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MANAGING FOREIGN EXCHANGE EXPOSURE IN THE NEW WORLD

One of the biggest issues for Irish companies since the Brexit vote is the sharp fall in GBP, meaning those exporting to the UK are receiving less than before when they convert earnings into Euro.

Volatility in the FX markets is an ever present challenge for financial managers who are trying to minimise the impact that movements in FX rates can have on their core business. Companies need to consider tailored hedging strategies that meet their financial objectives within their risk parameters.

As the UK is our largest trading partner, many Irish companies are actively engaged in the UK market therefore, all of these businesses have a natural exposure to the EURO/GBP fluctuations which creates significant additional financial risk that must be proactively managed. Volatility is a constant feature in all FX markets but the impact of Brexit has created an additional source of uncertainty that has been with us over the last 12 months and is likely to continue for some years.

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MANAGING FOREIGN EXCHANGE EXPOSURE IN THE NEW WORLD

The graph below shows the movement in the EURO/GBP rate over the last few years from a low of .7000 in Dec 2015 to a high of .9200 in Oct 2016 with the rate currently trading at approximately .86 00. This 30% range over the 10 month period demonstrates the real challenge that exporters and importers face when trying to negotiate contracts with their UK trading partners.

Companies that operate with a treasury policy can benefit from actively managing their exposure. The benefits of managing this exposure include raising awareness throughout the company, particularly at board level, of the foreign exchange risks that are present. This will lead to decisions on an appropriate strategy to manage these risks which have the impact and support of all stakeholders. The reality is that nobody can predict where the market will be in 6 or 9 months' time but by proactively hedging FX flows companies can significantly reduce the impact FX volatility will have on their businesses.

An FX specialist may be ideally positioned to work with companies as they formulate the most effective hedging strategies to manage the FX volatility that poses a continuous challenge for Irish exporters and importers.

A treasury policy may suggest the following alternatives:

- Do nothing – continue to manage the foreign exposure by using the spot market.
- Hedging the exposure through the use of forward contracts over a 12 month time horizon.
- Consider the use of foreign exchange options. You may consider some with upfront premium and others that can be tailor made zero cost structures.
- Foreign currency bank accounts.
- Blended approach using a % of the above solutions in managing the exposure.

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MEDICAL EXPENSE CLAIMS

Are you a sufferer of coeliac disease? If so, it is possible to include the costs of dietary requirements in your medical expenses claim once you retain the receipts. It is important to note that you must have proof in the form of a doctor's letter. Once obtained it could get you a tax relief of 20% on specialised foods.

Fisher Tax Credit
Do you work in sea-fishing? Make sure you claim your annual tax credit of €1,270!!

PAY AND FILE SUMMARY

The following is a summary of upcoming pay and file dates:

INCOME TAX

Filing date of 2016 return of income (self-assessed individuals)	**31 October 2017**
Pay preliminary income tax for 2017 (self-assessed individuals)	**31 October 2017**
On-Line pay and file date for 2016 return of income	**14 November 2017**

CAPITAL GAINS TAX

Payment of Capital Gains Tax for the disposal of assets made between 1 January 2017 to 30 November 2017	**15 December 2017**

CORPORATION TAX

Filing date for Corporation Tax returns for accounting periods ending in September 2016	**21 June 2017**
Balancing payment of Corporation Tax for accounting periods ending in September 2016	**21 June 2017**

MILEAGE AND SUBSISTENCE RATES

Civil service rates have been updated by Revenue and are applicable from 1 April 2017 as follows:

Motor cars effective from 1 April 2017

Band	Distance	Engine Capacity: Up to 1,200 cc	Engine Capacity: 1,201 cc to 1,500 cc	Engine Capacity: 1,501 cc and over
Band 1	0 – 1,500 km	37.95 cent	39.86 cent	44.79 cent
Band 2	1,501 – 5,500 km	70.00 cent	73.21 cent	83.53 cent
Band 3	5,501 – 25,000 km	27.55 cent	29.03 cent	32.21 cent
Band 4	25,001 km and over	21.36 cent	22.23 cent	25.85 cent

