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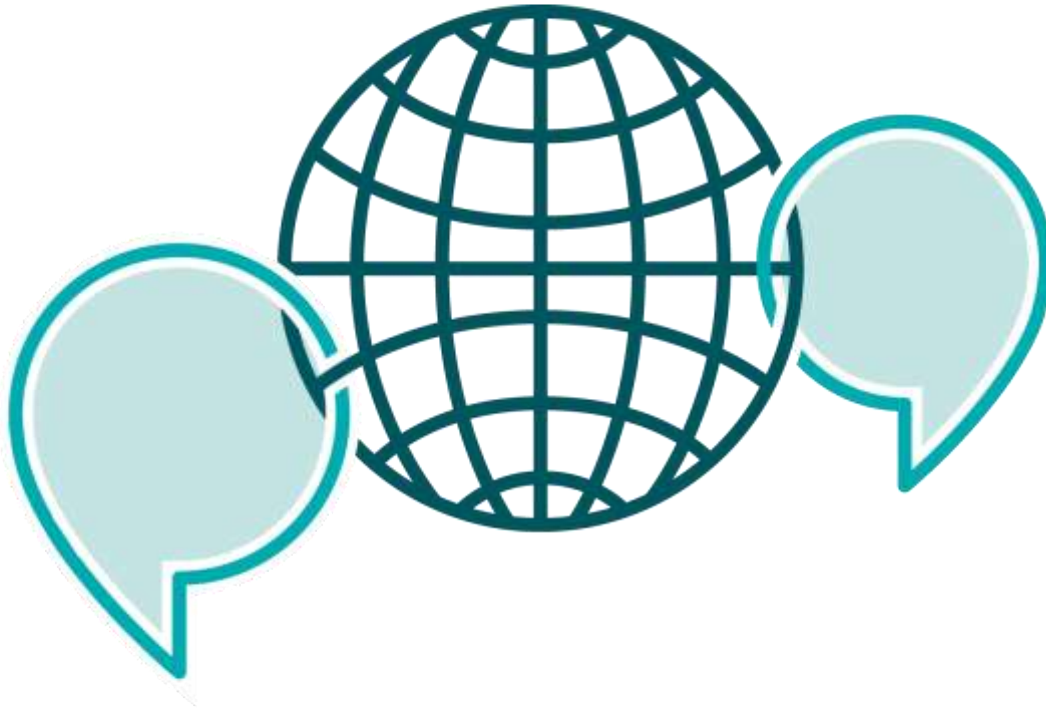

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Transform your business with outsourcing

Outsourcing core business processes can allow you to focus on what really matters within your business, helping to increase workflow by allowing you and your team to complete key priorities.

Maybe you are unsure about outsourcing. You think you will lose control or flexibility with outsourcing services, you are unsure of how it will come to fruition or you are afraid that your employees will resist. But you also realize you can't do everything on your own. After all, it is impossible for you to be an expert in business, accounting, HR and IT all at the same time.

So if you can't afford an entire IT department or a chief financial officer, what's the best solution? Outsourcing could be the key to help you transform your business.

How outsourcing can help

There are many reasons why a company may choose to outsource certain business functions. The most common include:

- Reduction in capital requirements.
- Access to world-class capabilities.
- Improved quality and company focus.

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• Revenue and margin growth.

And while there are additional reasons why businesses outsource components of their operations, every business must determine what makes the most sense for their organization. Whether you are seeking short or long-term solutions, to create efficiencies with on-premise or cloud-based software or support on a specific project, outsourcing services can be tailored to meet your business needs.

Many businesses are challenged to find innovative methods to grow. According to a recent study, 70% of enterprise infrastructures will be outsourced by 2018[1]. Technology has made outsourcing a more accessible resource for many businesses by offering competitive advantages and supporting growth.

Cloud-based solutions

Cloud outsourcing services are an effective way to integrate the cloud into your organization. As technology continues to rapidly evolve, cloud-based solutions and capabilities are expected to continue to increase efficiency for businesses.

Outsourcing has also become increasingly important to HR professionals as they seek efficiency. Many are utilizing human capital management systems to manage their organization's talent and payroll.

Focus on what is important

Outsourcing should be seen as a resource that increases efficiency in your business and gives you more time for strategic focus.

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[1] "70% of Enterprise Infrastructure Offsite By 2018: Study." https://www.informationweek.com/cloud/infrastructure-as-a-service/70--of-enterprise-infrastructure-offsite-by-2018-study/d/d-id/899744. InformationWeek, 15 November 2013.

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Putting human capital on the balance sheet

Accounting standards are unreceptive to the concept of human capital. Yet if people are recognised as a vital resource of a company, arguably they should be measured and put on the balance sheet.

Recent changes in accounting practice, such as integrated reporting, may ultimately lead companies and their advisers to recognise that human capital belongs on the balance sheet.

For example, when sports stars like Romelu Lukaku sign new contracts with their teams, the value of such contracts is now being capitalised in a bid to recognise the value of the team's human capital.

