'accountant', you're in the wrong place".

We've made a fairly decisive rejection of the term. So why have we decided to shun a word to describe people who offer auditing and compliance services, when that's something that we do?

My thoughts are that "accountant" describes what certain professional



Richard Kleiner

advisors did in the past. It's limiting and outdated and does not describe the depth and breadth of services that the 21st-century accountant actually offers. I don't feel comfortable using "accountant" to describe what I do, and as a firm we prefer not to use it to describe our role with our clients.

Instead, we choose to focus on our ability to "think beyond accountancy". A lot of compliance work will soon be done by machines and the future of the profession requires us to move beyond the traditional understanding of what accountancy means and find new and innovative ways of helping our clients.

At the heart of this is the idea that today's clients demand far more than old-school accountancy services. They want creative

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solutions, new business ideas and memorable experiences and at Gerald Edelman we always aim to deliver these to our clients.

Clients want firms that add real value, offer thought-provoking challenges and introduce them to interesting and useful contacts. It's a given that you'll be good at compliance. Doing tax returns nicely is not a strong selling point. Clients want professionals who can help them to grow and assist them in all sorts of ways. That's why we encourage them to ask us, quite literally, anything. We aspire to be their first port of call, whatever they need.

By "going beyond accountancy" rather than "being excellent accountants", we make an important distinction between ourselves and the rest of the market. The definition of "beyond" is "superior to", "surpassing", "above" – so "going beyond" means having the aspiration to always try to go that extra mile; to always attempt to surpass expectations.

Our "beyond" philosophy is at the core of Gerald Edelman's

bloodstream and sets a clear, simple target for the firm. Like all good targets, it floats on the horizon, pulling the whole team forward while remaining tantalisingly beyond reach. Our goal is to be genuinely exceptional in everything that we do and ensure that we deliver this in every interaction whether with clients, intermediaries, suppliers or colleagues. Each interaction should leave the other person feeling inspired - but the most important thing to remember

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is that you're only ever as good as your next interaction; your last one doesn't count. You can never rest on your laurels. You can never sit back and say: "I've nailed it". Life is not like that. You can't afford to be complacent.

So, will accountants soon be extinct? The truth is that accountants who offer nothing but the traditional, robotic services of compliance and auditing may well quickly disappear. When Gerald Edelman says, "If you're looking for just an 'accountant', you're in the wrong place", it's because we recognise that clients today demand something beyond that and that's what we want to deliver.

Richard Kleiner is the CEO of Gerald Edelman, a firm of accountants and business advisers, aiming to offer their clients so much more than accountancy services. Richard has been an accountant for over 30 years and acts as a non-executive director for various companies, as well as being the Steering Committee Chairman of XLNC and a member of the Institute of Directors.

The Netherlands Commercial Court in Amsterdam:

The Netherlands Is Open for Business

By Paul Hendriks and Henk Brat

Inspired by cities like London,
Singapore, Delaware, Dubai
and Dublin, the Dutch courts
have created the Netherlands
Commercial Court, an international
commercial court situated in
Amsterdam, the Netherlands. As of
01 January 2019, the Netherlands
Commercial Court (NCC) and the
Netherlands Commercial Court
of Appeal (NCCA) have opened
their doors for business.

The NCC

The NCC focuses on complex international civil or commercial disputes and aims to be an attractive alternative to other international commercial courts. Parties do not need a connection with the Netherlands. Also, non-Dutch parties can litigate before the NCC and the dispute submitted to the NCC does not have to be governed by Dutch law.

International civil or commercial disputes

Parties may initiate an action before the NCC if:

 The parties have expressly agreed in writing to litigate before the NCC in English;



Paul Hendriks

- 2. The matter concerns an international dispute;
- The parties have designated the Amsterdam District Court as the forum to hear their case or the Amsterdam District Court has jurisdiction (based on a choice-ofcourt clause or other rules); and
- 4. The action is a civil or commercial matter within the parties' autonomy and is not subject to the jurisdiction of any other chamber or court.

The "international dispute" test is broad in scope. If one or more of the parties have their domicile in a non-Dutch jurisdiction or the dispute involves a relevant cross-border interest, such as shareholders, employees or revenue located in or linked to a non-Dutch jurisdiction, the matter concerns an international dispute. Also, the term "civil or commercial matter" is relatively broad; it includes



Henk Brat

contractual disputes, claims in tort, property-law disputes, corporate-law matters, insurance, finance, intellectual property, competition, transportation and government liability.

