News, views and analysis from Russell Bedford International

Russell Bedford
taking you further

March 2021

BUSINESS WORLD

New US president: possible tax changes for multinationals

Also in this issue

Brexit – the challenges facing business

Cyprus – 2021 brings positive tax changes

Reactivating the payment chain post-Covid-19

Support yourself – 5 ways to look after yourself as a leader

Is the UK still open for business?

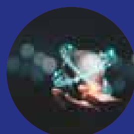
How debt and equity contribute to healthy business growth

BUSINESS WORLD

Russell Bedford International is a global network of independent professional services firms, registered in England as a company limited by guarantee. Company registration number: 3331251. Registered office: 3rd Floor, Paternoster House, St Paul's Churchyard, London EC4M 8AB. VAT registration number: GB 689 9968 18. 'Russell Bedford' and the Russell Bedford logo are registered trade marks. Member firms contribute to the cost of managing and marketing the network and they use the Russell Bedford name under licence. All services are provided independently by member firms of Russell Bedford International, and each member is solely responsible for its work on behalf of clients.

The views expressed in this magazine are those of the authors and do not necessarily reflect the opinions or policies of Russell Bedford International or its member firms. The information contained in the publication is provided for general purposes only and does not constitute professional accounting, tax, business or legal advice. It may not be applicable to specific circumstances. Laws and regulations change rapidly, so information contained herein may not be complete or up-to-date. Please contact your professional adviser before taking any action based on this information.

PAGE 04
New US president: possible tax changes for multinationals



PAGE 06
Brexit – the challenges facing business

PAGE 08
Cyprus – 2021 brings positive tax changes

PAGE 09
Reactivating the payment chain post-Covid-19

PAGE 10
Support yourself – 5 ways to look after yourself as a leader

PAGE 12
Is the UK still open for business?

PAGE 14
How debt and equity contribute to healthy business growth

Stephen Hamlet
CEO
Russell Bedford International

Foreword

For the past three years, Russell Bedford has released a CEO 'End of Year' video message. At the end of 2020, I used this opportunity to focus on our achievements in a year of such adversity and ongoing uncertainty. I spoke of my pride at how our firms around the world reacted, adjusted, showed empathy, resilience and delivery; displaying humanity at its very best.

I particularly wanted to express how businesses had looked at the accounting profession as the front line to those under immense financial pressure; as the nurses tirelessly looked after those medically affected. You will hear several people say it has been a time when they learnt who their true friends are; and, indeed, I would say that accountants became the true friends in respect of businesses.

Our network displayed so much togetherness, vibrancy and optimism, during a period when all our meetings had to go online and become virtual. The initial challenges of such were quickly superseded by a realisation that online meetings, embracing modern technologies, could reach so many more people from our firms around the world, at all levels.

This year, for the first time, we released a Global Performance Report; highlighting several achievements of 2020, including a 13% growth in global revenues, with expansion in every region of the world, and a 10% increase in the value of referrals between member firms. We also promoted our highly successful virtual events in lieu of physical meetings, further enhancement of our profile with impressive engagement on social media, and a number of professional development initiatives that helped our people in areas such as business development, leadership and, of utmost importance right now, health and well-being.

As I mentioned in my CEO statement of that report, we added another year of success for our network to recent years of significant growth and development and, whilst we anticipate the challenges of 2021, I am confident of the continued opportunities it will bring.

I write this as the UK starts to show reducing numbers of Covid-19 cases following our latest (and hopefully final) lockdown, and as the world starts to pick itself up and evaluate the impact of recent months.

It has come as a pleasant surprise to see how well the accounting profession has coped during this period. Forced into remote working, having to adapt and become flexible to new conditions and urgent client requests, I have admired the efforts of our firms as they continue to support businesses.

We still wait eagerly for when we can fully return to physical meetings, yet reassured in the knowledge that we continue to act together and offer assistance from afar; and, with the continuing aid of modern technology, can efficiently and effectively carry on providing professional services worldwide.

Since our last Business World, the United States of America has elected a new president and we examine in this edition the possible tax changes for multinationals under the new administration. Amongst several other topics of current interest and importance, we also focus on the challenges facing business following the finalisation of the Brexit agreement (a news item which took a backseat last year to the pandemic); and the all-important subject of self-care, examining how leaders should be looking after themselves.

Navigating correctly through to the other side of any crisis is vital and, as our network continues to grow, adding more specialist knowledge and expertise throughout Russell Bedford firms - now with some 8,000 professionals in over 100 countries - we would be delighted to help.

New US president: possible tax changes for multinationals

About the author

Steve Horn
Atlanta, USA

Steve is a tax partner-in-charge of the Tax Planning and Compliance department and leads the International Practice at Williams Benator & Libby, LLP, Russell Bedford's Atlanta member firm, while also serving on the board of directors of Russell Bedford International.