Business leaders often say that people are a business' greatest assets. But is this reflected in a company's accounts, with salaries, wages and training costs all expensed? The concept of measuring the value of an individual worker and recognising such a value on a balance sheet may seem inconceivable. But information on a company's most important assets is clearly of value to shareholders and investors.

Some in the accounting industry believe that human capital should be on the balance sheet and that the current accounting standards have got it wrong. Company law in many countries, which should supersede accounting standards, requires the "fair presentation" of the value of a business. But if its

greatest assets are not counted, because the accounting standards do not allow for them, are they truly a fair presentation?

Defining an asset

A key characteristic of an asset is that a company must have control over its future economic benefits, so it is able to enjoy these benefits and deny or regulate access to those benefits to others. The capacity of a business to control future economic benefits normally stems from legal rights, possession or ownership.

However, it is the substance of the event that matters most. For example, a company might not legally own an item, but if it has what amounts to realistic, probable and enforceable expectations that it will enjoy the benefits stemming from the item, then the item in question can be seen as an asset.

The control factor

These facets of the definition of an asset would appear, at first glance, to defeat any attempt to recognise human capital as an asset. A business does not own its workers or their entire future output. They cannot be stopped from resigning and working elsewhere. Control, therefore, over staff 'assets', does not appear to exist. Yet, similarly, a company cannot claim with absolute certainty that it will always control and own the output of any piece of machinery it purchases, as there is always a possibility that it can be resold.

Therefore, the recognition of an asset on a balance sheet cannot mean that the company is declaring that it will own that asset forever. Nor can it mean that the company is claiming it has the right to any revenue generated by that asset after its sale, even though it may have improved the asset and capitalised expenditures into a monetary figure on the balance sheet. The main difference here is volition: a worker almost always has the right to cease employment, while a machine cannot make decisions on such matters.

The economic benefit concept

The conceptual justification for capitalising human capital is not based on the ownership of workers. Instead, the focus is on a company's legal right to the current and future revenue streams and economic benefits generated by the products made or services performed by workers while in a contractual relationship with the firm. Examples of future economic benefits generated for a company by human capital might include enhanced reputation and market penetration, which could both contribute to an increase in share price or sale value.

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Arguably, accounting recognition of human capital would be no different to recognising manufacturing costs as a cost of inventory, which is included on the balance sheet until that product is sold, which may be several years later.

By focusing on control over the benefit flowing from expenditure, rather than on the workers on whom the expenditure was conferred, human capital may meet the control factor.

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Sustainability reporting and business strategies to reduce plastic waste in India

Many Indian businesses are introducing innovative waste management policies and starting to account for their impact on communities and the environment through sustainability reporting.

Plastic waste management

Giving back to society by offsetting or negating environmental, economic and social impact is an increasing priority for many businesses around the world.

In India, 70% of the plastic produced is discarded as waste, which has major repercussions for people, wildlife and the environment. Plastic produced today will take at least ten generations to biodegrade, so management of this hazardous waste is fast becoming a top priority.

India is home to some of the most innovative techniques for recycling plastics. An increasing number of Indian businesses are monetising waste and integrating environmental and social issues into their business strategies.

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According to a recent study[2], India recycles 90% of its polyethylene terephthalate (PET) waste – a plastic used for manufacturing drinking water bottles and food containers. The Indian cricket team's apparel, for example, is made from recycled PET bottles.

Banyan Nation, a five-year-old plastics recycling start-up based in Hyderabad, is working with Tata Motors to recycle car bumpers and with the French cosmetics company L'Oréal to recycle shampoo bottles. The company won the Dell People's Choice Award for Circular Economy Entrepreneur at the World Economic Forum in 2018.

On 5 June 2018 India hosted World Environment Day under the theme of 'Beat Plastic Pollution', where communities from around the world gathered for the single largest annual celebration of the environment. India announced that single-use plastic would be eliminated in the country by 2022, setting new standards to purge plastic wastage and rescue the environment.

Sustainability reporting

In 2014 India was one of the first countries to enforce the legal requirement that large and mid-sized companies devote 2% of their profits to social development projects.

With climate change, community health, education and development high on the agenda for many Indian businesses, sustainability reporting is gaining momentum as a way to showcase their sustainability plans and performance. Tata Motors is just one of the pioneers in this field and the majority of companies follow the Global Reporting Initiative guidelines.

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[2] http://www.paceindia.org.in/media.html, Pet Packaging Association for Clean Environment.

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New U.S. base erosion and anti-abuse tax

If your corporation pays U.S. taxes and has at least US$500m in gross receipts, you will need to get up to speed on the new base erosion and anti-abuse tax (BEAT).

BEAT was introduced in the Tax Cuts and Jobs Act. It essentially functions as an alternative minimum tax (AMT), which was eliminated by the reform law.

BEAT applies to both U.S. and non-U.S. corporations with:

- Average annual gross receipts of at least US$500m over the previous three years.
- A base erosion percentage of at least 3% (2% for financial group members).

In cases of controlled groups, the gross receipts of all members are aggregated to determine whether the US$500m threshold is met. For non-U.S. corporations, only the gross receipts effectively connected with the conduct of a U.S. trade or business are measured.

