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Regulatory Briefing

9 March 2017

Summary of key regulatory actions, initiatives and draft legislation affecting audit, capital markets, governance and tax

Implications for companies and their auditors

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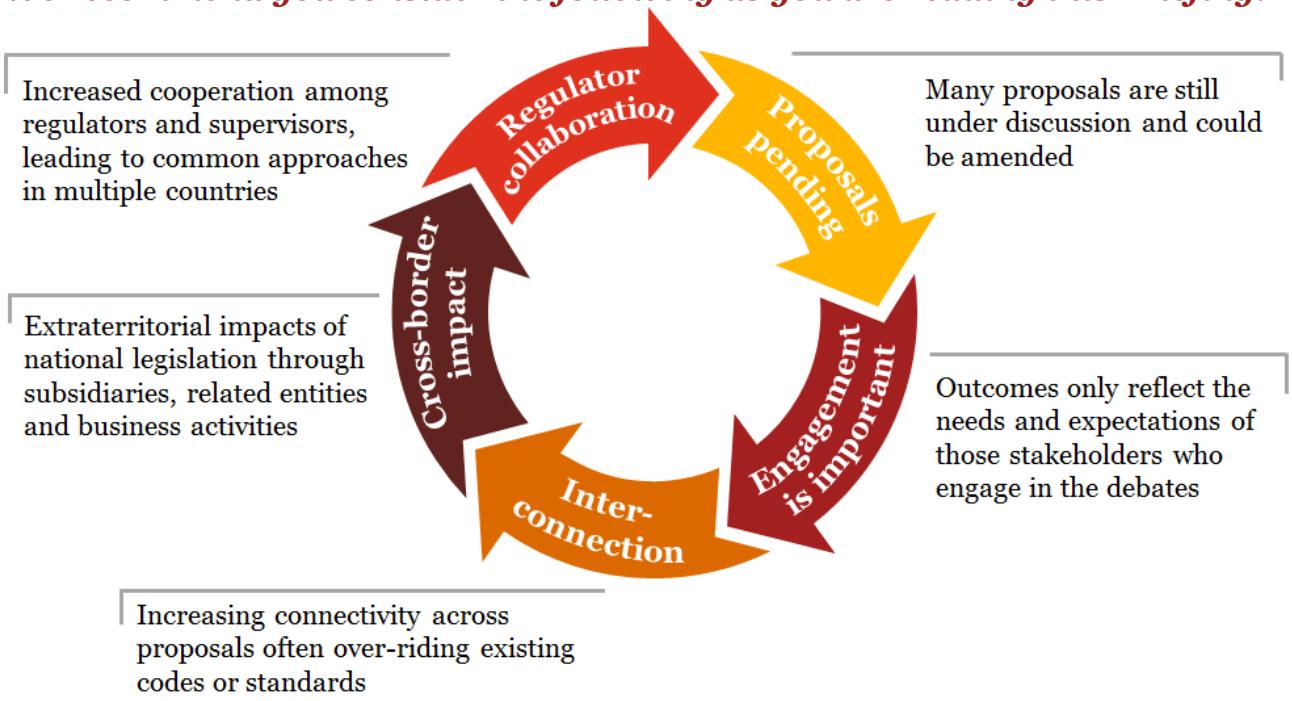
Introduction

Welcome to the March 1, 2017, issue of the Regulatory Briefing. In it we outline key current developments affecting audit, capital markets, governance and tax. This includes information on recently adopted legislation and regulations and some new developments, as well as updates on on-going initiatives. For the latest news and additional information, please visit our website at: https://www.pwc.com/regulation

We recommend you consider the following as you are reading this Briefing:



Where developments could affect you, here are some things you can do:

- Respond directly to a consultation or proposal
- Meet with or write to the sponsors or lead organisations for the various initiatives
- Discuss proposals with other stakeholders

We provide links in each section where these are relevant.

To learn more:

- You can access the previous issue of the Regulatory Briefing (November 2016) and additional points of view on audit and regulatory affairs here
- Further information is also available from your PwC relationship partner

Contents

Audit

The use of regulations to increase confidence in the audit has remained a consistent theme in recent years. In the section below we explore examples of different approaches used by regulators in trying to achieve this objective.