Why NCC?

Why you would bring a case before the NCC:

- 1. English language: the language of the entire proceedings (including the judgement) is in English, which also saves costs for translation.
- 2. Speedy proceedings: Dutch courts are the fifth fastest in the EU with an average of 130 days from a notice to appear to a final judgement.
- 3. Efficient, reliable and transparent: the NCC is situated in the Dutch courts, which are ranked among ...next page

the most efficient, reliable and transparent worldwide. According to the World Justice Project (WJP), an independent, multidisciplinary organisation working to advance the rule of law worldwide, Dutch courts are among the most reputable in the world.

- 4. Clear rules of procedure: Dutch procedural law applies as well as the NCC Rules specifically designed for the NCC. These NCC Rules provide parties with reliable, transparent guidance on procedural matters.
- Electronic communications: all documents are submitted electronically in eNCC, which is the NCC portal with secure access through the NCC website (www.ncc.gov.nl).
- 24/7 availability: in exceptionally urgent cases, the NCC is authorised to hear and decide cases anytime, anywhere.
- Three-judge panel: cases are heard and disposed of by a three-judge panel, consisting of judges with broad international experience. Preliminary relief proceedings will be heard before a single-judge court.

Costs

The fees for the NCC are relatively low compared to other countries and amount to EUR 15,000 for proceedings on the merits and EUR 7,500 for preliminary relief proceedings. The fees for the NCCA will be EUR 20,000 for proceedings on the merits and EUR 10,000 for preliminary relief proceedings. The parties can make agreements they consider appropriate in respect of the costs of the proceedings, including the court fee and the costs for lawyers. In the absence of an agreement, the NCC will apply Dutch law in respect of costs of proceedings in civil and



Palace of Justice (Paleis van Justitie) in Amsterdam, where the NCC is located

commercial matters. This usually means that the unsuccessful party will bear the costs of the proceedings.

Enforcement of NCC judgments

NCC judgements are issued by a Dutch court and are therefore recognised and enforceable in the EU. These judgements are immediately enforceable by the competent enforcement authority. The enforcement of NCC judgements outside the EU is governed by international conventions to which the Netherlands is a party and by general private international law in the jurisdiction where enforcement

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is sought. Depending on the jurisdiction, this might lead to the conclusion that the NCC is not the right competent court, but arbitration according to the New York Convention might be a good alternative.

NCC Clause

For the NCC to hear a case, parties must agree a clause that takes the case to the NCC and makes English the language of proceedings. The NCC recommends using the following language in the agreement: All disputes arising out of or in connection with this agreement will be resolved by the Amsterdam District Court following proceedings in English before the Chamber for International Commercial Matters (Netherlands Commercial Court or NCC). An action for interim measures, including protective measures, available under Dutch law may be brought in the NCC's Court in Summary Proceedings (CSP) in proceedings in English.

Conclusion

We believe that the NCC provides a good alternative to other international commercial courts and we strongly advise parties to initiate proceedings before the NCC in Amsterdam, the Netherlands.

Impact of New Lease Accounting Under IFRS 16

Balance Sheet, Statement of Comprehensive Income, Cash Flow Statement and Enterprise Valuation

By Werner Schulze

Since 01 January 2019, the new accounting standard for lease accounting (IFRS 16) is mandatory and replaces IAS 17, with the result that almost all leases – also qualified in the past as operating leases – now must be recognised in the balance sheet.

This can have a significant impact on metrics such as equity ratio, debt-to-equity ratio, EBITDA, operating cash flow, etc. These key figures, in turn, are used in investor and analyst assessments, ratings and rating assessments or are the basis for determining covenants in loan agreements or other agreements.

Impact on the balance sheet

When the leases are concluded, the rights of use of the respective assets

are to be recognised on the assets side of the balance sheet and, on the liabilities side, the lease liabilities from the payment obligations.

The consequence is a generally not insignificant balance sheet extension with a corresponding impact on the equity ratio (deterioration/reduction) and debt-to-equity ratio (deterioration/increase).

Effects on the statement of comprehensive income

In the income statement, lease expenses (previously generally recognised under other operating expenses) are divided into depreciation and interest expense, with the result that EBIT (a common



Werner Schulze

measure of operating income) improves by interest expense.

The impact on EBITDA is even more pronounced, since depreciation is also eliminated here and therefore EBITDA improves by the total leasing expenses.

