

# Prohibition on provision of accountancy services to Russia comes into force

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**On 20 July 2022, the government laid new regulations in Parliament that will prohibit the provision of certain services, including 'accountancy services' and 'management consultancy services', to Russian companies. These new regulations will take effect from midnight on 21 July 2022.**

On 4 May 2022, Foreign Secretary Liz Truss announced the UK Government's intention to prohibit the provision of accountancy, management consultancy and public relations services to Russia. The prohibition is part of the ongoing and ever-increasing package of sanctions imposed by the UK Government on Russia, following the invasion of Ukraine earlier this year. Both the EU (Regulation (EU) 2022/879) and US (Executive Order 14071) have recently imposed similar prohibitions.

The UK's prohibition is introduced by the Russia (Sanctions) (EU Exit) (Amendment) (No.14) Regulations 2022 ('the 2022 Regulations') and comes into force at midnight on 21 July 2022 (Regulation 1).

The power to impose new sanctions derives from the Sanctions and Anti-Money

Laundering Act 2018.

The 2022 Regulations amend the Russia (Sanctions) (EU Exit) Regulations 2019 ('the Regulations') in a number of respects.

## What is the prohibition?

New Regulation 54c of the Regulations now provides that:

(1) A person must not directly or indirectly provide, to a person connected with Russia:

1. accounting services;
2. business and management consulting services; or
3. public relations services.

In terms, Regulation 21(2) provides that 'A person connected with Russia' means:

- an individual who is, or an association or combination of individuals who are, ordinarily resident in Russia;
- an individual who is, or an association or combination of individuals who are, located in Russia;
- a person, other than an individual, who is incorporated or constituted under the law of Russia;
- a person, other than an individual, who is domiciled in Russia.

## To whom does the prohibition apply?

The prohibitions set out in the Regulations apply to the territory of the UK and also apply to the conduct of all UK legal persons (including companies and accountancy firms), wherever they are based in the world.

In other words, the prohibitions and requirements imposed by the Regulations apply to all companies established in any part of the UK, and they also apply to branches of UK companies operating overseas.

## Definition of accountancy services

Members will be aware that, prior to this legislation, there has not been any statutory definition of 'accountancy services'. 'Accountancy' is not a reserved function, and the term 'accountant' is not a protected title. Anyone can set up a business to provide 'accountancy services'.

New Regulation 54B of the Regulations provides that - for the purpose of these regulations - 'accountancy services' means:

(i) accounting review services, which are services involving the review by a person of annual and interim financial statements and other accounting information, but excluding auditing services;

(ii) compilation of financial statements services, which are services involving the compilation by a person of financial statements from information provided by a client, including preparation services of business tax returns when provided together with the preparation of financial statements for a single fee, but excluding such preparation services of business tax returns when provided as a separate service;

(iii) other accounting services such as attestations, valuations, preparation services of pro forma statements;

(iv) bookkeeping services, which are services consisting of classifying and recording business transactions in terms of money or some unit of measurement in the books of account, but excluding bookkeeping services related to tax returns.

Significantly, provision of 'audit services' is not included in the definition of 'accountancy services' and therefore not currently caught by the prohibition.

## Definition of consultancy services

New Regulation 54B of the Regulations also provides a definition of 'business and management consultancy services', for the purposes of these regulations. The definition is as follows:

'Business and management consulting services' means advisory, guidance and operational assistance services provided for business policy and strategy and the overall planning, structuring and control of an organisation, which includes (but is not limited to) management auditing; market management; human resources; production management and project management consulting.

## Exemptions

New Regulation 60D of the Regulations provides an exemption from the prohibition on providing accounting services in respect of any act that is carried out:

- in relation to the discharge or compliance with UK statutory or regulatory obligations (other than obligations arising under contract); or
- in relation to contractual obligations that arise under a contract concluded before 20th July 2022, or an ancillary contract necessary for the satisfaction of such a contract.

However, for the exemption to apply in relation to such contracts:

- the act must be carried out before the end of the period of one month beginning with the day on which this regulation comes into force (21 July 2022);
- the person providing the accounting services has notified the Secretary of State no later than the day 10 working days before the day on which the act is carried out; or
- that the act is necessary for the official purposes of a diplomatic mission or consular post in Russia, or of an international organisation enjoying immunities in accordance with international law.

## Licensing arrangements

Regulation 65 of the Regulations provides that the prohibition does not apply to activities carried out under the authority of a licence issued by the Secretary of State. Further information about obtaining licences can be obtained from the [Export Control Joint Unit](#).

## Statutory guidance

The UK Government is required to publish statutory guidance on the sanctions relating to Russia. The guidance gives further information on the implementation of the prohibitions and compliance with them. The guidance is periodically updated and the latest guidance can be found on the [gov.uk](https://www.gov.uk) website.

## Breach of sanctions

Members are reminded that it is a criminal offence to contravene the sanction on provision of services set out in the new regulations. It is also a criminal offence to enable or facilitate a contravention of such sanctions, or to circumvent them.

However, new Regulation 54C provides that it is a defence for a person to show that they did not know and had no reasonable cause to suspect that the person to whom the services were provided was “a person connected with Russia”.

Member firms dealing with Russian companies must be alert to ensure that they comply with all relevant sanctions regimes and legislation in the jurisdictions in which they operate.

Members’ attention is also drawn to the [Red Alert on Financial Sanctions Evasion Typologies: Russian Elites and Enablers](#), published by the UK’s National Crime Agency and other agencies in July 2022.

## Action required

Although ICAEW member firms have already been reviewing and disengaging with businesses related to Russia, firms now need to consider the extent to which they need to further review their client base and whether they might need to apply for a licence to be able to continue some types of work, or disengage.

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#### Resources for members

Chartered Accountants from across the membership have reached out to share how they are responding to the sanctions. Many are re-screening all clients with connections to Russia. Here are some of the key resources to help you respond to clients' concerns.

- [Updated government guidance on Russian sanctions](#)
- [Locking Russia out of UK accountancy](#)
- [How UK businesses can offer work to Ukrainian refugees](#)

- [How to check your client base](#)
- [ICAEW's client screening service](#)
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### **Guides to affected countries**

ICAEW's Library and Information Service produces guides for members who are considering doing business in overseas countries. There are separate guides for Ukraine and its neighbours, all of which include updates on the latest sanctions and restrictions.

- [Guide to Ukraine](#)
- [Guide to Russia](#)
- [Guide to Belarus](#)

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