In Japan, the Financial Services Agency (FSA) published its proposal for an audit firm governance code that incorporates a "comply or explain" approach. The code addresses issues around transparency, oversight and governance that can positively impact confidence in the audit. Other regulators, such as those in Peru and Mauritius, continue to propose or introduce mandatory rotation of audit firms. Although these regulators seek a common outcome, the differences in their approaches make an interesting contrast.

Below we also cover new auditing regulations taking effect in China, developments on India's Companies (Amendments) Bill, and regulatory goals for 2017 in Korea.

Global

International Ethics Standards Board for Accountants (IESBA) – Agreement reached for new Code structure

In December IESBA's Structure Project, to review the structure and drafting of its Code of Ethics for Professional Accountants (Code), cleared a major milestone. IESBA agreed in principle to the new structure and drafting conventions as well as revisions to parts of the existing Code.

IESBA also released exposure drafts on the final two phases of the Project, addressing structures, safeguards and applicability.

Next steps

IESBA plans for the finalised, restructured Code to be available for approval in December 2017.

European Union

Update on the implementation of the EU audit legislation by Member States

Since the last Regulatory Briefing, eight countries adopted local law to implement the EU audit legislation. The countries are Belgium, Bulgaria, Czech Republic, Greece, Italy, Latvia, Lithuania and the Netherlands. For additional information and updates on implementation, please visit the PwC EU Audit Reform webpage.

European Contact Group (ECG) – Implementation database on EU audit legislation questions

The ECG created an implementation database to help companies, auditors and stakeholders understand the EU audit legislation, its interpretation and the approach adopted towards the options by each Member State. The ECG webpage also has a "Frequently Asked Questions" document on the audit legislation.

European Commission (EC) - Review of the economic impact of Member State options in the EU audit legislation

The EC indicated it intends to review the economic impact of diverging Member State options. The review is a follow up to the EC's call for evidence on how the EU financial services framework may result in unnecessary regulatory burdens or unintended consequences. The review will focus on the cross-border impacts of mandatory audit firm rotation and the blacklist of prohibited non-audit services. The EC will assess the impact with the Committee of European Audit Oversight Bodies (CEAOB) and through a public consultation.

The timeline for this process remains uncertain as it is not a high priority for the EC which is focussing on the establishment of the CEAOB.

China

Adopted: Ministry of Finance (MoF) and Chinese Institute of Certified Public Accountants (CICPA) – MoF and CICPA adopt amendments to auditing standards

In December the MoF and the CICPA adopted amendments to 12 auditing standards. A key change is adopting a new auditor's reporting standard requiring Key Audit Matters to be included in the auditor's report for a listed company. All amended standards will be in effect by 1 January, 2018.

PwC commentary

The changes are consistent with recent changes to International Auditing Standards (ISAs), specifically ISA 701 "Communicating Key Audit Matters in the Independent Auditor's Report".

India

New: Parliament of India – Parliamentary Standing Committee on Finance issues recommendations on Companies (Amendments) Bill 2016

In December the Parliamentary Standing Committee on Finance published its report on the Companies (Amendment) Bill 2016. The report included recommendations that:

- The compliance threshold should be based on business volume, turnover or scale of operations and not the form of the company to ease burdens on smaller companies
- Regulations issued under the law should simplify processes and be subject to review
- The government should retain the right to seek information on managerial pay in listed companies and companies operating with public funds
- The constitution for the new National Financial Reporting Authority should be based on streamlined and strengthened language from the Chartered Accountants of India Act
- Auditor rotation requirements should not apply to smaller subsidiaries of foreign or private companies. The Ministry of Corporate Affairs' (MCA) definition of a "small" company is narrow.

Next steps

The MCA will present a revised Companies (Amendment) Bill 2016 to Parliament.

Japan

New: Financial Services Agency (FSA) – FSA publishes proposals for audit firm governance code

In December the FSA released its draft "Principles for Effective Management of Audit Firms", a governance code for large audit firms. The Code is based on principles of transparency, communication and leadership and includes relevant guidance. The Code is non-binding but the FSA expects a "comply or explain" approach by the largest audit firms. Deadline for comments on the draft Code was 31 January, 2017.