Effects on the cash-flow statement

To the same degree that EBITDA improves as a result of total leasing expenses, the operating cash flow is also relieved or improved and is being relocated to interest expense and repayments in cash flow from financing activities. There is no impact on total cash flow – only shifts between activity areas.

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IAS 17 IFRS 16

- Finance Lease
- On-balance sheet (assets, liabilities)
- Recognition of Depreciation in Operating Expenses
- Recognition of Leases Interests in Interest Expenses
- Operating Lease
- Off-Balance Sheet
- Recognition of Leases Expenses in Operating Expenses
- On-balance sheet (assets, liabilities)
- Recognition of Depreciation in Operating Expenses
- Recognition of Leases Interests in Interest Expenses
- Exemptions: shortterm (< 12 months), small contract (5.000.-EUR), specific standard.

Impact on business valuation

In general, the value of a business should not change as a result of an amendment or change of an accounting standard – especially if the total cash flow remains unchanged. However, a company valuation is based on models with numerous parameters, which also differ according to the valuation method(s). In addition, a distinction must be made between procedures that directly assess equity and procedures that value the entire enterprise and, by deduction of the debt, compute the value of equity.

Part of these parameters, e.g. the beta (ß) or multipliers, are derived from past data of comparable companies/transactions. Now, however, parameters derived from the past (prior to application of IFRS 16) cannot be readily reconciled/applied to figures using IFRS 16.

DCF (Discounted Cash Flow) method

The following parameters, which are changed by the introduction of IFRS 16, are amongst other factors included in a DCF valuation:

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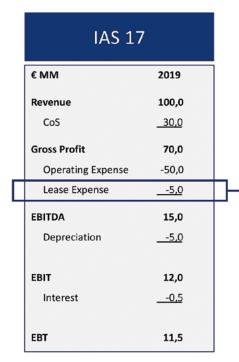
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- Free cash flow: a resulting increase raises the overall value of the company.
- WACC (weighted average cost of capital): due to an increase in leverage tends to reduce the WACC and thus increase the overall value of the company.
- Debt ratio: increases the indebted ß and thus has a reducing effect on the overall value of the company.
- Financial liabilities: increase has a negative effect on the value of equity in the reconciliation of the total enterprise value to the equity value.

Multiples method

The following parameters, which are changed by the introduction of IFRS 16, are amongst other factors included in a multiplier rating (e.g., by means of EBITDA multipliers):

- EBITDA: increase has an increasing effect on the total enterprise value.
- Financial liabilities: increase has a negative effect on the value of equity in the reconciliation

	IFRS 16			
	€MM	2019	ĺ	
	Revenue	100,0		
	CoS	_30,0		
	Gross Profit	70,0		
	Operating Expense	-50,0		
	Lease Expense	0,0		
	EBITDA	20,0		
	Depreciation	-3,0		
→C	Depreciation (Lease)	<u>-4,5</u>		
	EBIT	12,5		
	Interest	-0,5		
→ [Interest (Lease)	<u>-0,8</u>		
	ЕВТ	11,2		

of the total enterprise value to the equity value.

Specifically, in the transitional period from IAS 17 to IFRS 16, there should be an increased potential for irritation regarding the interpretation of key figures. In our opinion, it is recommended that these irritations be counteracted by increased transparency and explanations.



Changes in Croatian Legislation: Third Chapter of the Tax Reform

By Silvia Cancedda and David Jakovljevic

The Croatian government is working relentlessly on the recovery of the Croatian economy. Two rounds of tax reforms already took place in 2017 and 2018 respectively, with a third chapter being opened currently. As of 01 January 2019, a total of 80 laws and bylaws have been amended, most of them related to tax issues. We are hereby summarising an overview of selected legislation that has so far raised most interest.

Closely abiding by the National Reform Programme issued in 2016, the Croatian Government continues with its efforts to alleviate tax burdens for citizens and entrepreneurs and to promote healthy recovery of the Croatian economy. Croatia is facing a substantial issue

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Silvia Cancedda

with workforce deficit, due to heavy emigration of Croatians to countries with more attractive tax structures and better-paid salaries. Many laws and regulations have therefore been amended in the area of taxes, contributions, fiscalisation, island economy, energy sector and real estate.

Personal Income Taxes and Contributions

2019 brings certain changes regarding salaries:

The highest employment-tax rate of 36% will now apply to annual taxable base higher than HRK 360,000 (HRK 30,000 monthly), instead of the previously



David Jakovljevic

applicable 210,000 annually (17,500 monthly). This change is effective for all payments made after 01 January 2019, and also applies for December 2018 salaries paid in January 2019.

