TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

TAX

NEW VAT REGISTRATIONS AND MAKING TAX DIGITAL

Are you wondering how Making Tax Digital (MTD) for VAT works for new VAT registrations? The Tax Faculty has confirmed the process with HMRC.

The process for registering for VAT is unchanged. A business that needs to (or chooses to) register for VAT for the first time should follow the current process to register for VAT and the VAT registration guidance on gov.uk

If the taxable turnover of the business in the previous 12 months is over the VAT registration threshold of £85,000, the business will also need to comply with the MTD for VAT requirements. This includes following the steps to sign up to MTD for VAT as explained in the ICAEW guidance for businesses and agents and in recent Tax Faculty webinars (free to all ICAEW members).

Having to complete two separate processes – registering for VAT and then signing up to MTD for VAT – has the potential to cause delay and difficulty. A business cannot sign up to MTD until the VAT registration is complete. The Tax Faculty understands that HMRC is developing functionality that will allow businesses to register for VAT and sign up to MTD in a single, combined process, but there is currently no timetable for when such a service will be introduced.

If you have any feedback on MTD for new VAT registrations, please email caroline.miskin@icaew.com

BUSINESS TAX UPDATE WEBINAR AVAILABLE ON DEMAND

A webinar explaining the latest key tax rules and reliefs affecting business was recorded in April and is now available on demand.

Anita Monteith and Caroline Miskin discussed changes to capital allowances, including the new structures, building allowance and off-payroll working (also known as IR35).

Other topics covered included the latest on MTD, research and development tax relief and some key changes affecting employment tax.

The webinar recording is available to ICAEW members at tinyurl.com/BAM-BTU

APPRENTICESHIP LEVY: SENDING OR RECEIVING A TRANSFER OF APPRENTICESHIP FUNDS

In *Employer Bulletin 77*, HMRC reminds levy-paying employers that the amount they can transfer to other employers increased from 10% to 25% from April 2019.

Where an employer is considering making a transfer, the receiving employer also needs to have an account on the apprenticeship service.

When setting up an apprenticeship service account, each account must have at least one:

- account owner;
- organisation; and
- PAYE scheme.

To register an apprenticeship service account, the employer needs:

- the account owner's email address;
- the organisation's company number, charity number or public body name;
- the PAYE scheme's Government Gateway credentials.

EXEMPTION FROM THE DIESEL CAR SUPPLEMENT

Details of how to report car and fuel benefits for diesel cars meeting Euro standard 6d are provided by HMRC in *Employer Bulletin 77*.

Where the car is first made available to an employee in the 2019/20 tax year, a new 'Fuel Type F' should be used to report diesel cars which meet Euro standard 6d on form P46 (car).

Where an employer is payrolling car and fuel benefits, they will need to:

- calculate the cash equivalent using the appropriate percentage for 'Fuel Type F';
- enter this amount in box 182 of the full payment submission (FPS); and
- enter 'F' in box 177 of the FPS.

HMRC will provide guidance on P11D completion for 2019/20 in due course.

HMRC REPORTS ON THE DIRECT RECOVERY OF DEBTS

HMRC has published a report on the direct recovery of debts (DRD). This looks at the effectiveness of DRD and how it has been used, and concludes that it has achieved its policy objectives.

The DRD procedure was introduced in 2015 and is designed to tackle those individuals and businesses who deliberately do not pay their tax, even though they can afford to. It gives HMRC the power to take money directly from bank accounts to settle debts.

When DRD was first proposed in Budget 2014 there was considerable concern that it could be used against the wrong targets, including those who genuinely could not afford to pay or who had struggled with the tax system. After consultation and strong representations from ICAEW and other bodies, the government agreed to strengthen the safeguards for the use of DRD, and this is reflected in the legislation and guidance.

One of the safeguards was that HMRC undertook a review of DRD after it had been implemented.

HMRC concluded that DRD has achieved its objective of collecting tax from deliberate non-payers. The fact that the vast majority of debtors paid up when they got the DRD warning indicates that DRD has a significant deterrent effect and suggests that it has been correctly targeted at those who won't pay rather than can't pay.

TAXTALK: LATEST INSTALMENT

The May edition of TAXtalk is available to watch online. The roughly 30-minute-long recordings take an element of the tax system and break it down, with advice and insight from ICAEW experts on the relevant areas.

May's TAXtalk was hosted by Anita Monteith, alongside Sue Moore, private client tax manager, and Jason Bradley from the ICAEW Technical Enquiries Helpdesk. Sue discussed current consultation on Principal Private Residence relief and the dangers of neglecting will planning, while Jason and Anita covered the latest Making Tax Digital news.