The Code's objective is to improve audit quality while encouraging effective management and organisation of audit firms. It recommends enhanced dialogue within the firm and with external stakeholders, especially audited companies. The Code includes five principles designed to enhance governance and transparency of audit firms. These principles include:

- Recognising the firm's public interest role, reinforced by frank dialogue and culture of openness
- Effective management that drives enhanced audit quality
- A supervisory body including independent non-executives to oversee management's effectiveness
- An effective operating structure that supports dialogue with top management and boards of audited companies
- Full transparency to help stakeholders assess its audit quality and understand its implementation of the Code

PwC commentary

The proposed Code is similar to the UK's Audit Firm Governance Code in its structure, its "comply or explain" approach and its flexibility. This flexibility enables the firm to meet the Code's public interest objectives while respecting the fundamentally different roles of firm management and the independent non-executives, who are not decision-makers within the business.

Korea

New: Financial Services Commission (FSC) – FSC outlines Financial Policy Direction for 2017

The FSC released its "Financial Policy Direction for 2017", setting out a policy focused on response to risks, market stabilization and economic revitalization.

Part of the FSC's commitment to prompt response to market risks is an improvement of the current accounting and audit system. In addition, the FSC will encourage the introduction of a stewardship code to promote sound market practices.

New: Financial Services Commission (FSC) – Proposed rules include regulator choosing company auditor

In January the FSC released proposals aimed at improving credibility and transparency in the Korean auditing and accounting sectors. The FSC proposed strict measures, which it believes will prevent accounting fraud in Korean companies.

The key proposal states that certain companies may choose an auditor for a six-year term and then the Securities and Futures Commission (SFC) will select the company's auditor for an additional three-year term. The SFC will choose an auditor from a list provided by the company. The rule would apply to public companies that either have assets over 5 trillion won (US$4.3 billion), are considered susceptible to accounting fraud or are facing unstable financial situations. Companies traded on foreign stock markets will be exempt from the proposed rule.

The proposal also introduces a registration system that will block unqualified audit firms from auditing public companies. In addition, certain non-audit services may be limited.

Other measures include an effort to strengthen enforcement with increased jail time and fines for conviction on accounting fraud. The proposal will also raise rewards for whistle-blowers and strengthen internal audit mechanisms.

Next steps

The FSC will submit its proposals in bills to the National Assembly in the second half of 2017. If the National Assembly approves the bills, the regulations will take effect in 2019.

Mauritius

Adopted: Parliament of Mauritius – Mandatory audit firm rotation (MAFR) adopted

In September, Parliament adopted a law including MAFR for listed companies and banks.

Under the law, an auditor's tenure is limited to seven consecutive years. Audit firms may be exempted from the requirement with the approval of the Financial Reporting Council (FRCM).

PwC commentary

The absence of a stakeholder consultation process means the events and objectives leading to the regulatory changes are not clear. We encourage the FRCM to provide interpretations for the new requirements to reduce this uncertainty in the application for listed companies, including:

- Financial years first affected
- Cooling-off period following a rotation
- Details regarding the specific conditions for transitional arrangements and exemptions

Peru

Proposed: Superintendencia del Mercado de Valores (SMV) – "External Financial Audits Regulation" includes mandatory audit firm rotation

In November, the Peruvian securities regulator, SMV, published its draft "External Financial Audits Regulation". The proposed regulation would:

- Limit an auditor's tenure to 10 years
- Require the audit team to rotate at least every five years with a two-year "cooling off" period
- Amend conditions for hiring an auditor
- Amend certain auditor responsibilities including reporting on significant findings and archiving financial documents.

The Peruvian auditors' association, Instituto Peruano de Auditores Independientes (IPAI), responded with concerns about the potential costs and market impact of the proposals. The IPAI proposed language changes compatible with international standards.

Next steps

The consultation closes on 31 March, 2017. The SMV is expected to release new proposals in 2017.

Capital Markets

Regulatory developments affecting capital markets in recent months have recently focused on the European Union, including:

- A trilogue agreement on the Prospectus Directive review that may simplify rules and procedures for small business
- Reforms proposed by the European Commission to strengthen the EU's banking system

We also provide updates on Brexit developments and on the first weeks of Donald Trump's presidency in the United States.

