

UPDATE



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POLICY DEVELOPMENTS

"SORRY IS NOT ENOUGH"

On 11 April, the Working Party 29 (WP29) <u>announced</u> it will create a Social Media Working Group. The group will develop a long-term strategy on how to deal with the practices of harvesting personal data from social media for economic or political reasons.

To recall, the WP29 unites all EU Data Protection Authorities (DPAs), the Commission, and the European Data Protection Supervisor. Its statement follows revelations of how data analytics company Cambridge Analytica allegedly got illegal access to millions of Facebook users' personal data. For more information, see our <u>previous</u> Tech Update.

WP 29 also reiterated its support for the ongoing investigations into Cambridge Analytica by the Facebook Contact Group. The latter includes the DPAs of Belgium, France, Germany, the Netherlands and Spain.

The WP 29 statement was released while Facebook CEO Mark Zuckerberg testified and apologised before the US Senate and Congress. It appears that EU DPAs will expect more than an apology from Mr Zuckerberg. Equally, the European Parliament debated the issue and is calling on Mr Zuckerberg to come answer their questions.

"A multi-billion dollar social media platform saying it is sorry simply is not enough." Dr Andrea Jelinek, Chair of the WP29

In a parallel development, WP 29 is currently also <u>investigating</u> Facebook's facial recognition use, for example for tag suggestions or photo review.

NEW GDPR GUIDELINES AVAILABLE

On 13 April, the Working Party 29 (WP29) published new guidelines on <u>transparency</u> and <u>consent</u> to support compliance with the *General Data Protection Regulation* (GDPR). The documents discuss the key issues from both a legalistic and a practical angle.

The Guidelines provide some concrete examples of how to apply the GDPR transparency and consent principles in your GDPR policy.

For example, the GDPR stipulates that you need to communicate in clear and plain language about what you will do with the personal information you collect. The guidelines on transparency offer a practical example of how *not* to do this: "We may use your personal data to offer personalised services".

Instead, WP29 recommends using "We will retain and evaluate information on your recent visits to our website and how you move around different sections of our website for analytics purposes to understand how people use our website so that we can make it more intuitive".

Consent is one of the valid reasons provided by the GDPR to process personal data. Nonetheless, there are limitations to collect data from somebody based on their agreement. For example, this can only be done when the data subject freely gives its consent, i.e. it has a real choice.

The guidelines on consent explain that in most cases employers should not rely on consent to process information about their employees because of the imbalance of power in the employment context. However, WP 29 explains that employees can freely give consent when it is assured that there will be no adverse consequences when they refuse.

For example, when employers want to film in a certain part of an office, then they can ask the employees in that area for their consent to be filmed. The employer should not penalise those that do not want to be filmed and give them equivalent desks elsewhere in the building for the duration of the filming.

To recall, the GDPR will enter into force on 25 May 2018 and will apply to everyone dealing with personal data information. Professional accountants are directly impacted by these requirements as they deal with collecting, storing and processing personal data in relation to their clients, employees, and subcontractors. These data protection requirements need to be considered seriously as fines could go up to tens of millions of Euro.

For more information about the GDPR, see our GDPR factsheet or the report from our GDPR webinar.

COMMISSION OUTLINES ARTIFICIAL INTELLIGENCE STRATEGY

On 25 April, the European Commission <u>published</u> its Communication *Artificial intelligence for Europe*. This strategy document outlines the Commission's three pillar approach to Artificial Intelligence (AI):

- 1. boosting financial support and encouraging uptake
- 2. prepare for socio-economic changes brought about by Al
- 3. ensure an appropriate ethical and legal framework

The EU commits to invest around EUR 1.5 billion in AI in 2018-20. Since data is important to the development of AI, the Commission also proposes <u>initiatives</u> to grow the 'European data space'. This includes an <u>update</u> to the Directive on public sector information and <u>quidance</u> on sharing private sector data.

The Commission acknowledges that AI is likely to lead to the loss or transformation of jobs. Therefore, it encourages Member States to modernise their education systems and support labour market transitions. The Commission also commits to support initiatives in this area, such as training in advanced digital skills.