He is the author of the firm's tax planning updates and previously served on the editorial advisory board of the Harcourt Brace publication, CPA Internet Connection. Steve is also a frequent lecturer and guest speaker at universities, international conferences and professional associations.

shorn@wblcpa.com

As the dust settles on an unpleasant political season, the inauguration of Joe Biden as the new US president set in motion what many believe will be changes to tax law that could impact multinational corporations doing business in the US. With Mr Biden's Democratic party maintaining its majority in the House of Representatives, and the opposing Republican party losing its majority in the Senate, there is a likelihood many of Mr Biden's tax plans will become law. When that might happen, if it does, is another question.

What can we expect? The Biden tax plan created during the political campaign was short on detail, but let's look at some possible changes.

Income tax rates

Businesses enjoyed a significant tax-rate reduction in 2018 when the Trump administration reduced the highest federal rate from 35% to 21%. Mr Biden has proposed to increase the rate to 28%.

For businesses with book profits of more than $100 million, the Biden plan would also impose a minimum tax where businesses would pay the greater of their regular corporate income tax or 15% of book income. Nicknamed the Amazon Tax, it is meant to tax large businesses that reduce or eliminate the tax they pay by taking advantage of favourable tax provisions that differ from financial statement rules.

GILTI provisions

The Trump administration introduced a new and complicated regime called the Global Intangible Low Tax Income (GILTI) tax. While attempting to shift US taxation to more of a territorial system, lawmakers implemented a 10.5% effective tax rate on the taxable income of certain foreign subsidiaries of US corporations because they feared a mass exodus of US businesses to foreign jurisdictions.

President Biden has proposed to double this effective tax rate to 21%. The Biden plan would calculate GILTI on a country-by-country basis designed to prevent corporations from offsetting high-tax jurisdictions against low-tax jurisdictions. Further, the Biden plan would remove the provision that exempts from GILTI an amount equal to a 10% deemed return on the average adjusted basis of foreign tangible property.

Making America great again

The Biden plan would establish a clawback provision to penalise companies that cut jobs in the US and sent them overseas. Further, Mr Biden has called for a 10% surtax, on top of the corporate tax rate, on income earned by foreign affiliates of US corporations where the customers are in the US.

President Biden may also introduce an advanceable 10% tax credit for certain expenses incurred to retool and revitalise manufacturing plants, and increase manufacturing wages.

There may also be some make-America-green initiatives. Mr Biden favours repealing certain tax incentives enjoyed by the fossil fuel industry. His plan would also restore tax credits for electric cars, home-energy efficiency, and solar investments, while encouraging the development of a low-carbon manufacturing sector.

Other Trump-era tax laws likely to change

The Tax Cuts and Jobs Act passed at the end of 2017 was former President Trump's signature tax initiative. President Biden wants to eliminate many of these provisions, especially those relating to individuals earning more than $400,000. Foreign businesses that send executives to work in the US need to be aware of the many income and social security tax provisions that apply. Also, under the Biden plan, US-sourced capital gains may not benefit from the favourably low capital gains rates if such taxpayers have income of more than $1 million. Prior immigration planning may become more important.

We can expect a continual unwinding of Trump policies where they serve to reduce corporate operating regulations and promote his agenda. Among the areas to watch are climate-change initiatives, immigration issues, limits on rental for real estate landlords, travel restrictions, and foreign government relations.

In the meantime

While we wait and try to plan for the upcoming tax changes, we continue to address the many tax provisions associated with the economic stimulus legislation passed in 2020 because of the Covid-19 pandemic. For businesses, these include utilising and carrying back net operating losses, deducting more interest expense that otherwise may have been limited, writing off certain capital improvements under the bonus depreciation rules, obtaining government assistance including potentially forgivable loans, and applying credits for retaining employees.

"Among the areas to watch are climate-change initiatives, immigration issues, limits on rental for real estate landlords, travel restrictions, and foreign government relations."

About the author

Phil Moss
London, United Kingdom

Phil is a tax partner at Russell Bedford's London member firm, Lubbock Fine, a full-service firm of Chartered Accountants based in the City of London. He has extensive experience in advising private clients and owner managed businesses. He specialises particularly in dealing with the tax issues facing the owners of incorporated and unincorporated businesses and other high net worth individuals.

Phil advises on all areas of tax including the capital gains tax implications of selling a business. He uses his knowledge and experience to help his clients implement the planning necessary to mitigate this exposure. He has extensive experience in the field of the taxation of non-domiciliaries and non-residents along with related international tax planning.

philmoss@lubbockfine.co.uk

Brexit – the challenges facing business

A change as seismic as Brexit couldn't possibly happen without causing some disruption and the late finalisation of the Brexit trade deal certainly didn't help. One word sums up what is troubling businesses right now: uncertainty, caused by a new cross-border taxation environment, changes to tax law, and increased bureaucracy. Other potential impacts remain unclear, such as the effect on UK businesses of new immigration requirements.

Businesses are both unsure about what has already happened and what is yet to happen. I sought the views of colleagues in our global professional services network, Russell Bedford International, to get their take on the challenges ahead.

Taxation changes – good news or bad?

Changes to taxation are unavoidable as the UK has lost the benefits conferred by the EU parent-subsidiary and interest-and-royalties directives. These directives allowed businesses to avoid withholding taxes on payments between associated companies in EU member states. This no longer applies to UK businesses who must now expect withholding taxes on payments of interest, royalties and dividends between UK and EU subsidiaries. Businesses should review carefully relevant double-taxation treaties and re-examine cross-border payments between group companies.