European Union

European Council (Council), European Commission (EC) and European Parliament (EP) – Draft Prospectus Regulation

The EC, the EP and the Council reached a trilogue agreement on the final text of the draft Prospectus Regulation (revising the current Prospectus Directive). The Regulation will introduce new rules on prospectus contents and provide broader exemptions for small offerings, which will no longer require a prospectus.

Next steps

The legislation will be adopted once the EP has voted to approve the final text. The Regulation will be directly applicable in all Member States.

EC – Proposals seek to strengthen resilience of EU banks

In November the EC proposed a series of reforms aimed at strengthening the EU's banking system, in a new Capital Requirements Regulation and Directive package. The proposals incorporate many of the remaining elements of the regulatory framework agreed with the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). The proposed EU rules would simplify requirements for smaller institutions, reducing the related administrative costs. The proposals include key measures to:

- Strengthen bank capital
- Improve banks' lending capacity
- Support banks' participation in trading activities

There was an unexpected provision (Article 21b) in the new Directive to require non-EU banks operating multiple subsidiaries in the EU to form a new EU-based "intermediate holding company" (IHC), which would have implications for large international banks.

PwC commentary

The combination of new capital rules, revised IFRS 9 on accounting for non-performing loans and Brexit could significantly impact banks' capital requirements within their European structures.

EU – Brexit update: The road ahead and global context

On 17 January, UK Prime Minister (PM) Theresa May set out the government's plan for exit from the EU. The government position is for the UK to leave the Single Market and the Customs Union. She also said a 'Great Repeal Bill' will convert much EU legislation into British law to maintain existing legal frameworks.

The House of Commons has approved a "Brexit Bill" to allow the government to trigger Article 50. The Bill, which was also debated in the House of Lords on 20 and 21 February, was the result of a ruling by the UK Supreme Court that the government could not invoke Article 50 without Parliamentary approval. The Bill has now moved to the Committee stage for detailed, line by line, scrutiny and review. The UK government remains likely to trigger Article 50 in March 2017.

While the UK cannot strike any new trade deals until it has formally left the EU, the PM has begun positioning for deals with key partners, including the US, Australia and Korea.

Next steps

EU institutions and the EU27 (the remaining EU countries) emphasised that a "divorce settlement"

will be secured before discussions about the future relationship with the UK. The settlement will focus on the UK's payment to the EU upon exit to honour existing commitments. Preliminary estimates indicate a payment of approximately €30-60 billion.

PwC commentary

Anticipating the outcome of the exit negotiations is difficult. The two-year time frame set out in Article 50 is very ambitious. Additionally, the results of upcoming elections in major European countries – particularly France – could influence the negotiations.

Despite uncertainties, multinational businesses should be alert to several potential global impacts:

- Access to talent in the UK, particularly low-skilled labour, will change
- If the UK leaves the Single Market and Customs Union, it will need to negotiate new trade agreements with the EU27 and other countries, with new tariff and non-tariff barriers
- An increasing shift to a domestic focus and an ongoing anti-establishment narrative in Europe, the US and elsewhere.

Please see our podcast series for latest perspectives.

The Article 50 process has never been used before so there is a lack of clarity and understanding of what the processes for leaving are – let alone for future relationships. The process will involve detailed negotiations between the UK government and the other 27 Member States – with support from and consultation with the European Parliament and the European Commission.

It is also important to recognise that, on a 'hard Brexit', any future trade deal between the EU and the UK will require the unanimous agreement of the 27 Members States (and in some instances their regional governments and the need for referenda). The complexity and timelines for these processes and negotiations should not be under-estimated.

Except for companies based in the UK, the situation for international businesses trading with the other EU countries will remain largely unchanged. Other factors, such as the forthcoming elections in Germany and France, could have more far-reaching impacts.

United States

Early impacts of the Trump Administration

The first weeks of the Trump Administration provided a glimpse into the new president's regulatory and policy objectives. Tax reform, repeal and replace the Affordable Care Act, trade and immigration reform, as well as financial deregulation have emerged as the new Administration's main issues. Specifically, the White House is aiming to:

- Lower business tax rates while broadening the base
- Rollback certain regulations (Dodd-Frank, Affordable Care Act)
- Re-set trade and immigration policies
- Invest in upgrading digital and physical infrastructure.