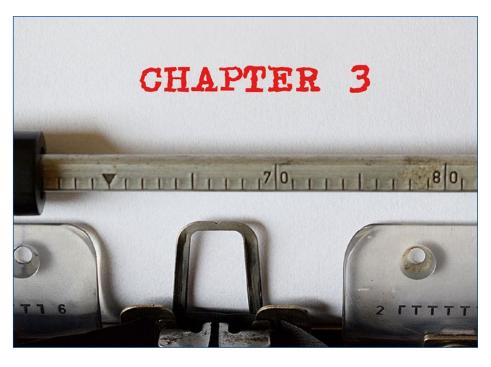
- Employers can now pay an additional annual HRK 5,000 of non-taxable award to their employees. The purpose of the award is not directly specified, and it can be paid out in monthly payments. This change entered into force as of 01 December 2018 and many employers have taken advantage to pay higher Christmas allowances.
- The amount of the minimum net salary has been increased from HRK 2,751 to 3,000 and the new Act on minimum net salary has been issued.

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- Contributions paid on top of the gross salary (the so-called Gross II) are decreased by 0.7%. The contributions for unemployment (1.7%) and safety at work (0.5%) have been abolished, whereas the contribution for health insurance has been increased by 1.5%. These changes, as well as new minimum salary, are effective for all salary calculations after 01 January 2019.
- Scholarships will no longer represent an obstacle to children qualifying as supported family members for tax deduction purposes.

Value Added Tax

- As of 01 January 2020, the general VAT rate shall be decreased from 25% to 24%.
- Reduced rates of 13% and 5% have had their application extended: certain food (meat, fish, eggs, fruits and vegetables) as well as baby diapers are, from 01 January, taxed at 13% instead of 25%, whereas medicine, books, newspapers and magazines, regardless of their format (e.g. electronic) are reduced to 5%.
- The amount of HRK 300,000 of delivered goods or rendered services within a year remains unchanged as a threshold for the mandatory registration as a VAT payer. However, the obligation to register shall occur during the year in which a threshold has been reached (previously the obligation was to register in the following year).
- VAT payers are now obliged to submit an incoming invoices ledger along with the VAT return, in electronic format.
- Fifty percent of input VAT on purchase of vehicles for



personal use can be deducted, regardless of the purchasing value. Previously, the value limit was set to HRK 400,000.

Foreign entrepreneurs in possession of a Croatian VAT ID number, and those who invoice goods or services to a Croatian taxpayer, will no longer be able to transfer the tax obligation, but will have to charge the Croatian VAT to the Croatian customer.

Other changes

- The Real Estate Transfer Tax has been further decreased to 3%. The government hopes that this will result in less avoidance of property transfer registration and that land registries across country will reflect the actual figures.
- A withholding tax of 20% for transactions not subject to a Double Tax Treaty or similar agreement and paid to persons resident in the so-called tax havens, has been extended to apply to interests, dividends and royalties. A 15% WHHT is now due on fees paid to foreign performers (sportsmen and sportswomen, artists etc.)

- Accounting records in paper format can now be converted to electronic form, for tax and audit purposes, maintaining the requirements of readability and integrity of their origin and content.
- OPZ-STAT reporting is now due once per year as opposed to the quarterly reporting in force before 2019.
- The licencing of accountants, which was supposed to take effect as of January 2019, has been abolished, in accordance with the EU recommendations for ensuring quality of standards and services through voluntary certifications rather than formally imposed licencing.

The above list is not a comprehensive overview of all changes introduced in 2019 but a mere selection of what we consider to be the most interesting and important amendments.

We recommend Croatian businesses seek professional assistance with an in-depth survey of the legislation changes affecting them.

News from Austria:

The Main Topics of the Planned 2019/2020 Income Tax Reform

By Robert Haunschmidt

In spring 2019, the upcoming XLNC Conference will take place in Vienna and, once again, you can be sure that a great number of interesting topics will be up for discussion. Our daily lives are constantly changing; Brexit and digitalisation are only a couple of examples. Even in Austria, intensive work is being carried out to devise a new version of the tax laws, followed by an overview of planned amendments.

Key points include simplifications and reductions in income taxes, as well as social security contributions. According to the media and politicians, this new tax reform in Austria is expected to bring relief in the amount of EUR 5 billion. The tax reform should be completed and constitute a quorum by around the middle of 2019.

