



NOVEMBER-DECEMBER

## ACCOUNTANCY INITIATIVES

### TOMORROW'S ACCOUNTANT SUPERHEROES - INTERVIEW SERIES CONTINUED

Within the framework of its 2018 Digital Day – Accountancy Europe interviewed the speakers about the future role of the accountant.

The next in the interview series “**Digitalisation: let empathy and trust rule**” unveils why human skills such as empathy and communication will be the superpowers of the tomorrow’s ‘accountant superhero’. Find out more how accountants and auditors can help bridge the trust issue in machine-based decision-making from the [interview with Kasper W. Rost](#), CEO and founder of Calcabis, a Copenhagen-based software firm that offers customised artificial intelligence solutions.

### ACCOUNTANCY EUROPE PUBLICATION - GDPR: IMPLICATIONS FOR AUDITORS

Statutory auditors regularly process personal data obtained from their clients. They are therefore directly impacted by the General Data Protection Regulation (GDPR) that entered into force in May 2018.

This [publication](#) aims to clarify what role auditors play under GDPR, i.e. whether they act as data controllers or as data processors. This distinction matters as the responsibilities allocated to each role are different.

## POLICY DEVELOPMENTS

### THE LATEST ON DIGITAL SERVICES TAX

[Digital Services Tax] Given the opposition from Ireland, Sweden, Denmark, and Finland, it has become clear that the proposal on Digital Services Tax (DST) in its original form will not go through. Instead, on 4 December France and Germany presented a revised watered-down version of the DST proposal with significantly narrowed scope.

The revised DST proposal would apply 3% tax rate only to on-line advertising and no longer on total revenues. This, however, does not preclude Member States from expanding the scope in their national legislation.

As a next step, an agreement on the Franco-German proposal is expected by March 2019. The new Directive would come into force on 1 January 2021, if no agreement is reached at the OECD level in 2020.

Meanwhile, given the lack of progress at an international level, a number of Member States have decided to introduce their own DST. For example, Spain has based its model on the original European Commission’s proposal, the UK plans to impose a 2% DST on tech giants, starting in April 2020. This tax is targeting the largest tech firms with annual global sales of more than £500 million (€560 million). Furthermore, on 6 December France also announced that it will start taxing the digital giants already in 2019 should there be no European agreement by March 2019.

To recall, on 21 March 2018 the EC put forward a two-phased approach for the taxation of the digital economy: a [long-term proposal](#) to establish rules for digital activities and a [short-term interim solution](#) referred to as the Digital Services Tax (DST).

The long-term proposal seeks to introduce the concept of significant digital presence (SDP) into the tax system. This should enable subjecting business activities to corporate tax when they generate significant digital value in a jurisdiction without having lots of physical investments, plants, resources, or work force, for example the GAFSA companies (Google, Amazon, Facebook and Apple). The short-term interim solution targeting the digital giants imposes 3% turnover tax on the provision of certain types of digital services. These measures aim at ensuring fair taxation of the digital economy.

## **AGREEMENT ON CYBERSECURITY ACT**

[Cybersecurity] On 10 December the European Commission, Council and Parliament have reached a political agreement on the Cybersecurity Act. The new rules strengthen the role of the EU Agency for Cybersecurity, (European Union Agency for Network and Information and Security, ENISA) entailing a strong mandate, a permanent status and adequate resources to tackle threats and attacks in the cyber space. The regulation on ENISA aims at increasing awareness, capabilities, and preparedness of businesses as regards cybersecurity threats. The enhanced ENISA's mandate gives it an active role in facilitating Member State cooperation in case of cross-border attacks.

The Act also provides an EU cybersecurity certification framework to ensure cybersecurity of ICT products and services. The framework will act as a one-stop shop for cybersecurity certification. Certification is important because it can reassure users about the security properties of their ICT products and services.

Such certification schemes could be helpful for the profession:

- external accountants evaluate the safety of their ICT products/services, such as cloud storage
- accountants in business to better understand the cyber security risks of their organization
- external auditors to better understand the cyber security risks of the audited organisation.

As a next step, the European Parliament and the Council of the EU will need to formally approve the regulation, then it will be published in the EU Official Journal and officially enter into force.

## **EBA REPORT - RISK ASSESSMENT OF THE EUROPEAN BANKING SYSTEM**

[Cybersecurity, FinTech] On 14 December the European Banking Authority (EBA) published its annual report [Risk Assessment of the European Banking System](#). Among the key risks and challenges, EBA has stressed the ICT-related risks and the need to enhance cybersecurity. Cyber risks threatening data integrity, data confidentiality and data security were highlighted as key operational risks.

EBA expects the operational ICT-related risks to increase. Updating IT infrastructures are essential to combat these risks. According to EBA, "costs related to replacements as well as outages and failures of old legacy information and communication technology (ICT) systems, including costs related to IT migrations, and investments in new financial technology" affect the efficiency and profitability in the EU banking sector.

Developments in FinTech challenge banks to innovate and invest in products and services using the new technologies. The report results demonstrate that the EU banks are embracing financial technologies. For example, biometrics, digital/mobile wallets and big data analytics are the most adopted technologies, followed by cloud computing and artificial intelligence, while distributed ledger technology and smart contracts are still in an early development stage.

## ACCOUNTANCY INITIATIVES

Please share your latest technology-related initiative by contacting [Iryna](#).

### NBA SETS UP A KNOWLEDGE GROUP ACCOUNTECH

In autumn NBA has set up the [Accountech](#) knowledge group consisting of 19 experts - both NBA representatives and other experts - professors, representatives from the business sector, large, small and medium-sized accounting firms and software suppliers. Among the objectives of the initiative is to map the technology landscape for the accountancy profession and to stimulate developments to:

- “better exercise of the profession of accountant (public, SME, business, internal and government accountants), which improves the quality of assurance, for example process mining, AI and robotisation;
- lower failure and friction costs in the financial accountability chain;
- the development of new advisory services from accountants, allowing them to properly fulfil their role as Trusted Advisor (e.g. big-data applications)”.

### ACCA REPORT - TECHNOLOGY TOOLS AND THE FUTURE OF TAX ADMINISTRATION

Technology has always been instrumental for tax administrations for tax collection purposes. Digitalisation of economy offers great opportunities for tax collectors, but there are some key matters for policy makers and other stakeholders to bear in mind when considering to implement changes in the system of tax administration.

The report highlights that “as businesses rely evermore closely on digital tools, tax authorities must recognise and manage the risk that in imposing upon business a particular technology that suits an authority’s needs, they may be depriving business of the opportunity to exploit the most economically efficient technology, stifling competition and even growth”.

### ACCA EVENT - THE IMPACT OF DIGITAL AND ARTIFICIAL INTELLIGENCE ON AUDIT AND FINANCE PROFESSIONALS, 30 JANUARY 2019

The event aims to explore what the emerging technology trends and developments mean in terms of transformation and relevance of audit and finance professionals.

For more info and registration, please click [here](#).

## 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.

- [Clean power for data centres](#), Euractiv
- [Facebook gave data on user’s friends to certain companies – documents](#), Euractiv
- [How smartphone apps track users and share data](#), FT
- [Reports from whistleblowers on data breaches almost triple](#), FT
- [The job interview of the future is already here](#), FT

Is there an article missing that you think should be part of this list? Please send it to [Iryna](#) and we will include it in our next update!