The president's nominee to head the Securities and Exchange Commission (SEC), Jay Clayton, could face confirmation hearings as early as March, with confirmation likely by early April. He is expected to ease regulations he believes hinder economic growth and capital formation, including regulations stemming from Dodd-Frank and possibly Sarbanes Oxley. Although a full repeal of Dodd-Frank is unlikely, targeted changes to certain provisions may occur.

Almost from the start, the president is shaping policy by issuing Executive Orders (EO). The first EO aimed at the financial system requires the Treasury Secretary to consult with members of the Financial Stability Oversight Council (FSOC) and issue a report that identifies regulations and guidance which do not support his seven Core Principles.

An EO has also been signed requiring that for each new regulation issued by an agency, two existing regulations must be repealed. This EO is being challenged in the courts and is yet to take effect.

President Trump signed an EO on 24 February on Regulatory Reform designed to drive his regulatory reform agenda inside federal agencies. The Enforcing the Regulatory Reform Agenda EO directs the creation of a regulatory reform task force and the appointment of a regulatory reform officer (RRO) at each federal agency. The RRO and task force in each agency will review existing regulations to identify those that are either harmful

to the economy, jobs or business, and will have 90 days to provide recommendations on which existing regulations should be repealed or modified.

One of the first pieces of legislation signed by the president removed the requirement for publicly traded oil, gas, and mining companies to disclose any payments they made to foreign governments, including taxes and royalties.

He has also signed two EOs addressing promises regarding repeal of legislation which he sees as restricting investment and job growth, especially in terms of planning and approval processes for large infrastructure investments and environmental regulation. He has also issued EOs aimed to reform the US immigration system. These EOs were suspended pending constitutional challenges in U.S. courts, and a revised EO was issued on 6 March.

PwC commentary

The first weeks of the Administration have been marked by the president's attempts to implement at least some of his campaign promises with almost immediate effect. The outcome of several initiatives, particularly in taxation and immigration, remain unclear. If successful the compound effect of any successes could alter the business climate in the US – particularly the focus on encouraging domestic production, repatriating assets and a strong dollar. While still unfolding, the Administration's approach to immigration has the potential to alter the movement of talent across borders.

The president is satisfying campaign promises to re-evaluate U.S. trade and immigration policies. He has ruled out joining the Trans-Pacific Partnership (TPP) and is taking steps toward renegotiating the North American Free Trade Agreement (NAFTA). The president, at times, has also championed increased border taxes for products manufactured outside the US, specifically referencing products from Mexico.

The ability of the president to implement all his measures in the way he wishes to is already under threat. A number of his EOs are subject to judicial review and have been suspended by the courts – most noticeably so far on immigration restrictions. As Republicans control both the White House and Congress, there is an expectation that a number of major policy issues, such as tax reform (which stalled during the last Administration) may now be taken forward. Though the Republican-controlled Congress supports some of the president's policies (for example, lower tax, regulatory rollback), there are potential areas of disagreement (for example, increased spending/trade). The compromises on these issues, as well as pending appointments to key federal positions, will help to shape the resulting regulatory policy.

Governance

Effective corporate governance codes in emerging markets are a key theme in this edition. Both Brazil and the Philippines launched new corporate governance codes after gathering stakeholder input. However, the Nigerian government suspended a recently issued corporate governance code after concerns were raised about a lack of stakeholder input. Meanwhile, Japan and the UK announced important corporate governance reform initiatives.

Other issues covered below include:

- Shareholder rights – The European Commission, European Council and European Parliament reached agreement on review of the Shareholder Rights Directive and the results include a greater "say on pay" for shareholders
- Non-financial disclosures – Task Force on Climate-Related Financial Disclosures proposed recommendations to enhance reporting on environmental issues

Global

New: Financial Stability Board (FSB) – Task Force on Climate-Related Financial Disclosures (TCFD) releases recommendations

In December the TCFD published its consultation paper with recommendations on climate-related financial disclosures. In the paper, the TCFD encourages entities to provide information to help stakeholders assess and price climate-related risks and opportunities. The recommendations focus on how an entity considers climate change as part of its governance, strategy, risk management, metrics, and targets. The consultation period closed 12 February, 2017.

