TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

EMPLOYMENT LAW

THIS SECTION IS SUMMARISED FROM THE BULLETINS OF VARIOUS LAW FIRMS AND ASSOCIATIONS. NONE OF THE INFORMATION IN THIS UPDATE SHOULD BE TREATED AS LEGAL ADVICE

YOUNG PEOPLE HIT HARDEST BY PANDEMIC-RELATED JOB LOSSES

The Trades Union Congress (TUC) has warned that a generation of young people could be "scarred by mass unemployment". Analysis from the TUC showed that a record number of young people lost their jobs over the summer, with 59,000 people between the ages of 16 and 24 made redundant from July to September – a figure higher than throughout the whole of 2019.

"We are on the edge of a national unemployment crisis," said Frances O'Grady, TUC's General Secretary. "This generation of young workers must not be abandoned to mass unemployment."

A UK government spokesperson acknowledged the impact on young people in particular.

Chancellor Rishi Sunak's *Plan For Jobs* will create hundreds of thousands of jobs for 16- to 24-year-olds.

The plan includes: the Kickstart Scheme; a funding boost for the National Careers Service; an increase in the number of available apprenticeships and traineeships; and the recruitment of thousands of work coaches who will support people into work.

The TUC also reported that in April 2020, 423,000 16- to 24-year-olds were earning less than the minimum wage, so has called for an increase in universal credit for young people made redundant.

DISMAY OVER LACK OF SUPPORT FOR THE RECENTLY SELF-EMPLOYED

Cleaners, hairdressers and others who began self-employment just months before the pandemic struck are among one million workers in England who missed out on government support.

According to the Treasury Committee, this contrasts with efforts made by other UK countries to fill the gaps left by the furlough scheme, and the self-employment income support scheme – only applicable to those registered as self-employed since April 2018.

A letter to Chancellor Sunak brought attention to the committee's growing frustration towards him and his officials, who have refused to budge from their position.

Chair Mel Stride said: "The committee deeply regrets that the concerns in the first report of our inquiry into the economic impact of coronavirus, *Gaps in Support*, have not been addressed. There are still many excluded from both these schemes through no fault of their own."

Sunak has argued that local authorities have the responsibility and necessary funding to address local concerns, defending the Treasury against accusations that it failed to provide protection for vulnerable businesses.

However, with many councils now verging on bankruptcy, Stride and the Committee have argued that England needs a scheme like those found in other UK nations – such as the Scottish government's Newly Self-Employed Hardship Fund, the Economic Resilience Fund in Wales, and Northern Ireland's Covid Restrictions Business Support Scheme.

MILLIONS MIGHT MISS OUT ON NEW SKILLS SCHEME

The Work Foundation think tank has discovered that 1.4 million low-paid workers are at risk of missing out on a new government scheme aimed at improving qualifications and skills.

The Lifetime Skills Guarantee, announced in September by Prime Minister Boris Johnson, aims to offer fully funded courses for adults without any A levels or equivalent qualifications.

However, the scheme overlooks mid-career workers aged 25-49 who already have one level-three qualification. As well as those ruled out by ineligibility, many find it difficult to access training due to childcare and family responsibilities.

"The Lifetime Skills Guarantee offers a real opportunity to boost life-long learning," said Ben Harrison, Director at the Work Foundation. "But as things stand, there is a real risk that millions of those who would most benefit from additional training won't access it – either because they are not eligible, or because the COVID-19 pandemic is exacerbating financial and family pressures."

The think tank suggested that the government re-evaluate who is eligible for the free training and consider offering assistance with necessary childcare.

TAX

NEWS AND UPDATES FROM THE TAX FACULTY WEEKLY NEWSWIRE. VISIT ICAEW.COM/INSIGHTS/TAX-NEWS AND CLICK THE SIGN-UP LINK TO SUBSCRIBE FOR FREE

TAX EXEMPTION FOR ANTIGEN TEST

Legislation came into force on 8 December providing a temporary exemption from income tax and national insurance on coronavirus antigen tests provided to employees. The regulations will apply until 5 April 2021.