While the Brexit agreement was presented as a tariff-free trade deal, it had no impact on the inevitable changes to VAT accounting on trade between the UK and the EU. In some cases, businesses in the EU must now register and account for UK VAT and the reverse also applies. Jaspal Dhillon, VAT director at Lubbock Fine explains, *'The detail in the deal refers to rules of origin, which means that trading is only tariff-free if goods originate in either the UK or EU. If goods originate elsewhere, or there is no evidence of origin, businesses will be subject to customs duty.'*

There is the added complication of Northern Ireland. To avoid a UK-EU land border between Northern Ireland and the Republic of Ireland, a virtual border exists between Great Britain and Northern Ireland. Jaspal Dhillon comments, *'Trading in goods in Northern Ireland between the EU and Great Britain brings additional and complex rules to consider. EU VAT rules concerning the supply and movement of goods will still apply in Northern Ireland, despite remaining part of the UK's VAT system.'*

To avoid any nasty surprises, Jaspal Dhillon suggests businesses examine their supply chains, *'We are advising our clients to map their supply chains, identify where their suppliers and customers are located, and, if necessary, consider simplifying their existing arrangements. VAT works in real time, so businesses need to consider any VAT liability at the time of supply. Businesses should seek advice to ensure they comply in the UK and the EU.'*

Moving away from EU tax law

Of course, Brexit means the UK is no longer under the jurisdiction of the European courts. But is this a good thing for UK businesses? There are positives and negatives. There is some concern that the UK may take the opportunity to remove certain concessions that applied because of EU tax law, such as those relating to cross-border loss relief. On the plus side, the UK may use Brexit as an opportunity to make the domestic tax regime more attractive to foreign investors, as the Brexit

agreement seems to leave this option open. If or when the UK might act remains unclear.

However, there is one change we can be sure about, changes to DAC 6 requirements. The UK has significantly reduced the scope of DAC 6, the new mandatory reporting requirement for cross-border arrangements where there are indicators of aggressive tax planning. Only arrangements designed to side-step the Common Reporting Standard or to hide beneficial ownership will remain, otherwise the OECD's mandatory disclosure rules will apply. This is a relaxation many will welcome.

As for VAT, Jaspal Dhillon sees a time when the UK makes its own VAT laws, which will create its own disruption, *'Once the international supply issues have settled, the UK will be able to make VAT law as it pleases, without restriction from EU directives, regulations or courts. Inevitably, there will be changes, renewed interpretation by HMRC and UK taxpayers, and plenty of litigation in relation to UK VAT law.'*

Border controls – new paperwork requirements

In the run up to Brexit there was already growing concern about the additional bureaucracy that new border controls would bring, with businesses having to adapt to sudden export and import requirements that hadn't existed for decades. Mark Turner, managing partner at Lubbock Fine has witnessed clients' frustrations, *'For many UK businesses, including our clients, the most immediate post-Brexit impact has been the increase in red tape. Those that import from, and export to, Europe have had to rapidly study, understand, and allocate time for, complicated new paperwork requirements on both sides. This has inevitably caused early disruption in the supply chain, exacerbated by Covid-19 restrictions and border closures.'*

He added, *'While this is going on, our clients are also having to navigate changes to VAT and new import duties. At Lubbock Fine, we're actively steering our clients through the transition, helping with VAT accounting and other practical measures such as setting up EU subsidiaries.'*

But border controls don't only affect imports and exports; only time will tell what the impact on people, both employees and investors, will be. The picture remains unclear for immigration and inbound investment, with the main concern being that the potential requirement for visas, and any related restriction on employee mobility, might adversely affect UK businesses.

While the lateness of the Brexit trade deal left little time for businesses to prepare, Mark Turner is optimistic that things will improve soon, *'Now that the final regulations have been published and supply chains begin to restabilise, we hope to see UK businesses adapting quickly to the new normal.'*

Brexit – the view from Europe

The impact of Brexit isn't only felt in the UK, it affects those in the EU too. Prof Dr Klaus-Peter Hillebrand, CEO of DOMUS AG, Russell Bedford's member firm in Berlin, and EMEA director of the Russell Bedford International board, commented, *'I am relieved the Brexit trade deal finally happened. The chaos that a disorderly Brexit would have brought has been averted. However, the new cooperation between Brussels and London will not be easy. On the contrary.'*

Klaus-Peter Hillebrand agrees that a trade deal is far preferable to no trade deal, *'The UK is the EU's second largest export market after the USA and no market is more important to the UK than the EU. Free trade with no tariffs or quantitative restrictions on the movement of goods will prevent many problems.'*

Klaus-Peter Hillebrand does envisage some difficulties though, *'Brexit inevitably brings more bureaucracy. Tighter controls on the movement of goods will create problems even for well-established supply chains. The new economic cooperation rules will cost time and money in both the EU and the UK. These are turbulent times. Brexit brings significant changes to taxation and corporate law that, for some clients, may present existential risks. It is the job of tax advisers to help guide their clients through the Brexit jungle.'*

An earlier version of this article appeared in the AICPA's Financial Management magazine online, February 2021.