Tariff levels for personal income tax will be revised and the rates in the medium range will be slightly lowered.

Tariff level 25%	Reduced to 20%	
Tariff level 35%	Reduced to 30%	
Tariff level 42%	Reduced to 40%	

Higher tariff levels of 50% or 55% are to remain unchanged. For small businesses, flat-rate taxation could be adopted. Various types of business income are to be combined. The

general flat rate for advertising costs will be significantly increased. Social security contributions are to be reduced for those with low and middle incomes.

The Family Bonus Plus was implemented at the beginning of 2019 as part of the tax reform. This means that families can receive a deductible amount of up to EUR 1,500 per child per year, which can be deducted directly from their personal income tax.

Amendments in the area of corporation tax

The planned reduction in corporation tax is particularly interesting.
This tax concerns the profits of limited companies (GmbHs, stock companies) and other corporations.
The tax rate is to be reduced to 20% from the current 25%.

Profits from foreign subsidiaries

If foreign subsidiaries do not distribute their profits to the Austrian parent companies, in future these profits will be subject to corporation



Robert Haunschmidt

tax in Austria. Further regulations on additional taxation will be introduced, which will apply to certain adverse categories of income.

Digital tax

Austria just presented a new tax for online advertisement income at a rate of 5%. It affects big businesses with turnover over EUR 750 million worldwide, and over EUR 25 million in Austria.

Horizontal monitoring

For companies with a turnover of EUR 40 million or more, horizontal monitoring means closer interaction between the taxpayer and tax

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authorities on an ongoing and regular basis. In this way, large-scale tax audits are largely avoided. A monitoring system is set up with the involvement of an auditor.

Binding legal information

By extending the so-called Advanced Ruling, companies can obtain binding legal information from the tax authorities in advance. It is already possible for companies to obtain this information; however, this will be extended for issues concerning VAT and international tax law.

Land transfer tax

Properties are only considered assets of a company if land transfer tax has already been incurred at the time of acquisition. Additionally, there shall be an exemption for gifts in the event of death between spouses, if the property served as the main residence of the purchaser at the time of death and the living space of the property does not exceed 150 square metres.

Agreement on the Implementation of Measures Relating to Tax Agreement to Prevent the Reduction and Transfer of Profits (MLI)

The MLI agreement fundamentally changes the regulations of double



taxation agreements (DTAs). With the MLI, the OECD has created a new instrument to simply amend agreements between groups of states. Austria was the first country to ratify the MLI on 22 September 2017. Eighty-five states have been covered by the MLI since 01 January 2019 and it is effective for 47 DTAs in 15 states. The MLI covers many measures of the OECD BEPS Action Points. The MLI makes these measures directly effective for the DTAs of the signatory states. In this way, the "Cafeteria System" was implemented, according to which a binding basic standard is specified, and each state can also choose individual additional provisions. The regulations only apply between two states if these two states agree on the chosen provisions.

In practice, you must first see how the DBA amendments will be determined. Checking the positions of the partners is essential. The positions of the signatory states can be found at the following link: www.oecd.org/tax/treaties/beps-mli-signatories-and-parties.pdf.

The OECD has already coordinated the positions regarding the respective double taxation agreements: www.oecd.org/tax/treaties/mli-matching-database.htm Additional tools will be generated to show the documents of the old agreements with the MLI amendments. This topic will be discussed in more detail in the Tax Focus Group at a later date.

Links: www.bmf.gv.at www.oecd.org/tax/treaties/ mli-matching-database.htm

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UAE Compliance Updates UAE residency

By Dr Mashal Al Zarooni

The UAE government implemented new changes in the residency law for foreign investors.
The changes include:

- Residency visas of up to 10 years for professional workers, including doctors and engineers, and their families.
- Offering residency visas of up to 10 years for foreign investors establishing businesses in the country.
- Allowing companies to own 100% of their business in the UAE.
- Giving top students graduating from university options to reside in the Emirates.

The UAE government made changes for foreigners sponsoring their families, but these are now based on their salaries rather than on job title and roles.

Foreign investment

The UAE government has introduced partial changes in foreign investment; previously, foreign investment could own 51% of onshore companies in UAE, and 100% in free-zone and offshore companies. Changes have now been made allowing 100% ownership of onshore companies for certain sectors such as manufacturing. Eventually, all sectors will be opened to foreign investors. Globalisation and international



Dr Mashal Al Zarooni

markets will trigger the changes for the UAE market in the future.