Table of Domestic Subsistence Rates effective from 1 April 2017

Overnight Allowances			Day Allowances	
Normal Rate	Reduced Rate	Detention Rate	10 hours or more	5 hours but less than 10 hours
€133.73	€120.36	€66.87	€33.61	€14.01

Travel between 1 January 2017 and 31 March 2017 will not be affected by the introduction of these new bands and rates however business travel from 1 January 2017 will be included in the aggregated mileage for the year. For example, an individual driving a car in the 1200-1500cc engine size who had claimed 1,400km on 1st April 2017 would then move to the new Band 1 and receive 39.86 cent per kilometer for 100km. Mileage done after this distance (i.e. from 1,500km) they would then move to Band 2 and receive 73.21 cent per kilometer.

Normal Rate: This is payable for absences up to 14 nights • **Reduced Rate:** This is payable for each of the next 14 nights, **Detention Rates:** This is payable for each of the next 28 nights

Expense claims have been a particular point of focus with Revenue in the past 5 years, to that end if you are unsure as to how to apply the rates, speak to us today.

SOCIAL MEDIA AND EMAIL MARKETING: A PERFECT MATCH

We're told that social media is the most phenomenal advertising platform, and there's no doubt that it's an incredible way to access millions of potential new customers, but statistics continue to show that email marketing is the method that provides the best return on investment.

When you're assessing your digital marketing strategy, trying to decide whether to focus on social media or on email marketing is a non-starter, because both are vital to a digital marketing plan in the current business climate. What offers the best results, however, is a coordinated strategy that considers both social media and email marketing, and uses the two in conjunction with one another, making the most of their potential to reach and convert as wide an audience as possible.

How Social Media And Email Marketing Work Together

1 Cross-promotion works. The digital world, especially accessed from mobile devices, embraces a combination of platforms, allowing users to move between apps and inboxes to maximise their access to information, special offers and images.

2 Wider audience scope. Email is a trusty tool that is used by 2.5 billion people worldwide, and these span multiple demographics. While social media may be perfect for attracting wide ranges of young, engaged potential converts, email still demonstrates better results in terms of building brand loyalty and connections.

3 More opportunities to be visible. While email may score more highly than social media for conversions, it can only be successful if your email ends up in the right place – and this means beating the spam filters, having a clean contact list, and making it to the top of the inbox. When you get it right, it's a great way to target your audience with a message they will be sure to see, but the advantages of social media include the potential to catch the eye of a whole new, interested market.

4 The potential to target advertising. Whichever platform you've been using, you'll be aware that it's all about appealing to the right audience. However, knowing that you can create professional rapport and tell your story through an email, while social media offers you a space to share a simple, dynamic message, is invaluable.

5 They are mutually beneficial. An effective email marketing campaign will direct users to your social media presence, and often offer incentives to get involved. Conversely, a social media platform is an excellent way to promote your email list and gather contacts, promoting your content and building brand awareness.

Getting Your Digital Marketing Right

Your digital marketing is almost certainly the most important way to promote your business, and getting it right can set you head and shoulders above the competition. Social media and email marketing are mutally supportive platforms that are ideally used together to promote you to the widest and most productive audience, and a plan that makes the most of this partnership will guarantee you a more effective outcome every time.

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Business briefs

QUARTERLY NATIONAL HOUSE-HOLD SURVEY (QNHS) FOR Q1 2017

The CSO have released figures this quarter which show a positive change in employment figures for Q1, 2017. Long term unemployment (where one is unemployed for more than one year) has decreased by 2.3% in one year.

The total number of persons in the labour force is now 2,191,400, up 1.6% or 35,400 from Q1 2016. With the Irish economy aiming to create 55,000 new jobs in 2018 we will hopefully see the unemployment rate well below 6%

The 'Not in labour force' category refers to those who are homemakers, other unpaid caregivers and workers in the informal sector.

INDICATOR	Q1 2017	ANNUAL CHANGE
Employed	2,045,100	+68,600
Unemployed	146,200	-33,200
In labour force	2,131,400	+35,400
Not in labour force	1,474,900	+4,800

MANDITORY E-FILING

Section 847 of the Companies Information Act 2014 introduces mandatory electronic filing of all financial statements and annual returns filed with the CRO after 31.05.2017. The following forms are also affected and must be filed electronically from 01.06.2017:

- B2-cahange of registered office
- B10-change of directors
- B73-change of ARD date

ENTERPRISE IRELAND "BE PREPARED" GRANT

A new grant has become available through Enterprise Ireland called the "Be Prepared Grant". It is designed to aid SME's in preparing a plan to mitigate risks and optimise opportunities arising from Brexit.