Moreover, the Commission points out that AI raises new ethical and legal questions related to liability or potentially biased decision-making. It reassures that "new technologies should not mean new values" and commits to publishing ethical guidelines on AI development by the end of 2018.

The Commission will work with Member States to develop a coordinated plan on AI by the end of 2018. This should maximise the impact of investment and encourage cooperation to ensure the EU's global competitiveness in this sector.

In a parallel development, the European Commission's in-house think tank the European Political Strategy Centre (EPSC) published on 27 March a <u>paper</u> on *The Age of Artificial Intelligence -Towards a European Strategy for Human-Centric Machines*. The document provides an overview of the state of Al and offers recommendations for how an EU Al policy should look like.

NEW EU PROPOSAL TO SUPPORT SMES IN THE DIGITAL ECONOMY

On 26 April 2018, the European Commission <u>proposed</u> new rules for online platforms. They are intended to provide small businesses with a 'safety net' in the digital economy.

Online search engines and platforms generate the majority of internet traffic for SMEs. However, they currently can engage in unfair trading practices, resulting in significant economic harm to the SMEs that use them. This includes hotels, traders selling online or app developers.

The proposed legislation aims to ensure transparency and fairness for SMEs when dealing with platforms by:

- increasing transparency: providers of online intermediation services would have to ensure that their terms and conditions for professional users are easily understandable and available
- resolving disputes: providers of online intermediation services would have to set up an internal complaint-handling system
- enforcement: associations representing businesses would be allowed to bring to court proceedings on behalf of businesses to enforce the new transparency and dispute settlement rules

The proposal covers online platform intermediaries such as third-party e-commerce market places, app stores, social media for business and price comparison tools. For example, Amazon Marketplace, eBay, Google Play, Apple App Store, Facebook pages, or Skyscanner. The proposal also covers general online search engines such as Google Search, Yahoo! or Bing.

EU DIGITAL DAY

On 10 April, the European Commission organized a <u>Digital Day</u>. The event brought together policy-makers and stakeholders to encourage cooperation in artificial intelligence, blockchain, eHealth and innovation.

During the event, several initiatives were launched:

- Declaration of cooperation on Artificial Intelligence (AI): this is expected to improve cooperation amongst
 Member States on AI-related issues, such as Europe's competitiveness or how to deal with social,
 economic, ethical and legal questions.
- Declaration on the establishment of a European Blockchain Partnership: this should improve the
 exchange of experience and expertise in technical and regulatory fields, as well as prepare for the launch
 of EU-wide blockchain applications.
- <u>Innovation Radar</u>: this online tool provides an overview of innovations supported by EU funding. It is expected to help broker contact between European innovators and investors.

G7 DISCUSSES JOBS OF THE FUTURE

On 28 March, the G7 Employment and Innovation Ministers exchanged views on *Preparing for Jobs of the Future*. This included discussing how G7 countries can help workers succeed in a changing economy.

To this end, the Ministers agreed to:

- take an active leadership role in preparing companies to be part of the digital economy
- continue working on a common vision on Artificial Intelligence (AI)
- set up a G7 Employment Task Force to make recommendations on preparing for the jobs of the future
- launch the G7 Future of Work Forum

The <u>Future of Work Forum</u> is a digital tool to support the work of the G7 Employment Task Force and to facilitate the exchange of information. The tool currently already provides briefs on the work of G7 countries on the future of work.

The discussion also focused on SMEs. According to a <u>background paper</u> for the meeting, there are important differences between firms in the use of advanced digital tools and applications. Overall, SMEs are said to be lagging.

To address this, the <u>Statement on Stimulating Innovation</u> highlighted different best-practices of how countries can help SMEs. For example, Germany's 'Mittelstand 4.0' Competence Centres offers awareness raising,

testing and training programmes on digital technology for SMEs. Equally, the UK announced a Business Basics pilot to support SMEs to improve their productivity.