> *"Businesses should review carefully relevant double-taxation treaties and re-examine cross-border payments between group companies."*

Cyprus – 2021 brings positive tax changes

Although a challenging year for everyone in business, 2020 did produce some positive tax developments in Cyprus, specifically:

- the EU's renewal of the Cyprus tonnage tax system (TTS)
- the EU's assessment of the Cyprus notional interest deduction (NID) as 'not harmful'.

About the author

Kyriakos Hadjikyriakou
Nicosia, Cyprus

Kyriakos Hadjikyriakou is a senior tax manager at Intertaxaudit, Russell Bedford's member firm in Nicosia, Cyprus. He deals with a variety of tax matters while specialising in direct tax.

Kyriakos holds a BSc in Economics and Finance from the Athens University of Economic and Business. He is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants in Cyprus.

Combining his knowledge and expertise in direct and indirect tax matters, Kyriakos has a holistic understanding of the interchange between the finance planning and tax as required by clients of Intertaxaudit.

kyriakosh@intertaxaudit.com

Cyprus tonnage tax system

The Cyprus TTS allows ship owners to opt for tax to be calculated based on tonnage rather than profits. In December 2019, the European Commission approved the extension of the shipping regime and the seafarer scheme after concluding that both are in line with European Union Community Guidelines on state aid to maritime transport.

The Cyprus TTS is arguably the best approved shipping system in the EU. The regime retains the full exemption from income tax for qualifying owners, charterers, and ship managers, while the following enhancements improve its competitiveness further.

Ancillary services

The TTS contains an extensive list of ancillary services that fall under the tonnage tax regime. Income arising from the listed activities is exempt from corporation tax provided it does not exceed 50% of the total income arising from maritime transportation activities.

Importantly, the exemption also applies to ancillary services provided by another member of the group, which is also a tax resident in Cyprus, with no requirement for this member to be a qualifying owner or charterer of a qualifying ship.

Bareboat chartering

Where the charterer and ship owner are part of the same group, bareboat chartering remains eligible for the TTS with no restrictions. Third-party bareboat chartering agreements remain eligible provided:

- the bareboat agreement does not exceed three years
- at least 50% of the fleet is time chartered
- vessels under bareboat chartering agreements represent short-term excess capacity in the group.

The TTS also includes a seafarers' scheme, which grants an income tax exemption to all crew members aboard all EU and EEA qualified vessels.

Notional interest deduction regime

The Cyprus NID regime underwent a review by the EU Code of Conduct Group as part of an EU-wide review of NID regimes. After incorporating a small number of EU recommendations, the EU Code of Conduct Group has assessed the Cyprus NID regime as 'not harmful'. This assessment applies from the regime's implementation on 1 January 2015.

The NID regime allows a notional interest deduction from profits where businesses raise finance through New Equity. New Equity means equity injected into a company since 1 January 2015 in the form of paid-up share capital or premium, in cash or in kind. Capitalisation of reserves that existed after the introduction of the NID regime in Cyprus also triggers the application of the NID rules. The deduction is available to Cyprus tax-resident companies as well as permanent establishments of non-resident companies.

The NID rate is calculated by adding a premium of 5% to the yield on 10-year Cyprus government bonds. The NID is capped at 80% of the taxable profits of the company or permanent establishment, leading to an effective tax rate as low as 2.5%.

What Cyprus has to offer

Both the TTS and the NID regime make the Cyprus tax system an attractive one.

Cyprus retains its global position as a leading shipping and ship management centre within the EU. As well as an excellent infrastructure, Cyprus continues to offer the most modern, competitive, flexible, and fully approved TTS in the EU.

Further, the NID regime means companies that pay tax under the normal corporation tax rules may enjoy an effective tax rate as low as 2.5%.

Reactivating the payment chain post-Covid-19

Warren Buffet famously said, “Cash is to businesses what oxygen is to people”. Today, this encapsulates the concerns of SME owners feeling the effects of broken payment chains caused by restrictions introduced by governments to mitigate against Covid-19.

While several governments have introduced financial support initiatives to soften the blow, in many cases these have failed to reach som–e businesses. Reasons include a lack of charge-free assets available as security for Covid loans without state guarantees to secure the portion of the Covid loans not guaranteed by the State. The dearth of accounting records attaching to some small businesses, often amounting to no more than some bank statements and a list of receivables, is another reason for this failure.

Asset-based loans

There is a tool, widely used in North America, that could be useful to SMEs looking to free up payment chains. This tool is known as an asset-based loan (ABL) and amounts to a loan against current assets. An ABL is a revolving credit facility that uses the borrower’s receivables and inventory simultaneously as a primary and secondary source of repayment. The book-value of these assets supports the advance made by a lender while their collection (or sale and collection) generate the cash flows for repayment of the loan.