For past recordings, and new ones as soon as they are published, visit tinyurl.com/BAM-TAXTalk

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

VENTO BANDS: UPDATE TO COMPENSATION RATES

The Vento bands, which set out the values payable for psychiatric injury and damage to feelings as awarded by the Employment Tribunals, have been reset.

The bands are to be updated annually, with an adjustment made for inflation.

The damages bands are as follows:

- lower (less serious): £900 to £8,800;
- middle: £8,800 to £26,300; and
- upper (most serious): £26,300 to £44,000.

The new figures are applicable from 6 April 2019.

AI: SOME POSITIVE SIGNS

The rise of artificial intelligence (AI) at work has been listed as a cause for fear over the past six years, since a wide range of job roles were listed as 'at risk' of automation and possible obsolescence. But a new report from the Chartered Institute of Personnel Development (CIPD) has thrown this view into doubt.

According to its study, *People and machines: from hype to reality*, AI and automation are increasingly being seen as a force for good, offering many employees the chance to develop their careers and take on new or enhanced roles that are better paid.

The survey, in partnership with PA Consulting, approached employees and employers to discuss how AI and automation have already changed work. It spoke to 759 employers via YouGov, who shared their reasons for going down the AI and automation route. Among the most popular reasons were to improve the quality of goods and services (38%) to deliver more cheaply (33%) and to reduce costs overall (32%).

The study also found that the new technological advances were broadly equal when it came to the creation or elimination of roles. For physical tasks, 44% suggested AI had created employment, while 43% thought it had eliminated or replaced jobs. For cognitive tasks, AI was said to have created more roles (42%) than it had eliminated (37%).

CIPD and PA Consulting agreed that the resulting picture was complex. Professionals, administrators, and intermediate managers, semi- and unskilled manual workers and clerical staff were among the groups whose work was most at risk of automation. Some 50% of people who had a 'monotonous' component to their job had noticed the volume of such tasks had reduced due to AI.

The report commented: "There is no inevitable impact of AI and automation on employees, but we do not support the doom-mongers' predictions of a general slide towards heightened control of workers and impoverished working lives."

Read it in full at tinyurl.com/BAM-Machines

FINANCIAL REPORTING

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

IMPROVING CORPORATE REPORTING: SMALLER QUOTED COMPANIES

A new guide to help smaller listed and AIM quoted companies improve their financial reporting has been published by the FRC and ICAEW. The guide addresses issues raised by the FRC about the quality of financial reporting in this sector, and provides practical tips and questions for audit committees to consider, with a view to driving up the quality of smaller quoted company financial reporting.

Smaller Listed and AIM Quoted Companies – A Practical Guide for Audit Committees on Improving Financial Reporting offers practical, cost-effective suggestions on how smaller quoted companies can improve the quality of their financial reporting and suggested questions for audit committees to ask themselves and those associated with the financial reporting process, including the board, chief financial officer, finance team and external auditors. These questions are designed to encourage the smaller quoted companies to reflect on current practices and consider areas for improvement.

To access the guide visit icaew.com/sqcguide

FRC THEMATIC REVIEWS FOR 2019

In its *Draft Plan and Budget 2019/20* the FRC has announced the areas of focus for its upcoming thematic reviews. In particular it has announced plans to:

- follow up on its thematic reviews on the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* in June 2019 interim reports;
- monitor companies' disclosures relating to IFRS 16 *Leases* in 2019 interim reports where it expects to see explanations of the impact of the new standard (which is mandatory from 1 January 2019); and
- conduct a thematic review of impairment of non-financial assets.

The FRC has also stated a change in previous practice by only making limited use of pre-informing companies of its intention to include their reports in its samples for thematic reviews.

Access to resources on the standards can be found at icaew.com/ifrsstandards

You can read the FRC's press release at tinyurl.com/BAM-ThemRev

BITESIZED BRIEFINGS

In March the Financial Reporting Faculty launched Bitesize briefings, a range of 20-minute webcasts on topical subjects. Two webcasts, *Introducing the Financial Reporting Lab* and *What makes up the annual report?* can be accessed at icaew.com/frfevents

IBOR REFORM

The IASB has published for public comment proposed changes to the old and new financial instruments Standards, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments*, in light of the reform of interest rate benchmarks such as interbank offer rates (IBORs).

The IASB has proposed to amend IFRS 9 and IAS 39 to provide relief from specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform.

Comments are due by 17 June 2019 and the IASB aims to issue the final amendments later this year.

Read the IASB press release at tinyurl.com/BAM-IBOR

EQUITY INSTRUMENTS

The European Financial Reporting Advisory Group (EFRAG) is launching a public consultation to gather constituents' views on whether alternative accounting treatments to those in IFRS 9 are needed to portray the performance and risks of equity and equity-type instruments held in long-term investment business models.

Comments are due by 5 July 2019.

Read the press release tinyurl.com/BAM-EFRAG ●