DIGITAL TAX INITIATIVES GAINING POPULARITY AROUND THE WORLD

Like the EU, over 50 other jurisdictions across the world are moving ahead with plans for the taxation of the digital economy. Taxamo has published a helpful <u>overview</u> of some of these initiatives. For example, Turkey has decided to extend VAT to non-resident digital service suppliers. Under these rules, international digital service suppliers are liable for VAT on supplies to their consumers in Turkey. The new rules came into effect on 1 January 2018. For more information, see our <u>Tax Policy Update of 19-30 March</u>.

ROBOTS IN THE NEWS

Technology is getting so much news coverage that it starts becoming difficult to keep track of what is happening or relevant. To help you navigate this ever-expanding information stream, we offer you our selection of articles that we found most interesting.

- France wants to become an artificial intelligence hub, TechCrunch
- From Al to Russia, Here's How Estonia's President Is Planning for the Future, Wired
- Jeni Tennison: 'Getting paid for personal data won't make things better', Open Data Institute
- Banks See Brexit Headaches Compounded by EU Data-Protection Law, Bloomberg

Is there an article missing that you think should be part of this list? Please send it to <u>Willem</u> or <u>Robin</u> and we will include it in our next update!

INSPIRATION FROM PRACTICE



Brazil recently digitalised its tax system. This had a substantial impact on Brazilian accountants serving small and medium-sized enterprises (SMEs). European professional accountants can learn from this, especially when their tax administrations are about to jump on the digitalisation train.

To find out more, we talked to Monica Foerster. Monica is a partner at Confidor, a Brazilian accounting and tax firm, and has over 20 years of professional accountancy experience. She also chairs the International Federation of Accountants' (IFAC) SMP Committee.

KNOCK KNOCK - WHO'S THERE?

Monica explains that the ambitious tax system reform lead to Brazilian SME accountants joking that their government would become 'big brother' if it keeps collecting more company information.

As part of its reform, Brazil introduced electronic invoicing and digitalised submitting transactional accounting and tax data. Simultaneously, it adopted IFRS, which enabled tax authorities to shift from a strict tax focus to a more integrated approach.

This allowed Brazil to build a large, robust and integrated information-gathering system. Moreover, companies will soon also have to electronically submit information on payroll and employee structure.

IMPACT ON SME ACCOUNTANTS

Before the reform, normal bookkeeping and tax obligations were prepared separately. Nowadays, companies need to submit a whole range of

electronic files with detailed information about both tax and accounting at different times in the year.

This has had a double impact on tax advisors.

First, Brazilian tax advisors increased their attention to accounting when the tax authorities started working with electronic accounting data.

Second, the reform created more work for tax advisors because they now need to review whether their clients' accounting information is correct.

This goes against widespread expectations that digitalisation would reduce the work of the profession. However, Monica explains that this extra work creates difficulties for small tax advisors who work for a fixed fee. Digitalisation thus created more work, but not more rentability.

The reform has also challenged auditors. Monica points out that they needed to reinvent the audit procedures. This included defining new procedures and introducing technological tools to test the information in the electronic files.

"Each additional electronic file represents a challenge to develop a new procedure. This is a major challenge for auditors."

HELP, MY TAX AUTHORITIES ARE ALSO DIGITALISING

Monica offered advice for SME accountants whose tax authorities also start digitalising. She stresses that it is important to closely follow any new developments and to prepare yourself as soon as possible. This should help you to be ready when new requirements start to apply.

"Adapting to change gets easier over time"

Responding to a changing environment can be difficult at first. However, after Brazil's reforms, SME accountants became better prepared because of their experience in adapting to change.

Aside from preparation, it is important to identify potential problems in tax digitalisation reforms. If

this is the case, it is good to engage with tax authorities to find a solution.

VALUING THE PROFESSION

Technology and digitalisation can help accountants improve their services for SMEs. This includes better understanding their clients and their environment to be able to provide tailored advice.

"Professional accountants need to go out of their comfort zone and reinvent themselves."

It is equally important that SME accountants understand their own value so they can demonstrate this to the client. Some companies still consider working with accountants only as 'a legal requirement'. "Accountants need to be ready to demonstrate this is not correct and change this perception. Technology can help with that", Monica concludes.

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18)