Example

A manufacturing business has been disrupted by Covid-19 restrictions. When the clients of the business were also affected by Covid-19, the business used all its available cash to cover payroll, utilities, and certain suppliers. When restrictions were lifted allowing the business to resume operations, it found itself with insufficient cash to reopen and restart production.

The business has inventories with a book value of $100,000 including raw materials and finished products, and accounts receivable amounting to $60,000. An ABL allows a lender to advance up to 50% of the value of its inventories and up to 75% of its accounts receivable. In this example, a loan of up to $95,000 ($50,000 + $45,000) might be available. As the business has now monetised its account receivables and inventories to get the loan, its ability to create further debt by again drawing funds up to its maximum credit line is reduced, pending paydowns. This cycle of reporting balances and determining the maximum amount of the revolving credit line is repeated every 30 days, or more frequently for high-risk borrowers. As a protective measure, the lender uses an audit firm to verify, every six months, the accounting balances reported by borrowers.

Asset-based loans offer advantages for both borrowers and lenders. The borrower acquires the resources necessary to run the business without needing to offer up property or financial assets to a lender as security. In turn, the lender can assess its risk and exposure objectively while taking a charge against monetised assets. The safety margin created by only lending against a proportion of the assets gives the lender relative certainty of recovery. In Peru, legislation governing the pledge of current assets requires a designated trustee or custodian of those assets. This role carries civil and criminal responsibilities.

Although the initial and ongoing audit of the pledged assets is an expense for the borrower, this is usually offset by the lower interest rate that lenders tend to charge given their relative certainty of recovery.

For ease of explanation, I’ve presented a simplified view of how ABLs work. However, they do require the involvement of an experienced audit firm. As well as the formal documentation needed at outset, a valuation of the assets needs to take place. This requires a detailed audit of the accounts receivable to verify that they are supported by corresponding customer orders, as well as corresponding shipping and delivery documents. Likewise, the nature, condition, and rotation of the inventories require careful examination. Only after these audits can a lender determine how much it is willing to lend – the borrowing base.

In conclusion, ABLs as a tool for lenders and borrowers are potentially useful in the current environment. Obviously, this method of credit requires the support and agreement of local financial authorities. In Peru, despite the favourable legal framework surrounding the pledge of current assets, banking regulations only recognise as preferred collateral the inventory held in custody by bonded warehouses, pledged with the support of warrants. It is up to other countries to develop their own rules.

About the author

Jesús Fernando De la Torre
Lima, Peru

Fernando is a corporate finance and international banking professional at Russell Bedford Perú. He has over 25 years of experience working in US, Canada, Panama and Peru, in the areas of credit risk management, troubled-debt recovery, and structured trade finance. He holds a BSc degree in Business Administration from Universidad del Pacífico in Lima-Peru, and an MBA degree from Loyola University in Chicago, IL. His current focus is in GRC and ESG with a special interest in COSO´s ERM and Internal Control Frameworks, as well as ISO´s Corporate Governance, Risk Management and Antibribery Standards.

fernando.delatorre@russellbedford.pe

Support yourself – 5 ways to look after yourself as a leader

Leadership can be a lonely and difficult existence – not everyone understands your position or what you must go through. Especially during the pandemic.

About the author

Michael Quigley
Preston, United Kingdom

Michael is a former primary school teacher with extensive experience of teaching, coaching, leading and team membership. He is a published author and regular blogger. His life-long passion for and interest in fitness, wellbeing and growing people has led him to building online professional and personal development courses with his company Kataholos.

Michael is experienced in public speaking, delivering for both the public and private sector regionally, nationally and internationally. A regular speaker for Russell Bedford, one of his most enjoyable events was Russell Bedford's Managers and Young Partners Meeting in 2019, in Malta, where he delivered a keynote speech and workshop on world class leadership.

michael@kataholos.co.uk

In this article I show you five techniques that will help you to take care of yourself and empower you to feel resilient, humble, open, and able to deal with whatever comes your way.

1. Deal with overwhelm

We can all feel overwhelmed at times. Also, in the current situation, this feeling of overwhelm can come out of nowhere. It shows itself as a feeling of drowning, being incapable, or unable to handle what we are doing. It often comes when we feel our self-image – how we see ourselves and our capabilities – is under threat. If we feel something is beyond our capabilities, or it doesn't fit with our self-image for ourselves or our life, then we feel overwhelmed.

Action point

The next time you feel overwhelmed, picture your mind as a vast blue sky – the clouds you feel will pass but you will remain. Tell yourself, 'This will pass,' then enjoy it when it does. Keep this expansive image of blue sky in your mind to remind yourself that you can handle a lot more than you think you can. Over time this can train your mind not to react so quickly to cloudy feelings of overwhelm.

2. Commit to lifelong learning

The current situation may mean you're having to learn new things. Remember, your learning capacity is an unlimited skill set that you can continually invest in, something you can constantly refine, tweak and fine-tune. If you keep investing in yourself, your abilities never stand still. If you maintain a learner's mindset – remaining open and willing to learn – you will gain confidence from knowing that you are continually learning. Do this consciously and with focus and purpose.

Action point

Invest in your learning with books, audiobooks, courses, articles, and conversations. Make it a point to keep learning new ideas to strengthen your knowledge.

