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

YOUTH UNEMPLOYMENT TO INCREASE BY 600,000 DUE TO COVID-19

The economic crisis brought about by COVID-19 could increase youth unemployment by more than 600,000 this year unless major new support is provided, according to new research by the Resolution Foundation.

The figures come from the *Class of 2020* report, which found that about 800,000 people aged 18-24 will leave education this year, entering the labour market at a time when the Office for Budget Responsibility predicts unemployment to rise by 6 percentage points.

Due to the exposure education leavers have to this surge in unemployment, a further 600,000 18-24-year-olds are at risk of being unemployed this year, including recent education leavers.

In addition to entering a diminished labour market, the report also found that this year's education leavers were more likely to face reduced pay and employment prospects even after the economy recovered.

Furthermore, young people currently in work are also likely to earn less, with the pay of graduates expected to be 7% lower one year after leaving education, and 9% and 19% lower for workers who are considered mid- and low-skilled.

The Resolution Foundation has two recommendations for the government to help the "corona class of 2020": assist more young people to stay in education for longer, and target job support at those who are entering the labour market for the first time.

Class of 2020 highlights the benefits of staying in education for one more year, with mid-skilled young people being able to halve the risk of reduced employment by finishing education in 2021 rather than this year.

In order to support this, the Foundation has called for new maintenance support for young people across further and higher education. It has also called for special arrangements to be made to fund short courses at university and college to make it easier for people to stay on for six more months to boost their education and skills.

"The 800,000 young people set to leave education this year amid an unprecedented economic crisis are facing huge immediate unemployment risks and longer-term damage to their careers," says Kathleen Henehan, Research and Policy Analyst at the Resolution Foundation.

"A new maintenance support scheme could help thousands stay in education and build up their skills, while those entering the labour market for the first time should be supported by a Job Guarantee offering critical employment experience."

You can read the *Class of 2020* report at tinyurl.com/BAM-ClassOf2020

CORONAVIRUS JOB RETENTION SCHEME EXTENDED UNTIL OCTOBER

The Coronavirus Job Retention Scheme (CJRS), which pays the wages of workers on leave due to COVID-19, has been extended to October.

Under the CJRS, employers receive 80% of their employees' monthly wages up to £2,500 from the government, allowing them to temporarily furlough those members of staff.

It was due to end in June and the Treasury was said to be evaluating options of scaling back the scheme, including lowering the 80% wage subsidy to 60% and lowering the £2,500 cap.

Chancellor Rishi Sunak announced the extension in mid-May, and confirmed that employees would continue to receive 80% of their monthly wages up to £2,500.

However, from August, employers will be asked to help cover the cost in order to maintain the 80% wage subsidy.

According to government statistics, 7.5 million jobs have been furloughed, with 935,000 employers using the CJRS to claim £10.1bn.

For more information on the CJRS and if you can claim for your employees' wages through the scheme, visit tinyurl.com/BAM-CJRSCheck

TAX

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

COVID-19: SICK PAY REBATE SCHEME SET TO OPEN

Small employers and their tax agents will be able to submit claims for rebates of statutory sick pay linked to coronavirus from 26 May, HMRC has confirmed.

The Coronavirus Statutory Sick Pay Rebate Scheme (CSSPRS) enables small and medium-sized employers to recover statutory sick pay (SSP) payments made to their employees, or former employees, when the absence was related to coronavirus.

Employers can claim a maximum of £191.70 per employee under the scheme – two weeks at the current rate of SSP (£95.85 per week). For claims dating back to between 13 March and 5 April 2020, the SSP rate was £94.25 per week.

Claims must be made through the CSSPRS online portal, which opens on 26 May. HMRC has confirmed that digitally excluded employers can ask to claim in an alternative manner.

The Chancellor announced the expansion of SSP in the Spring Budget, as the pandemic hit, and it took effect from 13 March. The changes resulted in SSP payments being made to employees from the first day of illness (no waiting days applied).

As this represented an additional cost to employers, the CSSPRS is designed to help fund the cost of the first two weeks of SSP for smaller employers. This includes SSP payments made to those who were self-isolating for two weeks due to living with someone with symptoms and, as of 16 April, employees shielding from the illness on the advice of the NHS or their GP.

Alongside announcing the opening of the portal, HMRC has updated its guidance for businesses on whether they can claim back SSP paid to employees due to coronavirus.

To be eligible for a rebate an employer must have had fewer than 250 members of staff on its PAYE payroll on 28 February 2020 (taking connected employers into account) and, as of 31 December 2019, not be in financial difficulty (ie, in insolvency or receiving rescue aid).

To submit a claim employers need their government gateway user ID – those employers that are not registered on the government gateway can enrol now.

To make a claim employers need:

- employer PAYE scheme reference number;
- contact name and telephone phone number (in case of queries);
- UK bank or building society details (where a BACS payment can be accepted);
- the total amount of coronavirus SSP paid for the claim period;
- the number of employees being claimed for; and
- the start date and end date of the claim period.