Deregister VAT in UAE

Companies and individuals who registered with the Federal Tax Authority (FTA) for VAT can

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deregister if their annual turnover did not exceed AED 187,500 (USD 51,000). Companies must apply for deregistration if they fulfil any of the conditions laid down in the Decree Law and Executive Regulations and failure to apply within the timeframe specified will attract an administrative penalty of AED 10,000. Companies will not be able to claim back the expenses they incurred on business after deregistering with FTA.

VAT refunds for tourists

The VAT refunds for tourists began on 18 November 2018; with a minimum spend of AED 250, 90% of the amount will be refunded. Around 4,000 retailers have registered for the scheme. Initially implemented in Dubai Sharjah and Abu Dhabi airports, the next phase will include all airports and ports.

Emiratisation

UAE Ministry of Human Resources and Emiratisation are implementing changes in the private-sector workforce. New roles have been set to hire white-collar workers and push towards increasing the local workforce and hiring a specialised international workforce for specific sectors. Penalties are being imposed on companies who are not implementing the new rules and policies.

Company Setup and Administration in Bulgaria

By Albena Rasheva

Bulgaria is a very attractive country to invest in; with a stable economy, an easy procedure for company registration and a transparent tax system with a short list of taxes and social security obligations. It is our pleasure to assist you in this process; but before you start you must make some decisions in order to optimise your future business activities.

Choose the legal form of business which suits you the best

The Bulgarian legislation regulates two main forms of business organisation:

- Commercial corporations
- Co-operatives*

The Commercial Law exhaustively lists the following types of commercial corporations which can be established:

- General partnership (SD)
- Limited partnership (KD)
- Limited liability company (OOD), incl. Single-member limited liability company (EOOD)
- Joint-stock company (AD)
- Partnership limited by shares (KDA)**

For long-term investments, the foreign companies rarely use the General Partnership, Limited



Albena Rasheva

Partnership and the Partnership Limited by Shares as a type, because in these legal entities, either part of the shareholders (KD and KDA) or all of them (SD) have unlimited responsibility for the company's obligations. The most typical type of companies with foreign capital are the Limited Liability Companies (OOD and EOOD) and the Joint-stock Companies (AD).

How will you finance your newly established company?

The already established company could be financed in three possible ways:

- by the registered capital;
- via increasing of the share capital; or
- by loan capital.

The contributions to the capital of the company could be cash or in-kind. The in-kind contributions must be evaluated before they become part of the capital of any company. The procedure is very strict. The real value of the in-kind contributions should be estimated by three evaluators, appointed by the Commercial Register. The procedure might take longer compared to the one for cash contributions.

The OOD and EOOD legal forms are preferred by the small and medium size enterprises, as well as by families. The AD legal form is typically chosen by companies with a sizable starting capital and those who are active in the investments' and production sectors. The establishment of the two types of companies also differs: for the establishment of an OOD, the minimum capital requirement is BGN 2, while for an AD it is BGN 50,000. The AD legal form also provides more possibilities for attracting capital: the company could issue bonds, could be listed at the stock-exchange list or could be transferred into a public legal entity.

Will you operate alone, or would you prefer to have othe shareholders as well?

This is a general question, which demands a realistic answer, because it is entirely connected with the risk you will face in the future. If you want to take the risk on your own, you will



also have all the profits for yourself, but if you choose to be joined by other shareholders, you will bear the risk and share the profits together.

Another important issue to address concerns the votes at the General Assembly. The legislation establishes enough protection mechanisms when taking decisions at the General Assembly for the majority shareholders as well as for the minority shareholders.

Who will manage the company?

The registered ADs can have onestep or two-step management systems. For the one-step management system there is a Board of Directors and a General Assembly, while the two-step system requires the establishment of a Management Board, a Supervisory Board and a General Assembly.

The Management of an OOD/EOOD could be performed by one person or by a legal entity. If there are more managers, they can manage separately, or they can manage and represent the company together.

For the management of the company, Eurofast can offer management services, which can be designed entirely for the needs of the newly registered legal entity.

What will be the name of the company?

The name of the company should be unique. Before you start the registration, you should check at the Commercial Register whether the same name is being used by another legal entity.

What documents are needed for the registration?

You will need to prepare – with a local consultant's or lawyer's ...next page

support – a set of documents to be submitted to the Commercial Register. You do not need to be in the country to sign them, although it is preferable to do so.

Which bank to choose?