3. Care for your people

In Angela Duckworth's book (and accompanying TED talk) Grit: Why passion and resilience are the secrets to success, she identified two things that empower people to be resilient and gritty: support and accountability.

In my experience people leave jobs and situations if they feel neither supported nor held properly accountable. Care for your people by showing them empathy and compassion; support them and give them accountability. This is now more important than ever.

Action point

Offer support with mental health and wellbeing initiatives, ongoing two-way discussions, wellbeing check-ins, and offline and online communication opportunities. You can provide accountability with training, delegation, mentoring, extra responsibilities, and by responding positively to their initiatives.

4. Handle impostor syndrome

Impostor syndrome reveals itself as a feeling that you are incapable of fulfilling your role. You are an impostor. A fake. A fraud. What's more, you are going to be exposed as such. Impostor syndrome is surprisingly common, especially at present when people are operating in a different context, with different expectations, while simultaneously having to up their game.

Keep this phrase in mind. The next time you think to yourself, 'Who am I to be doing this? I am not worthy,' ask yourself this: 'Who am I not to?' Someone needs to do what you're doing, to be the person you are, it may as well be you. We often forget that many of our gifts, relationships, and positive work situations are not earned, they are gifts given to us by life. Acknowledge them for the gifts they are and be grateful for them.

Action point

Remind yourself regularly that someone needs to do your role well, and that person is you. Remind yourself you do not have to earn your role or your gifts, they have been given freely. Focus your energy on delivering quality results, helping your people, and making the most of your gifts.

5. Bring your love to work

There is a wonderful phrase that I like to keep close: you are what you love, not what loves you. It can be easy to define ourselves by what other people think of us, whether clients, colleagues, shareholders, or loved ones. If they do not like us or what we do, we feel bad. But the problem with looking outside ourselves for validation is that we become dependent on others. In leadership positions, others expect us to lead by example, to draw from somewhere else, a place deeper than one of fleeting and changing opinions, trends, and situations.

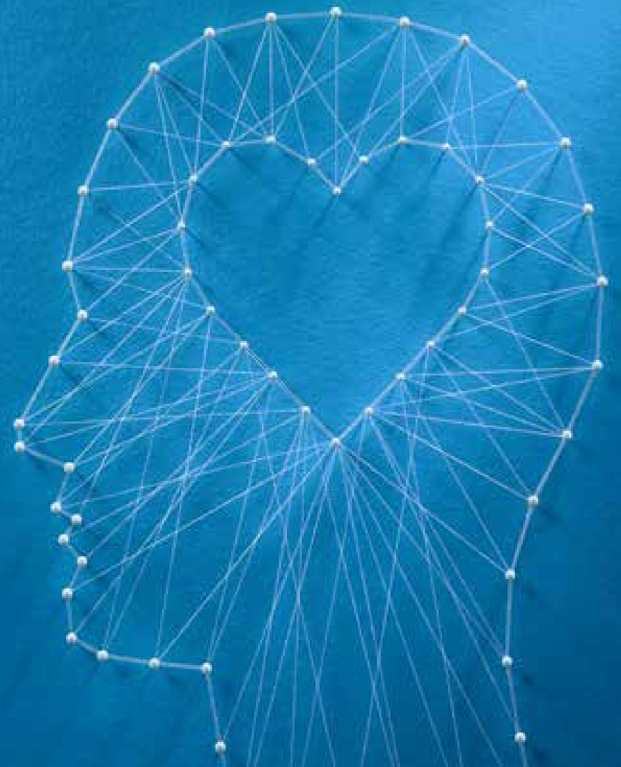
Action point

Remember the positive energy and vitality that the people and things you love give you. When you create, when you lead, when you interact with your people, do so from this place. Remind yourself that this place cannot be damaged by others, this place of what you love will sustain and nourish you. Visit it regularly and where it includes people make sure you tell them just how much they mean to you.

Next steps

Study these five techniques and pick your favourite. Commit to taking this action for a week and see how it helps you. For your people, you give your all as a leader; be proud of that. Use these techniques, as well as your own habits and routines, to take special care of yourself – you are an important person.

"If you keep investing in yourself, your abilities never stand still."



Is the UK still open for business?

About the author

Paul Heaven
West Midlands, United Kingdom

Paul is a director at Jerroms, Russell Bedford's West Midlands, UK member firm. He is a qualified chartered accountant with more than 20 years general management experience and is a member of the Corporate Finance Faculty of the Institute of Chartered Accountants in England and Wales (ICAEW). Paul is an expert in corporate finance, venture capital, private equity and asset lending and has extensive experience of acquisitions, disposals, floatation and fund raising. He personally led a start-up venture that grew (with £9.5m of external investment) to become one of the worlds' leading vendors in the provision of outsourced, internet-based, supply-chain technology. Paul is accredited as a SFEDI Business Support Advisor. Support Advisor.

paulheaven@jerroms.co.uk

With air corridors into the UK suspended (at the time of writing) because of Covid-19, and confusion at custom checkpoints, ports and docks resulting from Brexit changes, our international colleagues might be forgiven for thinking that the UK has given up on global trade and collaboration. Nothing could be further from the truth.