The grant, which offers up to €5,000 in support, can be used to help cover consultancy, travel and out of pocket expenses associated with researching the direction of your plan.

Enterprise Ireland clients should complete a Brexit Scorecard before making a claim.

Eligibility: You must be an Enterprise Ireland client:

- Actively trading
- With significant exports to the UK
- Have completed a Brexit Scorecard

The Brexit Scorecard online platform allows all Irish companies to self-assess their exposure to Brexit under 6 pillars.

More information on this can be found on
www.enterpriseireland.ie
or www.prepareforbrexit.ie

REVENUE OPINIONS AND CONFIRMATIONS

Earlier this year, Irish Revenue published an eBrief regarding the period of validity of opinions and confirmations. Revenue will only provide an opinion or confirmation for complex issues, where information is not readily available or where there is genuine uncertainty regarding applicable tax rules. An opinion or confirmation represents Revenue's view of the application of tax law to a particular transaction.

The maximum period for which the opinion or confirmation may remain valid without review is five years. However, Revenue may specify a shorter period. An opinion or confirmation will only remain valid as long as the facts and circumstances have not changed and the relevant legislation remains in place. Revenue can, however, review at any time, with a view to amendment or withdrawal.

After January 1, 2017, taxpayers may not rely on any opinion or confirmation, which was issued before January 1, 2012, unless they supply evidence, such as a copy of written communication from Revenue, and lodge a full application for the renewal or extension with the appropriate Revenue District by June 30, 2017. Once evidence has been provided and a renewal or extension application has been made by this date, and provided there has not been a material change in the facts and circumstances, the opinion or confirmation will continue to apply until Revenue has had an opportunity to review the application. If evidence is not supplied and an application for its renewal or extension is not made by June 30, 2017, the opinion or confirmation cannot be relied on by the taxpayer from January 1, 2017

REVENUE UPDATE

Revenue has been using the eBriefs that can be found in the Practitioner section of the Revenue website for some time now as a quick and effective way of communicating with its "customers". Some items of current (i.e. since January 2017) interest are:

- **23/17** Revenue has updated its code of practice for Revenue audits and other compliance interventions, the third update since August 2014. The main change is regarding qualifying disclosures and offshore matters (now that the recent "amnesty" has ended) but there a few other, more minor, ones too.
- **29/17** This contains a Revenue report on the latest state of play on PAYE modernisation, which is scheduled to be in place by 1 January 2019. Details are provided on how to track progress on this initiative which will, assuming it comes to pass as planned, radically alter payroll reporting systems
- **30/17** This has details on how to claim a tax deduction in 2017 for NPPR paid in 2013; this should be an additional question for clients when preparing 2016 Forms 11
- **35/17** Revenue's online facility system for seeking guidance on complex tax queries (Revenue Technical Services – RTS) has been (often justifiably) criticised for not being a reliable service. This provides details on how RTS has been upgraded/revamped, which will (hopefully!) improve service levels
- **42/17** MyEnquiries is another Revenue online facility that has come in for (typically deserved) flak for not meeting its stated purpose often enough; this eBrief contains detail on recent "enhancements"
- **45/17 and 49/17** These contain details on recent updates to employee travel and subsistence rates; evidence to date is that not many people seem aware that mileage (or kilometric if you're more Brussels than Boston!) rates changed on 1 April but, fear not, enlightenment lies within 45/17
- **48/17** Queries have arisen with regard to whether exam setters, exam correctors, invigilators, etc are engaged under a contract of service (employees) or under a contract for service (self-employed).

  Whilst the facts of each case will determine whether an individual is either an employee or self-employed, it is Revenue's view that exam setters, exam correctors and invigilators etc. engaged by the State sector, private colleges or associations are, in general, likely to be employees and, therefore, deductions (Tax, PRSI, and USC) under the PAYE system should be made from the emoluments paid to them.