The TCFD previously published its Phase I Report in March 2016. The report provides a high-level view of current reporting mechanisms and principles for effective disclosures. More information on the TCDF can be found here.

Next steps

The final recommendation report will be submitted to G20 leaders in advance of the G20 summit in July 2017.

Brazil

New: Brazilian Corporate Governance Institute (IBGC) – Working group publishes new corporate governance code

In November the Interagentes Working Group published the "Brazilian Corporate Governance Code – Listed Companies". The IBGC coordinated a working group of representatives from 11 entities involved in the capital markets. The working group was formed in 2014 following agreement by market leaders that Brazil needed to centralize and develop its corporate governance framework.

The new code takes into account existing national guidance and international standards. It uses a "comply or explain" approach and is based on four pillars – transparency, fairness, accountability and corporate responsibility. The code also includes information on specific corporate documents (e.g. board's terms of reference, agenda of meetings) to help ensure compliance with its recommended practices.

European Union

European Commission (EC), European Parliament (EP), and European Council (Council) – Agreement reached on review of the Shareholder Rights Directive

In December the Council, EC and EP agreed their review of the Shareholders Rights Directive.

Shareholders will have the right to vote on the compensation policy for company directors ("say on pay") and the pay actually awarded must be transparent. The policy should also explain how employees' pay and employment conditions are taken into account and how the policy contributes to the company's long-term interests.

The rules require ownership intermediaries (such as a broker or bank) to identify any beneficial shareholders with holdings over 0.5% in response

to company requests. The rule's purpose is to simplify the exercise of shareholder rights.

Institutional investors and asset managers must develop and publicly disclose their policy on engaging shareholders, or explain why they have chosen not to do so. Proxy advisers will be subject to transparency requirements and a code of conduct.

Next steps

Following formal adoption by the EP and the Council (due before May 2017), Member States will have 24 months to transpose the Directive into law.

Japan

New: Council of Experts Concerning the Follow-up of Japan's Stewardship Code – Council publishes recommendations for effective stewardship by institutional investors

In November the Council of Experts Concerning the Follow-up of Japan's Stewardship Code published its opinion statement "Effective Stewardship Activities of Institutional Investors". The statement is intended to help companies and institutional investors effectively implement Japan's new Stewardship and Corporate Governance Codes and the Council's opinion statement on corporate boards. It includes recommendations for asset owners and asset managers to help protect the interests of ultimate beneficiaries. It emphasises potential conflicts for asset managers within financial services groups, between their activities to support asset owners and activities of other providers within those groups (for example, investment banking and services to individual investors). Among the recommendations are:

- Asset managers should regularly self-evaluate their compliance with the stewardship code
- Asset managers should develop and disclose policies for managing potential conflicts of interest
- Institutional investors should publicly disclose how they vote on company matters
- Asset managers must more effectively manage potential conflicts of interest, including disclosure of specific policies to avoid conflicts

Nigeria

New: Government of Nigeria – Government suspends Financial Reporting Council of Nigeria's (FRCN) National Code of Corporate Governance

A directive from the Ministry of Industry, Trade and Investment suspended the FRCN's National Code of Corporate Governance just months after its adoption. This followed debates on the Code's constitutionality and lack of stakeholder input.

The pre-existing Code of Corporate Governance for Public Companies, adopted by the Nigerian Securities and Exchange Commission (2011), remains in effect.

The Philippines

Adopted: Securities and Exchange Commission Philippines (SEC) – New corporate governance code adopted

The SEC's new Code of Corporate Governance for Publicly-Listed Companies (Code) took effect on 1 January, 2017. The Code introduces a "comply or explain" approach, which gives a company's board flexibility in applying the Code. In addition, the Code provides heightened protections for whistle-blowers. Finally, the Code establishes that a director can no longer be considered "independent" after nine years of service.

The updated Code is a major component of the SEC's Corporate Governance Blueprint, designed to strengthen corporate governance in the Philippines to attract foreign investment. It is a product of coordinated efforts between the SEC and the International Finance Corporation, a member of the World Bank Group.