UK continues to attract inward investment

In 2019, at the height of Brexit uncertainty, the UK accounted for more private equity deals than the rest of Europe combined. The UK sealed 1,168 deals worth $43.61bn compared with its nearest rival France, with 880 deals worth €8.61bn, and Germany, with 632 deals worth €11.80bn (source: S&P Global).

In 2020 the UK also remained the biggest draw for venture capital investment in Europe, with British companies raising $13.7 billion (source: Pitchbook). Further, five new UK unicorn businesses were created in 2020, more than any other European country. Gousto's valuation exceeded $1 billion when the meal kit start-up raised £25 million (around $34 million) from existing investors. Another new British unicorn was virtual events start-up Hopin, which raised $125 million in Series B funding in November 2020 at a $2.1 billion valuation. Other notable deals included digital bank Revolut's $580 million Series D funding, and Amazon's $575 million investment in Deliveroo.

Mergers and acquisitions – maintaining activity

As for mergers and acquisitions (M&A), despite a difficult year the UK was second only to the USA. Notably, cross-border deals were the only category of global activity that compared to 2019 activity levels (source: Bloomberg). In 2020, there were 3,131 announcements of currently pending or

completed cross-border M&A deals valued at $1 million or more, resulting in control of the acquired company or assets, with an aggregate value of $1.06 trillion. This accounted for 39.7% of global M&A activity in 2020, close to the 39.3% market share that cross-border deals produced in 2019.

The top five target countries with the most cross-border M&A deals in 2020 were:

- USA – 652
- UK – 315
- China – 245
- Australia – 150
- Germany – 135

The top five countries by value were:

- USA – $342.4 bn
- UK – $134.6 bn
- Netherlands – $63.3 bn
- Germany – $60.2 bn
- Canada – $38.7 bn

Stable and low-tax environment

The UK regulatory and political environments remain stable and efficient (the World Bank estimates that it takes 13 days to set up a business in the UK compared with an average of 32 days in the rest of Europe). What's more, the UK's corporation tax rate of 19% is one of the lowest in Europe, bettered only by the Republic of Ireland at 12.5 %, and Hungary at 9%.

With one of the most flexible labour markets, the UK enjoys personal income tax rates that are lower than its main European rivals. English is the international language of business, while the UK remains one of the easiest countries in which to register a property and has a progressive attitude to planning consent. The UK also enjoys a well-educated talent pool, hosts one of the largest financial services markets, and remains a global leader in innovation.

These are just some of the reasons why London boasts more corporate headquarters than any other capital city in the world. In short, the UK is not just open for business, globally it remains one of the most flexible, innovative, dynamic, and attractive markets.

International trade

Although a difficult journey, the UK's trade deal with the EU offers its international partners (with few exceptions) unlimited tariff-free access to European markets. Keen to establish its own post-Brexit place in the world, this deal is likely to be one of many free-trade treaties that the UK will complete in 2021.

Despite the calamity of the global pandemic, we can expect the UK to be ready as soon as travel restrictions are lifted and as keen as ever to do business. Further, a new world order that appears to promise a more outward looking USA, a more nuanced approach to China and greater emphasis on the environment will generate huge new growth opportunities and deals.

The need for advice

With the trend towards cross-border deals surviving the struggles of 2020, never has it been more important to understand the secrets of global networking and collaboration. Of equal importance will be the need to seek professional advice and support to help knit together international deals, establish international operations, navigate potential regulatory and taxation pitfalls, and raise capital in the appropriate currency.

As for the UK's part in the outlook for 2021, this reminds me of a Douglas Adams quote: 'I may not have gone where I intended to go, but I think I have ended up where I needed to be.'

"With the trend towards cross-border deals surviving the struggles of 2020, never has it been more important to understand the secrets of global networking and collaboration."

How debt and equity contribute to healthy business growth

About the author

Ken Segal
Boston, USA

Ken is a partner at Russell Bedford's Boston member firm, LGA, with over 25 years of experience assisting businesses and their owners to maximise enterprise value, while minimising risk. Ken has extensive experience assisting businesses with evaluating debt and equity structures, sourcing financing, due diligence, and exit planning. He ensures businesses are prepared to respond to internal and external factors that either accelerate or interfere with growth, while leveraging the tools and insights developed to pivot and ensure continued success.

ksegal@lgallp.com

Debt, equity, and investment banking are not new concepts but balancing each of them throughout the business cycle is key to healthy business growth. Monitoring periodically how to optimise and leverage debt and equity in a business is critical to its success.

I often find that business owners can have a narrow focus on debt and equity, maybe focusing only on venture capital and bank debt. Venture capitalists seek high-risk but high-reward investments while banks look for low-risk yet low-reward opportunities. This can leave gaps in much needed capital or liquidity; however, there are alternatives that can provide a more efficient balance.

Often, non-banking lenders do not experience the same regulatory constraints as traditional banks. These alternative lenders are more costly than traditional banks, but they can offer a business greater leverage and lessen the need for more expensive equity investment.