If you are unsure how this affects you, talk to us today.

THE COMPANIES (ACCOUNTING) ACT 2017

The Companies (Accounting) Act 2017 came into operation on 9th June 2017. The Act will apply to financial periods beginning on or after 1 January 2017. The aim of the Accounting Directive is to simplify and reduce the administrative burdens associated with the preparation of financial statements for enterprises, in particular SMEs.

The Bill sets out new criteria for companies to qualify as 'small', 'medium', or 'large' and introduces a new 'micro' category of company. To qualify, a company must not exceed two of the three thresholds set out hereunder for the current and previous year. Large companies are ones which exceed two of the three thresholds for medium companies. A PLC or a public unlimited company cannot qualify as a small or micro company.

	Micro	Small	Medium
Net Turnover	€700,000	€12m	€40m
Balance Sheet Total	€350,000	€6m	€20m
Average Employees	10	50	250

Micro companies will be exempt from disclosing directors' remuneration in the financial statements and from preparing a directors' report. Changes to non-filing structures are also introduces in that more unlimited companies will be obliged to file financial statements going forward.

If you would like further information on the specific details of these thresholds or you have a question on the Companies (Accounting) Act 2017, please speak with us today.

TIME PERIOD IN RESPECT OF PERSONAL INJURY CASES

Statutes of limitations are laws passed by legislative bodies in common law systems to set the maximum time after an event within which legal proceedings may be initiated The High Court has recently reiterated the importance for Plaintiffs in instituting proceedings within the 2 year statute of limitations period in respect of personal injuries cases. It is clear that there is very little leniency shown to Plaintiffs who do not bring their personal injuries claim within that period.

A recent case involving a road traffic accident that occurred on 21 September 2011 in Donegal showed that there was direct communication between the Plaintiff and the insurance company in the first instance and subsequently by the Plaintiff's solicitor and the insurance company within 2 years of the accident. It was not until the 11 October 2013 (and, critically, after 2 years from the date of the accident) that the solicitor submitted an application to the Injuries Board, by which time the Plaintiff's claim was statute barred.

Proceedings were subsequently issued against the insurance company who filed a full Defence pleading that the claim was statute barred. In other words, it was no longer legally enforceable owing to the time period of 2 years having lapsed. The Judge accepted the defence and dismissed the Plaintiff's claim stating that:

(1) that defendants are within their rights to rely on the statute regardless of their stance or conduct during the limitation period; and

(2) that solicitors have an obligation to ensure that if a claim is not settled within the relative limitation period that proceedings are issued to protect the rights of the Plaintiff.

EMPLOYERS – WHAT CONSTITUTES REASONABLE ACCOMMODATION?

Earlier this year the Workplace Relations Commission considered a case which looked at the extent of an employer's obligation to make reasonable accommodation for an employee with a disability. The case is useful, in that it provides an indicator to employers of what is expected of them in order to deal with a situation where they are seeking to reasonably accommodate an employee.

In the particular case, the employee suffered from rheumatoid arthritis and fibromyalgia and was out of work on long term sick leave. The employer dismissed the employee on the grounds of her inability to carry out the work she was employed to do. The employer then had to (successfully) defend a claim for discriminatory dismissal and ultimately show that the dismissal based on the grounds of incapacity was justified.

The case considers the extent of an employer's obligation to make reasonable accommodation for an employee with a disability taking into account the scale and resources of the employer and its engagement with the employee over the relevant period of illness. It also highlights the importance of having medical evidence to support a decision to dismiss together with providing evidence of the need to replace the employee. The decision in this case also highlights the inability of the employee to provide any indication as to when she would be in a position to return to work.

While this case demonstrates that an employer is obliged to make reasonable accommodation, the requirement to do so must be proportional to the scale and financial resource of the employer. The troubling aspect of this case is that there is no definition of 'reasonable accommodation', which will be viewed on a case by case basis depending on the size, work-type and financial strength of the employer.

THE FRUSTRATION OF *LIS PENDENS* – BECAUSE WHO LIKES TO WAIT?

A *lis pendens* is a legal burden registrable against land the subject of litigation. Under Section 121 of the Land and Conveyancing Law Reform Act 2009 ('the Act') a lis pendens (literally meaning "litigation pending") may be registered against a property where Circuit or High Court proceedings have issued concerning an estate or interest in land.

