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PRESS RELEASE

PwC EXPERTS BRIEF DIRECTORS ON NEW CORPORATE DEVELOPMENTS

Experts from PwC addressed leading Isle of Man non-executive board members on recent developments crucial to Island businesses at a special breakfast briefing, organised by PwC.

Part of PwC's ongoing commitment to keeping board members up to date on governance and related matters, the briefing heard presentations from Nick Halsall, PwC Isle of Man Assurance Partner, Kevin Cowley, PwC Isle of Man Tax Partner, Steve Billingham, PwC Isle of Man Advisory Director, and Gordon Wilson, PwC Isle of Man Advisory Director.

Nick highlighted key updates on corporate reporting and assurance matters, expanding on points touched upon during PwC's December 2013 breakfast event, such as changes to audit reporting and the latest developments covering risk management, internal controls and going concern. He noted that, with regard to future amendments to the UK Corporate Governance Code, 'this is the area where we're going to see change during the course of the year'. The final consultation on going concern will take place this year as part of the consultation on proposed revisions to the UK Corporate Governance Code that will come into effect for premium listed companies at the end of this year.

Nick explained the impact of changes to audit reports in the UK, which are yet to be effective under International Standards on Auditing. He said: 'With the new code, audit committees are required to disclose significant areas of judgement and key areas of estimates. 70% of audit committee reports typically note between 2 and 5 significant areas. Key areas, as you would expect, include going concern, revenue, provisions, tax and impairment.'

Kevin expanded on the theme of recent changes to tax legislation, outlining some of the key UK and Isle of Man tax updates, with Personal Service Companies ('PSCs') being a key point of the presentation.

Kevin explained: 'The use of a PSC can be motivated by reasons which have nothing to do with saving or avoiding tax. However they are viewed with suspicion by tax authorities who often will assume they are being used as a vehicle either to defer income tax, or to avoid national insurance. Like any other tax authority, the Isle of Man decided to bring in rules to counter the use of PSCs for saving tax in the IOM.'



Two of the most significant new pieces of Isle of Man tax legislation are referred to as the Deemed Employment provisions which seek to remove any tax advantage gained by using a PSC. This legislation covers both income tax and national insurance and came into force on 6th April 2014.

Kevin also considered developments that will affect those in the Isle of Man whose IOM tax liability is restricted via the application of the tax cap. These changes came because of the Income Tax Division's perceived abuse around the use of the existing cap. Under revised rules individuals will now be required to apply for a five year application of the Tax Cap in order to secure its use.

Kevin clarified: 'This key point to consider in making an application is that once approved it is irrevocable: Once you're in, you're in. This raises some very interesting questions particularly "what would happen if circumstances for the individual were to change?"'

Steve delivered a synopsis of the results of PwC's Global Economic Crime Survey 2014, highlighting the definitions of economic crime and how businesses are managing the risks.

He said: 'The results of the recent survey, which covered 95 territories with 5,000 respondents, indicate that economic crime is a persistent threat to business. 37% of respondents reported economic crime in 2013, which is an increase of 3% from 2011. In the financial services industry that figure rose to 45%, while in the UK alone 44% of organisations reported some kind of economic crime.'

The three main economic crimes reported in 2014 were asset misappropriation, procurement fraud and bribery and corruption. The results of the survey also revealed that the US and Western Europe, including the UK, housed the most stringent anti-bribery regions, reporting significantly lower levels of corruption than the rest of the world and UK organisations reported less than half the amount of bribery as the global average.

Interestingly, while cybercrime was reported in almost one in four instances of economic crime in the UK and globally – a recent PwC/UK BIS survey showed that 93% of large organisations had experienced a cyber breach in the last year – an indication of much going unreported. Nearly 40% of financial institutions felt it unlikely that their organisation would experience such a crime within the next two years, with bribery still believed to be their greatest risk.

Gordon closed the briefing with a report on the Isle of Man delegates' trip to China in March, which aimed to grow relations with the Chinese government and industries. The trip saw representatives visit Beijing, Tianjin and Shanghai, hosting various events and meeting with government, press and business individuals to communicate key propositions on import and export, property holding, bank branches, immigration, wealth management, and shipping and aircraft.



In Beijing, the team invited members of the Chinese press to attend a conference to find out more about the Isle of Man, which Gordon confirmed had proven to be a success.

The tour also visited Tianjin, the neighbouring port city of Beijing now shaping itself as Beijing's commercial gateway. While in Tianjin, Isle of Man representatives signed a Memorandum of Understanding for cooperation on trade and general commercial matters between the Tianjin authority area and the Isle of Man.

Gordon closed with a summary of the tour's achievements and the benefits these will bring for the Isle of Man. In addition to the potential growth of business links across the two regions as a result of meetings with interested parties, the tour has built on existing relationships with PwC Beijing, Tianjin and Shanghai and reinforced positive messages about the Isle of Man.

There will be a further briefing for Isle of Man non-executive directors in late 2014. Anyone interested in attending future events in the series should contact Linda Jackson on 689689 or email her at l.jackson@iom.pwc.com



Photograph: (L-R) Nick Halsall, Partner, Steve Billingham, Director, Gordon Wilson, Director, Kevin Cowley, Partner.

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