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Base erosion payments, percentages and tax benefits

Base erosion payments generally include payments made by the taxpayer to a foreign related party when that payment results in base erosion tax benefits, such as deductions. Significantly, base erosion payments generally exclude payments for cost of goods sold.

A corporation's base erosion percentage is determined by dividing the amount of deductions related to base erosion payments by the amount of its total deductions.

For purposes of this calculation, a corporation's total deductions do not include net operating loss carry-forwards or carry-backs or those related to foreign dividends received, global intangible low-taxed income (GILTI), foreign derived intangible income (FDII), and certain qualified derivative payments.

Notably, the tax reform legislation also includes an anti-abuse provision that disallows deductions for any "disqualified related party amount" paid pursuant to a "hybrid transaction" or to a "hybrid entity". The disallowance applies to interest or royalty payments paid to a related party if either:

- the payment is not included in the recipient's income under the tax laws of its jurisdiction, or
- the recipient is allowed a deduction with respect to the payment under the tax laws of its jurisdiction.

With this provision in place, certain deductions that would otherwise have been recaptured under BEAT will not be treated as base erosion tax benefits.

BEAT makes tax credits unfavorable

If your corporation is subject to BEAT, tax credits can be detrimental because your BEAT liability increases as your regular tax liability (determined after taking certain available tax credits into account) decreases. For taxable years beginning after 31 December 2017, but before 1 January 2026, your corporation's regular tax liability is reduced by the excess of your allowable income tax credits over your allowable research credits and a portion of your general business credits. For taxable years beginning after 1 January 2026, your regular tax liability is reduced by all allowable credits.

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Tackling the VAT gap in Poland

Poland is introducing a split payment mechanism for VAT transaction settlements to prevent tax fraud.

Poland's split payment tool, introduced on 1 July 2018, aims to tighten the VAT system by preventing the occurrence of fraud at the transaction stage, to ensure greater stability of tax revenues and stop tax evasion through moving money abroad.

Unlike in some other countries such as Italy, the use of the split payment mechanism will not be limited to certain transactions or business sectors. The Polish regulations stipulate that it should be applied voluntarily by the purchaser of goods or services. It will apply only to transactions made between VAT taxpayers, i.e. business to business transactions.

Purchasers applying the split payment mechanism will not be responsible for dividing payments – this will be done by the bank via two channels. The payment of the net amount will be made to the supplier's normal bank account, and the payment of the tax will be made to a special VAT account.

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Special VAT accounts

To implement the new system, banks will automatically set up special VAT accounts connected to standard business banks accounts. The VAT accounts will belong directly to the business, but use of the funds collected will be restricted. The taxpayer will only be able to use the funds gathered on the VAT account to:

- Pay the tax due to the tax office.
- Pay contractors the VAT sum on an invoice.
- Transfer the money to their standard bank account – but only with the prior consent of the head of the tax office.

Incentives

In order to encourage taxpayers to use the split payment mechanism some incentives have been introduced, including a reduction in the VAT to be paid and faster VAT refunds.

The new regulations will only apply to Polish bank accounts, and special VAT accounts will be in Polish currency (PLN) only.

It's expected that entities with government connections as well as state-owned companies will be the first to apply the mechanism.

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New tax rules for foreign workers in Norway

The Norwegian Government has proposed simplifying the tax regulations for foreign employees temporarily working in the country.

The personal taxation of foreign temporary employees working in Norway is complicated, so the Government has proposed a number of optional simplified tax rules.

The proposed rules are as follows:

- Gross wage income will be taxed at a fixed rate of 25%.
- Taxpayers will not be eligible for any tax deductions.
- The tax will be deducted by the employer and notified and paid to the Norwegian tax authority.
- Taxpayers under this arrangement will not be required to provide tax returns for income tax.
- This regime will not be available to anyone with an income above income level three (NOK 962.050) or those who receive income from business operations.

The proposed regulations, which are due to come into effect at the start of 2019, will be optional and taxpayers will be able to choose between adopting them or being taxed using the ordinary tax rules.

The Government also proposes to abolish the existing 'special allowance for foreign workers' for everyone except offshore employees and foreign seamen. They will continue to be able to receive this deduction as they are not included in the proposed regulations.

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Malta introduces blockchain regulation

Malta has introduced new regulations to bring greater certainty in the distributed technology ledger (DTL) arena.

In February 2018 Malta unveiled a proposed framework for the regulation of blockchain or 'distributed ledger technology' (DLT). This will take the form of three acts, which will cover three core aspects.

1. The Malta Digital Innovation Authority (MDIA) Act covers the establishment of this new body, which will be dedicated to the supervision and certification of DTL platforms and smart contracts.
2. The Technology Arrangements and Service Providers (TAS) Act covers the setting-up of a registration and certification mechanism for any technology arrangements which voluntarily wish to register themselves.
3. The Virtual Financial Assets (VFA) Act will regulate the offering of VFAs and include the implementation of a bespoke financial instruments test.

This framework is intended to provide further security to investors, platform developers and issuers, and help eliminate the uncertainty underpinning the current cryptocurrencies market by offering a safer and more stable business environment

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