Investment needs change throughout a business lifecycle. Early on, when it's harder to borrow, equity can be the best investment. As a business matures and its value increases, it becomes more attractive to lenders, making it easier to borrow. Initially, this debt maybe more expensive, but as a business grows and matures, it can attract cheaper, more efficient options.

Business owners may be tempted to take as much equity as possible in the early stages of growth, but keep in mind that early-stage equity will be the most expensive and dilutive. Ideally, the less dilution the better in the early stages; when dilution is limited, the percentage of investors' holdings is greater as the business grows in value.

Business owners should appreciate the motivation behind each class of investor. Equity investors seek the maximum return on their investment, while

debt investors are seeking repayment of the loan plus agreed interest. Owners must appreciate how their investors evaluate risk and return on their investment and understand that each party has a set of specific interests that may not be aligned.

Finally, business owners need to make decisions early on what will provide the most benefit as the business matures and grows. They also need to know how to switch between debt and equity across a business's lifecycle, so that they can optimise returns when it's time to sell.

Case study

A US-based company was on a rapid growth trajectory, having landed a contract that would increase its annual volume ten-fold to $250 million. At the time, our client lacked the scalable infrastructure and capital to support this transformative growth.

This company engaged our investment banking professionals to create a scalable infrastructure, credibly quantify its financing needs, target and qualify potential investors, develop a sales document for investors, go to market, field offers and ultimately close on a successful raise. Our team was adept at simplifying the highly complex opportunity and determining that the need would be for approximately $180 million.

It is typically challenging to convince the investor community that a ten-fold growth can be both defendable and attainable. Based on our experience, analytical guidance and knowledge of targeted investors, however, we received multiple bids for the entire $180 million. Realising that this was a competitive process, the winning bidder not only provided a compelling package for the $180M but they also offered a $20M equity investment in the company in order to be awarded the deal.

Since the successful close, the company grew to well over $1 billion and ultimately sold to a larger entity – creating a robust return for those original investors.

News in brief

- **Russell Bedford appoints leading CPA firm in South Korea**
  Samhwa Accounting Corporation has left Moore Global to become Russell Bedford's new member firm in South Korea. Now one of the largest firms of accountants and auditors in South Korea, Samhwa was established in Seoul in 1997 and expanded via mergers with Cheil Accounting Corporation in 2012 and Daegwang Accounting Corporation in 2013.

- **Jerroms goes from strength to strength in latest merger**
  West Midlands, UK based accountants and business advisers, and member of Russell Bedford, Jerroms has merged with Harben Barker in a deal that sees the growing business drive forward with its continued plans for expansion. The transaction, which was led by Hawkins Hatton and Higgs and Sons, follows significant growth to the Jerroms group last year with the incorporation of additional service lines, including corporate finance, wealth management, investment planning and raising finance.

- **Russell Bedford's Australian members listed 25 in Top 100 firms**
  The Australian Financial Review has listed the combined Australian Russell Bedford member firms as number 25 in the top 100 accounting firms across the country. The firms include Stantons International and Marsden Stantons in Perth, Lee Green in Adelaide, Saward Dawson in Melbourne, Camphin Boston in Sydney and HMW Group in Brisbane.

- **Great heart and hope at Russell Bedford's annual '*taking you further*' day**
  Russell Bedford's annual *taking you further* day took place on Friday, 4 December 2020, culminating with a global virtual party. An important moment in Russell Bedford's calendar, taking you further day presents an opportunity to take some time for reflection, looking back on the year, while recognising the many achievements and celebrating the network's successes.

- **Russell Bedford recruits five new firms across five regions within one month**
  October 2020 marked a "super month" of progression at Russell Bedford, with the network recruiting a total of five new member firms. The firms included Hibiscus Audit Corporation, in Tokyo and Sapporo, Japan, Amazon Associates in Zambia, Top 15 firm Belrosaudit in Minsk, Belarus, Addval Consultoría Integral, in Santiago, Chile and Top 30 Boston-based practice LGA, LLP in Boston, USA.

- **WBL in Top 50 "Best Of The Best" CPA firms in U.S.**
  Russell Bedford's Atlanta member firm, Williams Benator & Libby, LLP (WBL), has been named as one of the top 50 Best of the Best Accounting Firms in the United States by INSIDE Public Accounting (IPA), for producing superior financial results while planning for long-term sustainable growth.

- **37th Russell Bedford Annual Global Conference cements togetherness in the virtual world**
  Russell Bedford's chair, Bruce Saward, opened the 37th Annual Global Conference, which welcomed almost 400 participants from more than 100 member firms, covering some 70 countries around the globe. In his opening address, he said: "Our profession has demonstrated that it is innovative, flexible and adaptive. To be able to adapt and improve, we must continue to learn, be attentive to trends and be open to new knowledge and new ways of doing things."

Russell Bedford
taking you further

Russell Bedford International
3rd Floor, Paternoster House
St Paul's Churchyard
London EC4M 8AB
United Kingdom

T: +44 20 7410 0339
E: info@russellbedford.com
W: www.russellbedford.com