You can choose one of the 28 commercial banks which operate in Bulgaria. All of them provide a full range of services, including opening an account, online banking, etc. Most of the banks can also issue an electronic signature so that you can operate the bank account from anywhere in the world.

What are the expenses?

The main expenses to take into consideration include the initial share capital, registration fee, notarisation, apostilles, translation, legalisation, registration documentation fee, consulting services, bank fees, accountancy services, payroll services, contracts review services, etc.

Do you need any registrations, permissions for the activity you plan to do?

For certain activities, you need to choose the specific legal form of the legal entity you wish to establish (e.g. banks can be only AD). For a financial institution, you need to be registered at the Bulgarian National Bank in a special register. For construction activities, you need to be part of

the Bulgarian Union of Builders. For any commercial activity (restaurant, shop) you need permission from the respective local municipality.

Administration of the company

Eurofast can provide you with administration services for the purposes of establishing a company. We can provide you with legal, tax and consultancy services as well as prepare and apply for the registration documentation which may be needed. We know how to support you and how to ensure a fast and secure registration of a new company.

Where should you apply?

Registration starts with the preparation, signing and notarial certification of the documents. The next step is the payment of the share capital at the opened special accrual bank account. Then the registration documents must be submitted to the Commercial Register.

The moment the company's registration is approved, it receives a Unified Identification Code (UIC – EIK is the abbreviation in Bulgaria) which is the unique number of the company

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with which it is usually identified. The documents can be submitted at the Commercial Register desk either in hard copy or electronically.

As a newly registered company, you will likely not have enough personnel to complete all the required actions and operations in order to comply with the local legislation and regulations. Eurofast can give you a hand during this stage of the establishment of the new business in Bulgaria with management, accountancy, VAT compliance and fiscal representation, legal, payroll and employment, audit, AML, Personal Data Protection, transfer pricing, real estate issues, leasing, intellectual property, citizenship and residency services, marketing, etc.

Supporting activities

You need to consider finding an office and/or a place for the commercial, production, or service activities which you are going to perform. You have will have to obtain a stamp of the company. Additionally, you will need to arrange your relations with the manager of the company via a written management agreement.

In conclusion

You must be prepared to meet different commercial practices, procedures, additional obligations, different commercial habits, type of correspondence, dress code, administrative services and documentation, etc.

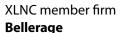
Be sure to have a reliable partner on your side during the whole procedure. At EUROFAST, we have been committed to servicing our clients and partners for over 40 years and can provide a full range of services required for the efficient and successful registration of your business in Bulgaria.

VAT on digital services: Russian edition

By Timur Nurmukhametdinov and Marina Golubentseva

The taxation of digital businesses is an issue being discussed around the globe at present. Digital services are rendered remotely, suppliers do not physically cross borders and therefore report their revenues in their domestic country. This situation triggers the following questions: where should VAT be charged and who should be responsible for the calculation and payment of VAT?

Russia made a first attempt to structure taxation of digital services in 2017 – since then, overseas suppliers of consumer (B2C) digital services are obliged to register themselves as VAT-payers in Russia and to pay Russian VAT with respect to the digital services provided to Russian individuals. As a result, more than 200 overseas suppliers registered for Russian VAT purposes.



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These companies submit quarterly VAT returns and pay the Russian VAT from their foreign bank accounts.

Now Russia has taken a bold next step. From 01 January 2019, Russia implemented new rules for corporate (B2B) cross-border digital services. According to these rules, overseas suppliers of digital services are obliged to register with the Russian tax authorities and to pay VAT on services supplied to Russian clients.

This registration does not lead to a Permanent Establishment or the necessity of establishing any kind of physical presence in Russia.

Generally, the Russian definition of digital services complies with the one applied in the EU – services delivered over any electronic network (including the internet) with the use of information technologies on an automated basis (without material human intervention). The most common examples of digital services are the following:



Marina Golubentseva

- Supply (licensing) of computer programmes, including video games and databases, via the internet;
- Provision of advertising services via the internet;
- Data storage and processing services; and
- Provision of rights to use electronic books, images, music, videos, etc.

Prior to 01 January 2019, Russian business customers were obliged to withhold VAT upon purchases of cross-border digital services – i.e. to act under a "tax agent" mechanism similar to the "reverse charge VAT" mechanism applied in the EU.

The Russian authorities have not clarified the reason for changes in the Russian VAT rules, but it appears that they believe foreign suppliers are more reliable than some Russian customers in declaring the VAT due.