HMRC has also confirmed that claims can be made for multiple pay periods and employees at the same time, with the start date of the claim being the start date of the earliest pay period being claimed for, and the end date of the claim being the end date of the most recent pay period.

As the CSSPRS is being operated under the EU's Temporary State Aid Framework, employers must declare as part of the claim that it will not result in the amount of state aid received by the employer exceeding their maximum temporary aid amount.

HMRC has also confirmed that employers can make claims from both the CJRS and the CSSPRS for the same employee, but not for the same period of time.

COVID-19: UPDATED GUIDANCE ON DAC6 AND REASONABLE EXCUSE

Earlier this month HMRC expanded its guidance on appealing penalties to specifically consider coronavirus as a reasonable excuse.

As a result, HMRC has also updated information on DAC6 detailing how reasonable excuse will apply to obligations under the International Tax Enforcement (Disclosable Arrangements) Regulations 2020.

The guidance (IEIM800000), confirms: "Because of the COVID-19 situation HMRC accepts that any taxpayer or intermediary who makes a report late because of these difficulties will have a reasonable excuse (and so will not be liable to any penalties for that delay) provided the report is made without unreasonable delay after those difficulties are resolved."

HMRC acknowledges in its guidance the challenges "in developing and introducing the necessary IT systems, processes and procedures, training staff and identifying reportable arrangements for periods back to June 2018".

However, ICAEW's Tax Faculty reminds taxpayers and agents that it is still important that affected intermediaries retain information and documentation to evidence the reasons behind any failures, and to demonstrate that any omissions were corrected as soon as it was practical to do so.

Board minutes and more informal records of the general activities of management could all offer support, according to the Tax Faculty. Providing details of the commercial challenges that interrupted the ability to implement the rules will be fundamental to any case.

The existing guidance references the deadline of 1 July 2020, with the first reports being sent no later than 31 August 2020. However, the European Commission has published proposals deferring certain deadlines for filing and sharing of information under DAC6 by three months.

The Tax Faculty understands that HMRC will confirm how these proposals will affect the UK rules as and when they are final. It is therefore worth highlighting that the deadline currently referred to in HMRC's guidance could change.

FINANCIAL REPORTING

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

CORONAVIRUS

The impact of COVID-19 is still at the forefront of our minds and government, standards setters and regulators continue to respond.

GOING CONCERN

ICAEW, in collaboration with the Institute of Accountants in Scotland (ICAS), has published *COVID-19 and going concern – guidance for directors of SMEs*. This guidance is aimed at business owners and directors and highlights the importance of forecasting cash flow and how to reflect the impact of COVID-19 when drawing up annual accounts.

MICRO-ENTITIES

In addition to the FRS 102 checklist published last month, the Financial Reporting Faculty has published a checklist on the implications of COVID-19 for the preparation of micro-entity accounts (FRS 105). There is also a short webcast on the accounting issues facing micro-entities, available on demand.

You can access all COVID-19-related resources on the dedicated hub at icaew.com/coronavirus

FRC

The Financial Reporting Council (FRC) has published several pieces of guidance in light of the coronavirus pandemic. It has updated its *Guidance for companies on Corporate Governance and Reporting* to cover interim reports. Together with the Department for Business, Energy and Industrial Strategy (BEIS) it has issued a Q&A on company filings, AGMs and other general meetings during COVID-19.

The FRC's Financial Reporting Lab has also published a COVID-19 infographic and invites investors to complete a survey on what information they might want companies to prioritise given the current circumstances.

You can find out more at frc.org.uk

IASB

The IASB has published two COVID-19 related exposure drafts.

The first proposal is to amend IFRS 16 *Leases* to make it easier for lessees to account for COVID-19-related rent concessions such as rent holidays and temporary rent reductions. The proposed amendment would exempt lessees from having to consider whether particular COVID-19-related rent concessions are lease modifications, allowing them to account for these changes as if they were not lease modifications. The amendment would apply to COVID-19-related rent concessions that reduce lease payments due in 2020.

The second proposal is to defer by one year the effective date of *Classification of Liabilities as Current or Non-current*, which amends IAS 1 *Presentation of Financial Statements*. The IAS 1 amendments were issued in January 2020, effective for annual reporting periods beginning on or after 1 January 2022.

However, in response to the COVID-19 pandemic, the Board is proposing to provide companies with more time to implement any classification changes by deferring the effective date to annual reporting periods beginning on or after 1 January 2023.

You can find out more at iasb.org

OTHER CHANGES TO IFRS

The IASB has also issued several narrow-scope amendments to IFRS Standards as follows:

- Amendments to IFRS 3 *Business Combinations* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16 *Property, Plant and Equipment* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture and the Illustrative Examples* accompanying IFRS 16 *Leases*.

All amendments are effective 1 January 2022.

More information is available at iasb.org ●