TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX

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REMINDER: DEFERRAL OF SELF-ASSESSMENT PAYMENT ON ACCOUNT FOR 'COVID AFFECTED'

The second self assessment (SA) payment on account (POA) for 2020/21 was due on 31 July 2020, however, deferral is an option for those affected by coronavirus. ICAEW's Tax Faculty highlights what taxpayers and agents need to consider.

HMRC's guidance on deferring the second SA payment on account (see tinyurl.com/BAM-SAdefer), which was updated on 8 July 2020, has been somewhat muddled.

The original policy announcement suggested that the deferral would only be available to those who are self-employed. This changed quite quickly and HMRC made it clear that the deferral is available to all taxpayers within SA, including those that are not individuals, such as trusts.

The likely reason was to ensure that entitlement would be automatic, avoiding the need for HMRC to administer an application process.

HMRC's guidance states that deferral is available to any SA taxpayer who is "finding it difficult to make your second payment on account by 31 July 2020 due to the impact of coronavirus". This introduces a condition of the taxpayer's ability to pay having been affected by the pandemic.

Many advisers and taxpayers have been surprised to receive SA statements of account which show the due date for the second payment on account as 31 January 2021. This is because HMRC has had to change the due date in its system to ensure that interest would not be charged where payment is deferred until 31 January 2021.

This means that the statements give the incorrect impression that there is no condition to be met. It may be that in practice HMRC will not have the resources to check compliance with the condition, but it remains in place.

In many cases what may be the most important consideration is that the taxpayer does not accumulate debt and, however well forewarned by their adviser, finds themselves unable to pay a much larger than usual SA bill in January 2021.

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

HOME-WORKING EVERY DAY? NO THANKS

The experience of home-working during lockdown has convinced just 15% of workers that they would want a permanent home-working arrangement – but 86% want at least one day a week at home. That's according to a survey of 1,000 workers conducted by office market platform HubbleHQ during the pandemic.

Of those polled, 61% said they had changed their opinion about home-working, with 92% of those people saying work had changed for the better.

And while most did not want permanent home-working in future, some degree was considered beneficial; 84% of those asked wanted to meet the team for collaborative purposes.

Although 40% thought there should still be a central office, 79% were glad not to be commuting. Other reported benefits have been improved productivity as well as more time for family life.

BIGGEST DROP IN WORKING HOURS FOR 50 YEARS

The total hours worked in a week in the UK has fallen by 175 million to 877 million since the start of lockdown in March. The drop of 16.7% is the biggest reduction in weekly hours worked since 1971.

The measure, with figures analysed by the Office for National Statistics, gives an accurate picture of the amount of work being done by those engaged, whereas regular employment statistics include people who still have paid employment but who are presently inactive.

The ONS recorded in July the lowest number of vacancies on record since 2001, at 330,000. A statement read: "This is 23% lower than the previous record low in April to June 2009."

FINANCIAL REPORTING

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

Although COVID-19 is still top of the agenda for most preparers, standard-setters and regulators, other priorities and 'business as usual' activities are beginning to re-emerge.

FRF RESOURCES

The faculty has released the following.

- To complement the going concern guidance aimed at directors of SMEs mentioned last month, the faculty has published *Coronavirus: Going concern considerations – a guide for FRS 102 preparers*. The guide summarises management's responsibilities for assessing going concern and the associated practical implications for financial reporting in light of the pandemic.
- For IFRS reporters, a guide on distinguishing between adjusting and non-adjusting post balance sheet events has been published.
- The latest in the faculty's series of open-to-all COVID-19 webcasts considers impairment of assets and is suitable for both UK GAAP and IFRS reporters.
- The faculty has updated its FAQs on small company, micro-entity and small LLPs filing options for COVID-19-related developments. An online resource outlining the measures introduced in respect of filing requirements is also available.

All of the above can be accessed at tinyurl.com/BAM-Fin

IFRS STANDARDS AND CLIMATE-RELATED DISCLOSURES

Despite attention having been diverted by concerns surrounding coronavirus in recent months, climate change continues to be an important and high-priority topic.

In June, the faculty broadcast a webinar with Nick Anderson, member of the International Accounting Standards Board, that considers how existing requirements of IFRS apply to climate change and other emerging risks. The webinar highlights the important article on the topic, authored by Nick Anderson and published by the IASB in November 2019.

A recording of this webinar is available at icaew.com/frfwebinars

FRC

The Financial Reporting Council (FRC) has released the following.

- Two reports have been issued by the FRC's Lab that aim to provide practical guidance to companies on reporting in times of uncertainty. The reports highlight areas that investors consider to be critical in helping them identify companies that need attention and support. The first report follows on from the infographic mentioned in last month's update and provides practical advice on the disclosures investors expect to see. The second report provides specific guidance on going concern, risk and viability disclosures.
- The Corporate Insolvency and Governance Bill, which makes provisions for companies in financial difficulty and makes temporary changes to law relating to the governance and regulation of companies and other entities, received royal assent and passed into law on 25 June 2020. The Department for Business, Energy and Industrial Strategy has issued factsheets explaining each of the measures included in the Bill. The FRC has issued updated guidance for AGMs to supplement their previously published Q&As.
- The FRC has issued minor amendments to the disclosure exemptions in FRS 101 *Reduced Disclosure Framework* relating to the statement of cash flows.
- The FRC has also issued FRED 74 *Draft amendments to FRS 102 – Interest rate benchmark reform (Phase 2)* to minimise disruption as the reform of interest rate benchmarks take place. The proposed effective date is 1 January 2021 with early application permitted.

You can find out more at frc.org.uk

IASB

Further to last month's update that included information on two exposure drafts that had been issued by the IASB due to the pandemic, these consultations have now concluded and amendments have been issued.

- IFRS 16 *Leases*: The amendments introduce a practical expedient to help lessees account for COVID-19-related rent concessions. Under the expedient, lessees can elect not to assess whether a COVID-19-related rent concession is a lease modification. In broad terms, this means the benefits of the rent concession will be recognised as variable lease payments in the period that they are received, instead of being spread over the term of the lease (as would be the case if accounted for as a lease modification). To be able to apply the expedient, the rent concessions must meet certain conditions. It must also be applied consistently to all leases with similar characteristics and in similar circumstances. The expedient is effective for accounting periods beginning on or after 1 June 2020. Earlier application is permitted. The amendments have not yet been endorsed by the EU at the time of writing.
- IAS 1 *Presentation of Financial Statements*: The effective date of amendments to IAS 1 has been deferred by one year, to 1 January 2023. The amendments, *Classification of Liabilities as Current or Non-current*, have been deferred in light of the pandemic in order to allow companies more time to implement any resultant classification changes.

The IASB has also issued amendments to IFRS 17 *Insurance Contracts* to help companies with implementation. The amendments are designed to reduce the cost of implementation by simplifying some of the requirements and make financial performance easier to explain. To further ease transition, the effective date has been deferred by two years to accounting periods beginning on or after 1 January 2023, and additional relief has been provided to reduce the effort required when first implementing the standard.

Find out more at iasb.org ●