In recent years, bank appointed Receivers have been plagued by the registration of *lis pendens* on lands over which they have been appointed. Generally, the *lis pendens* have been registered by disgruntled owners who have bank borrowings, subsequent to their bank having a Receiver appointed to effect the sale of the property. Given the higher threshold in removing *lis pendens* to that of registering them, there is significant frustration on the part of Receivers attempting to deal with such properties. A registered *lis pendens* makes it extremely difficult for a property to be sold until such time as the *lis pendens* has been removed. Currently, a court application under section 123 of the Act is required to remove a *lis pendens,* unless it is removed with the consent of the registering party.

In a recent Court of Appeal decision where a borrower unsuccessfully sought to challenge the validity of the appointment of a Receiver, the borrower also registered a *lis pendens* over the property in question. The Court dismissed the borrower's claim challenging the validity of the Receiver which resulted in the vacating of the *lis pendens.* Following the dismissal of the proceedings, the borrower issued separate proceedings against the Receiver and registered new *lis pendens.* On becoming aware of the proceedings, the Receiver issued a motion in the High Court and was successful in having the proceedings dismissed which was upheld by the Court of Appeal. Where a Receiver has been successful in removing a *lis pendens* for a party to simply issue fresh proceedings so that a *lis pendens* can be registered is an abuse of process. Whether this decision will put a stop to the practice of issuing proceedings without foundation so as to prevent properties being sold by a Receiver remains to be seen.

HOW TO MAKE YOUR BUSINESS ATTRACTIVE TO A Business Angel

Business angel syndicates are groups of like-minded investors. They are high net worth individuals who provide finance (typically in the range €50k to €250k). Syndicates are two or more private investors working together to share the risks and rewards of investing in private companies. Syndicates differ from individual business angel investors as syndicates are typically comprised of a 'fixed' group of people who regularly invest together over a period of time. Typical syndicate members will have the capability and intention to invest in 5+ deals over a two year period.

Business angels usually look for companies that meet some or all of the following criteria:

- An identifiable market opportunity.
- An internationally scalable business model.
- A product that is ready for commercialisation.
- Pre-revenue is considered however some early market traction is preferred.
- A management team with relevant experience.

HBAN (The Halo Business Angel Network) is a joint initiative of Enterprise Ireland and Inter-Trade Ireland and acts as a resource for both entrepreneurs and investors to assist in the development of the early stage entrepreneurial community by sourcing the all-important smart capital for start-up & growth companies. In 2016 HBAN business angels across the island of Ireland invested €13.5m into 50 companies.

Each angel group has their own investment philosophy depending on their area of interest and the group of individuals.

HBAN has published a guide to assist entrepreneurs in their journey to raise investment – Raising Business Angel Investment Insights for Entrepreneurs. Companies wishing to engage with the HBAN syndicates and network must submit an application for funding at www.hban.org/Entrepreneurs/Apply-for-funding.670.html.

Raising private finance takes time with a lot of discussion and negotiation required before an actual cash investment takes place. It also involves a legal process including due diligence undertaken by the investor and the signing of shareholders agreements. You need to be prepared to put the time and resources required into the process before you start.

HBAN facilitates syndicate meetings which happen on a monthly or quarterly basis, seeing three - five companies' pitch per meeting. Your pitch, if selected would consist of a 10 minute presentation followed by 10 minutes Q&A with the investors. If a quorum of investors is interested in your project, a "deal lead" is selected and HBAN will connect you with this investor who will be your point of contact.

If you are an early stage company and are looking for funds, working with HBAN may give you have the chance of raising finance. At present they have 9+ investor syndicates actively looking for new investment opportunities; they have access to a large pool of private individual investors. HBAN can introduce entrepreneurs with relevant opportunities to these investor syndicates who not only have the capital capacity to invest up to €250k+ per investment but have extensive business acumen and industry experience which can help accelerate the growth of your start up.

You can get lots more information from the HBAN website **www.hban.org**

This Newsletter is intended to provide a general guide to the subject matter and is necessarily in a condensed form.
Advice should be taken before acting on information in it.