Next steps

All publicly-listed companies must submit a new Manual on Corporate Governance to the SEC before 1 June, 2017.

United Kingdom

New: Department for Business, Energy and Industrial Strategy (BEIS) – Green paper advances corporate governance reform

In November the UK Department for Business, Energy and Industrial Strategy (BEIS) published its Green Paper, "Corporate Governance Reform". This is a consultation paper that seeks feedback on broad policy proposals.

The paper is the latest effort by the government to use corporate governance reform as a vehicle to bolster trust and accountability between businesses, shareholders and stakeholders. Specifically, the BEIS' position is focused on strengthening three aspects of corporate governance:

- Transparency and accountability for executive pay
- Business engagement with a wider group of stakeholders
- Corporate governance in large privately-held businesses

Next steps

The Government is expected to publish its response in early spring 2017 and more detailed proposals in late spring 2017.

PwC commentary

We support the Government's intent to help rebuild trust and strengthen accountability. The Green Paper presents a wide range of sensible options and encourages a robust debate, based on evidence, to determine the right policy proposals.

Strengthening the voice of employees, customers and stakeholders is a key component of achieving greater trust and accountability. However, there is no single way of achieving this and we believe it can be achieved within the current UK unitary board structure.

New: Financial Reporting Council (FRC) – FRC publishes annual report on corporate governance and stewardship

The FRC published its report "Developments in Corporate Governance and Stewardship 2016". The report aims to:

- Assess corporate governance and stewardship in the UK
- Report on the quality of compliance with the UK corporate governance and stewardship codes
- Give findings on the quality of engagement between companies and stakeholders
- Suggest changes in corporate governance behaviour or reporting

The report highlights issues surrounding executive pay, succession planning and diversity.

Tax

The tax section in this issue has a distinctly European flavour and with good reason. European authorities have recently been at the forefront of addressing major issues surrounding public expectations of taxpayers and their advisors.

The release of the Panama Papers increased attention on tax transparency and the EU is responding. Below you can read how the European Parliament is preparing for its investigation on how EU law can better prevent tax evasion and money laundering. In addition, the European Commission (EC) is consulting on plans for mandatory reporting of aggressive tax planning strategies. The EC also published its "Guidelines for a Model for a European Taxpayer's Code" as part of its action plan to fight tax evasion.

Although these articles may be limited geographically, the results of these efforts in the EU will impact corresponding initiatives worldwide, including potential future initiatives by the G20/OECD.

Global

New: Organisation for Economic Co-operation and Development (OECD) – OECD survey to support G20 tax agenda

In December the OECD concluded a survey focused on tax certainty. The survey was part of the OECD's efforts to support the G20's Inclusive Growth initiative.

The survey results will support future tax policy work by the G20. At its 2016 meeting, the G20 emphasised the connection between tax certainty and the promotion of investment, trade and balanced growth. The G20 asked the OECD to continue work on the issue.

Next steps

The results will be reported to the G20 shortly.

European Union

New: European Commission (EC) – EC publishes "Guidelines for a Model for a European Taxpayer's Code"

In November the EC published the "Guidelines for a Model for a European Taxpayers' Code". The final Guidelines are one of 34 measures in the EC's Action Plan to fight tax fraud and evasion.

The Guidelines provide non-binding principles and best practices drawn from existing rights and obligations between taxpayers and Member State tax administrations. They also provide information about an EU citizen's primary rights and obligations when dealing with a tax administration outside their Member State.

New: European Commission (EC) – EC publishes new Directives

In October the EC published four new draft European Union Directives. The proposals aim to:

- Harmonise corporate tax bases across Member States in a Common Corporate Tax Base (CCTB) Directive, applicable 1 January, 2019
- Apply the CCTB via a Common Consolidated Corporate Tax Base (CCCTB) Directive, applicable 1 January, 2021
- Address certain hybrid mismatches by updating the Anti-Tax Avoidance Directive (ATAD), applicable 1 January, 2019
- Extend existing double taxation dispute resolution mechanisms in the EU, applicable 31 December, 2017

Assuming Member States can reach agreement on any particular proposal, the start dates may be changed in the course of negotiations.