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The tax authorities also stated that overseas suppliers doing digital business in Russia without VAT registration may be fined – the amount of penalty may be up to 10% of the revenue for the period of the violation. However, the mechanism of fines collection from foreign companies without a physical presence in Russia has not been clarified.

These changes have triggered many a heated discussion in the Russian business community since many questions with respect to the calculation and payment of VAT remain unclarified. Therefore, many Russian companies stopped payments in favor of the suppliers to mitigate the risks triggered by the legislative gaps (Russian VAT on digital services is calculated on a cash basis).

Thus, the government VAT revenue was affected in a negative manner.

The tax authorities understood that the new Russian VAT rules for B2B digital services do not work "AS-IS" and as a result of the meetings with the business community, a paper was issued in late April aimed to address the unclarified questions. According to this document, Russian business customers may voluntarily act as tax agents and withhold VAT upon purchase of the cross-border digital services. Technically, this means that the old approach can be used, however, overseas suppliers are still obliged to register for VAT purposes in Russia.

Surely, this is not the end of the story. From today's perspective, both options – improvements of the new rules and the return to the "tax agent" scheme – seem probable. But it seems unlikely that the common worldwide approach will change. Nowadays, digital businesses must not only follow their domestic fiscal laws but also recognise and understand foreign taxation rules which might impact them.



What Changes Will Artificial Intelligence and Data Science Bring in 2019?

By Natalie Jones

Artificial Intelligence (AI) was a thing of science fiction in the not-so-distant past, but now it seems to be part of the business vernacular.

2018 was the year of intelligent systems that saw many companies start their digital transformation and put in place strategies focused on business intelligence. So, you could say that the most significant shift

for 2018 was seeing a bigger slice of the enterprise market begin to understand the possibilities that Al could bring to their businesses and how it will be a necessity moving forward in order to be competitive. We have only scratched the surface of the role of Big Data and this will continue to grow and develop in the coming years. But this is starting to transform both front-end and backend processes within organisations.

So, if you are looking at how AI will drive changes for business in 2019 here are our predictions.

Enhanced Customer Interactions

New systems will allow businesses (including small businesses) have meaningful and efficient customer interactions that are automated and will drive sales and marketing activities.

We have already seen strong success with Machine Learning (ML) and chatbots across a number of industries and this begins to become more powerful and more accessible.

2. Decision Making

Al provides the ability to help leaders make more informed decisions. It can help drive workflow improvements and deliver a superior customer

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experience. While we still need a "human" element, particularly when we are talking about customers, Al can help remove some of the human errors and emotions in decision making and, if done correctly, has the potential to work cohesively with managers to deliver a more consistent and efficient approach.

TalentManagement

We will start to see AI and ML have a stronger presence in the recruitment and HR industry. There has already been some success in using it for candidate screening and ranking candidates. However, where companies are going to need help is in finding candidates that have the right skills and knowledge and are AI experts. AI requires expertise in a range



Natalie Jones

of areas including social and legal, marketing, customer relationships and operations. As Al is so new, finding people who can navigate the complex issues of Al and help drive its development and engagement through a business will be crucial.

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4. ML

This is science fiction come to life! ML is the concept that machines can self learn, and continue to learn, based on the outcomes that they have received: similar to the development of a human brain. While this may be a little scary for some, for enterprises this has farreaching potential and possibilities.

5. HardwareOptimised for Al

Currently the tools used to drive AI are very much software based. However, soon we will start to see hardware development that is optimised to support AI. This will mean that the software will run more smoothly and

will make it much more user friendly and accessible.

2019 is set to be an exciting year for AI and there is no limit to how enterprises can grow and develop using these tools.

One thing is for sure, Al is here, and it is developing rapidly, so you need to get on the journey and understand how it can enhance your business.

New XLNC Member Firms

In all issues we will present the new member firms since the last issue of the XLNC Magazine. We warmly welcome all of you!

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Have you got news to share with other XLNC members?

A new partner perhaps? Or new offices? Or even new service offerings?

Keep us up-to-date with the latest happenings in your company or on any successful dealings you had with fellow XLNC members! In this magazine, you will be able to announce if your firm added a new partner, if your company won an award, if you moved offices, if you offer new additional services, etc. We invite you to share your views, thoughts and interests, and the latest news from your profession with the entire XLNC magazine readership by contributing an article.

This is your magazine. All submissions are invited. The deadline for inclusion in the next issue is 01 October 2019. Please email Barbara Reiss at b.reiss@xlnc.org with your contribution.





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