The announcement also confirms that HMRC is using its collection and management powers to ensure that no tax or national insurance contribution (NIC) is collected on qualifying tests provided by employers from 6 April 2020.

The legislation is clear that only antigen tests, those that can "detect the presence of a viral antigen or viral ribonucleic acid specific to severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)", are exempt.

This means that antibody tests, those that check if someone previously had the virus, remain subject to income tax and NIC under benefit-in-kind rules.

SCAMMERS RAMP UP ACTIVITY

HMRC has urged taxpayers who complete self assessment tax returns to be wary of being targeted by scammers in the run-up to the 31 January deadline.

It is at this time of year when HMRC sends thousands of messages and emails to taxpayers about the upcoming deadline, so fraudsters also ramp up their activity.

Taxpayers are urged to be cautious of calls, emails or texts claiming to be from HMRC, saying they are entitled to a tax refund/owe tax, or ask for bank details.

HMRC says that in the past 12 months, members of the public have reported almost half a million examples of where they were offered bogus tax rebates.

HMRC has published a checklist to help taxpayers identify if a contact is genuine and also instructions of how to report a scam.

It urges all taxpayers not to:

- give out private information;
- reply to text messages; or
- download attachments and click on links in unexpected text messages or emails.

This year, for the first time, HMRC will be sending reminders about self assessment filing and payment to represented taxpayers. ICAEW's Tax Faculty recommends that agents alert clients about the genuine HMRC contact they will receive and the risk of scams.

DIRECTOR PAYROLLS – WHAT HAS CHANGED FOR CJRS?

Many directors of small companies have an annual PAYE scheme, taking funds in year via a current/loan account, and then as they near the end of their business year, when the accounts are finalised, repay the loan taking an annual salary and dividends as appropriate.

Eligibility for a Coronavirus Job Retention Scheme (CJRS) grant under the first two iterations of the scheme required a payment of earnings in the tax year 6 April 2019 to 5 April 2020, reported on an real time information submission made on or before 19 March 2020.

The problem for those with 31 March 2020 year ends was they hadn't reported the annual payment on a full payment submission to HMRC by 19 March 2020. These people were therefore not "on the payroll" on 19 March 2020.

The third iteration of the CJRS includes those who were paid up to 30 October 2020, which potentially brings those directors excluded from the first and second versions within its remit.

Working out how much grant they qualify for is far more complex and can vary depending on the timing and amounts of payments received. A sting in the tail is that directors who qualified for the first two grants may now find themselves excluded.

BREXIT PLANNING: VAT REFUNDS

In an update to its guidance on how UK firms can reclaim VAT incurred in an EU country, and how EU firms can reclaim UK VAT, HMRC has confirmed that the facility to use the EU VAT refund system will end on 31 March 2021. Up until that point, firms in the UK and those in the EU will be able to use the system to amend and view claims relating to VAT incurred before 1 January 2021.

Claims relating to VAT incurred after that date will have to be made manually to the individual tax authorities concerned.

The guidance also confirms that EU businesses won't be able to start making claims for UK VAT charged on or after 1 January 2021 until 1 April 2021.

PLAN TO MAKE LARGE BUSINESSES DISCLOSE TAX POSITIONS DEFERRED

A written ministerial statement by Jesse Norman, Financial Secretary to the Treasury, confirms the requirement for large businesses to notify HMRC when they adopt an uncertain tax position has been delayed until April 2022.

The statement confirms that this is to allow more time to get the policy and legislation right and to enable further engagement with stakeholders and provide affected businesses with more time to prepare for the change.

The Tax Faculty welcomes the deferral. One of the largest concerns raised during the consultation process (see ICAEW Representation 56/20) was that the definition of a tax uncertainty suggested in the consultation was very subjective.

It is very encouraging that HMRC has listened to the consultation responses and is seeking to address the concerns raised. The Tax Faculty will continue to work closely with HMRC as this policy develops.