If approved as proposed, the CCTB and CCCTB Directives will be mandatory only for large groups, but others will be able to opt-in to apply the consolidation and single filing approach. For more information, please see the PwC Global Tax Policy Bulletin.

New: European Commission (EC) – Consultation on mandatory disclosure by tax intermediaries

The EC is holding a public consultation on potential EU action on advisers and intermediaries that facilitate tax evasion and avoidance. The consultation is gathering views on a number of options, including whether the EU should establish mandatory disclosure rules for tax advisers. The EC stated the rules would be based on the OECD Base Erosion and Profit Shifting Project's (BEPS) Action 12 on the mandatory disclosure of aggressive tax planning strategies.

Next steps

The Commissioner for Economic and Financial Affairs, Taxation and Customs Union will publish the results of the consultation and comments received.

New: European Parliament (EP) – PANA Committee establishing money laundering, tax avoidance and tax evasion agenda

The Policy Department published a preparatory document for the European Parliament's PANA Committee of Inquiry's investigation into the Panama Papers. The document focused on provisions of EU law that were allegedly not implemented or enforced by the Commission and the Member States that enabled money laundering, tax avoidance and tax evasion.

The document states that the Committee's investigation should focus on Member States' and/or the Commission's implementation and enforcement of Union law including the:

- Third anti-money laundering directive
- 2011 directive on administrative cooperation in taxation
- 2006 directive on statutory audits of annual accounts and consolidated accounts

Next steps

Among the various evidence-gathering hearing and mission visits to particular countries, the committee is organising three hearings to look specifically into the roles played by banks, accountants and lawyers in the construction of off-shore accounts. The first of these was held on 24 January, the second on 9 February, with the final meeting scheduled for 6 March.

India

Parliament – Delay in the implementation of the Goods and Services Tax (GST)

Parliament delayed the implementation of the GST from April 2017 to a new launch date, possibly 1 July, 2017. The delay is the result of discussions between the government and 29 states on dual control over the sharing of the tax revenues.

The implementation of the GST is a significant development which will affect all businesses with interests in or who trade with India. It will replace a proliferation of individual state sales-based taxes which can often have an overlapping or cumulative effect. For more information, see our Global VAT Online update.

Middle East

Approved: Bahrain and Saudi Arabia – introduction of new value-added tax (VAT)

Saudi Arabia (January) and Bahrain (February) approved the Unified Agreement for VAT, including a five percent levy on certain goods. The tax is an initiative of the Gulf Cooperation Council (GCC) to raise state revenues to offset low oil prices. Other GCC members (Kuwait, Oman, Qatar and the United Arab Emirates) are moving forward on adoption and implementation.

Neither Bahrain nor Saudi Arabia previously levied sales tax on goods or services

Next steps

Further formalities are expected to fully implement the VAT regimes.

Additional Information

PwC Points of View

PwC commentaries on a number of key proposals and major areas of debate raised by commentators and stakeholders, and possible alternative proposals are available in more detail at: http://www.pwc.com/gx/en/about/global-regulatory-affairs.html.

PwC EU audit legislation Fact Sheets

PwC has produced guidance on selected topics from the EU audit legislation, which are available on our website and include:

- **Mandatory audit firm rotation** for PIEs
- **Scope of the legislation**
- Additional **restrictions** on the provision of **non-audit services** by the statutory auditor to their PIE audit clients
- New requirements regarding **reporting by the statutory auditor**
- The definition of **Public Interest Entities** (PIEs)

EU audit legislation Briefings

PwC has also produced a Briefing Note on potential, unintended, extra-territorial impacts of the EU audit legislation:

- Consideration of potential unintended **extraterritorial impacts**

You may also find the material produced by Accountancy Europe (formerly the European Federation of Accountants (FEE)) on the implementation of the EU audit legislation of value.

Corporate governance guidance

PwC and ecoDa together produced guidance for audit committees regarding new or updated corporate governance requirements resulting from the EU Audit Legislation.

PwC International Tax News

PwC has produced a series of international tax newsletters available at: https://www.pwc.com/gx/en/services/tax/newsletters/international-tax-services.html

Contacts

If you would like more information on any of the initiatives described in this briefing, please contact your PwC relationship partner.