FINANCIAL REPORTING

YOU CAN FIND OUT THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT ICAEW.COM/FRF

FRC ANNUAL LETTER TO COMPANIES

On 12 November, the Financial Reporting Council (FRC) published its annual end-of-year letter to CEOs, CFOs and Audit Committee Chairs setting out its reporting expectations for preparers of reports and accounts.

The letter covers what disclosures should be made to understand the impact of particular events on the company's position and financial performance, as well as any judgements involving significant estimation uncertainty. The FRC expects increased disclosure of relevant sensitivities or ranges of possible outcomes to help users understand the assumptions underlying those estimates and the extent of the changes that might be reasonably possible in the next 12 months.

Measures taken in response to COVID-19 will present challenges for both finance teams and auditors. Boards are encouraged to carefully consider whether they should lengthen their reporting timetables for 2021, making use of the extensions to deadlines.

Regarding the impact of the UK's EU exit, the FRC expects companies to explain company-specific risks and uncertainties, including the potential impacts on different parts of their business and effects on the financial statements.

The FRC also outlines its expectations of companies' climate disclosures including the impact of climate change on their activities, their own environmental impact as well as explanations of how directors are discharging their section 172 duties.

OTHER FRC GUIDANCE AND REPORTS

The FRC has issued a number of reports reviewing past good and not so good practice in financial reporting, including recommendations on how reporting might be improved, supported by illustrative examples.

These reports include:

- *Thematic review: Cash flow and liquidity disclosures*;
- *Climate Thematic*;
- *Annual Review of Corporate Reporting 2019/20*;
- *Going concern, risk and viability*; and
- *COVID-19 – Resources, action, the future*.

Find these resources at frc.org.uk

IASB GUIDANCE

The International Accounting Standards Board has provided an overview of the key financial reporting considerations that may be on the minds of preparers, auditors, investors and regulators as they tackle the complexities associated with COVID-19.

You can read the article, *Applying IFRS Standards in 2020 – impact of COVID-19,* at ifrs.org

ICAEW GUIDANCE

ICAEW's Financial Reporting and Audit and Assurance faculties have launched an information campaign to support members through the challenges of the coming reporting reason. A series of articles will highlight and leverage existing technical resources.

Read the 2020/21 reporting season articles at icaew.com/insights

COVID-19-RELATED RENT CONCESSIONS

In October, the FRC issued *Amendments to FRS 102 and FRS 105 – COVID-19-related rent concessions*. The amendments require rent concessions related to COVID-19 to be recognised in the period to which they relate, subject to certain conditions. The amendments are effective for accounting periods beginning on or after 1 January 2020 with earlier application permitted.

Read the amendments at frc.org.uk

END OF BREXIT TRANSITION PERIOD

The Department for Business, Energy and Industrial Strategy has created a webinar to assist companies in preparing for the end of the Brexit transition period. It has details on changes to the UK's accounting and audit framework.

See tinyurl.com/BAM-BEIS

SUSTAINABILITY REPORTING TCFD

The UK's joint government-regulator taskforce, Task Force on Climate-Related Financial Disclosures, has issued its interim report and a 'roadmap' towards mandatory climate-related disclosures.

The roadmap sets out an indicative path over the next five years – with most action occurring over the first three years – towards comprehensive and high-quality information on how climate-related risks and opportunities are being managed across the UK economy.

You can read the report and roadmap at tinyurl.com/BAM-TCFD

Thematic review on climate

The FRC has undertaken a thematic review of climate-related considerations by boards, companies, auditors, professional bodies and investors. The report notes:

- An increasing number of companies are providing narrative reporting on climate-related issues.
- While minimum legal requirements are often being met, users are calling for additional disclosure to inform their decision-making.
- Some companies have set strategic goals such as net-zero emissions, but it is unclear from their reporting how progress towards these goals will be achieved, monitored or assured.
- Consideration and disclosure of climate change in the financial statements lags behind narrative reporting.
- Areas of potential non-compliance with the requirements of IFRS. ●