

# TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

## TAX



**NEWS AND UPDATES FROM THE TAX FACULTY WEEKLY NEWSWIRE. VISIT [ION.ICAEW.COM/TAXFACULTY](http://ION.ICAEW.COM/TAXFACULTY) AND CLICK THE SIGN-UP LINK TO SUBSCRIBE FOR FREE**

### **FREE WEBINAR: HOW TO SUCCESSFULLY SELECT MTD ACCOUNTING SOFTWARE**

Making Tax Digital (MTD) is making a fundamental change to the way the tax system works. From April 2019, VAT returns must be submitted to HMRC by means of a compatible software solution communicating digitally via HMRC's application programming interface platform.

Presented by the Business Application Software Developers' Association in partnership with ICAEW, this free webinar offered guidance for businesses seeking to procure business software. It was designed to help navigate the process of selecting software and implementing a solution to ensure you are ready for MTD for VAT.

A recording of the live webinar was

made on 15 February, and this will shortly be available. To request the link, email [mark.taylor@icaew.com](mailto:mark.taylor@icaew.com)

### **TAXBITE: IR35 - AN OVERVIEW**

The Tax Faculty has issued a mini-webinar on the importance of IR35. At just over 11 minutes, this free to listen 'TAXbite' gives employers the essentials on employed vs self-employed status and applying different tax rates.

Listen at [tinyurl.com/BAM-bite-IR35](http://tinyurl.com/BAM-bite-IR35)

### **CAPITAL ALLOWANCES FOR STRUCTURES AND BUILDINGS**

ICAEW has responded to the Technical Note, *Capital allowances for structures and buildings*, published by HMRC on 29 October 2018. This follows a roundtable with HMRC and HM Treasury in December 2018 in which members related their experiences and views.

The Tax Faculty has welcomed the reintroduction of a tax relief for the construction cost of structures and buildings and notes that it has been made effective from the date of its announcement on 29 October 2018. However, a change of this magnitude

should have begun with a full and open discussion with specialists from business before being implemented.

We are particularly concerned about the absence of balancing adjustments on disposal. Although the simplicity of the remaining allowances passing to the next owner is attractive in straightforward cases, for many commercial situations this creates far more complexity. Our understanding is that any structures and buildings allowance (SBA) already given will be used to reduce cost when the taxpayer's chargeable gain is calculated. This would in fact mean that, rather than being a new additional allowance, the SBA is merely a timing benefit, with any benefit being clawed back when the property is sold.

We understand that the final interaction with chargeable gains is still being considered. The grant and assignment of leased property produces some complexities of its own, and the interaction with capital gains for wasting leases is not completely explained.

We note the need to retain a record of original construction costs for 50 years, even after a property has changed hands and been extended several times, or where the property is located overseas. We are unclear how the SBA can continue to be given for a building that has been demolished.

We met representatives of HMRC and HM Treasury teams responsible for the new SBA policy with the 20 or so capital allowances specialists that we assembled to represent ICAEW. They agreed unanimously that the reintroduction and tweaking of the old industrial buildings allowance (IBA) legislation would be preferable to a proposed new allowance - with a completely new set of rules - and the inevitable teething problems that would result. It is highly likely that the biggest part of these teething problems will be where the legislation doesn't interact as intended with other existing tax legislation, but which the IBA legislation had already dealt with.

See the associated documents at [tinyurl.com/BAM-CapAll](http://tinyurl.com/BAM-CapAll)

## ATED RETURNS AND PAYMENT FOR 2019-20

The annual tax on enveloped dwellings (ATED) has to be declared and paid by 30 April 2019 for 2019-20, and the rates for this upcoming charge have just been published.

ATED was introduced with effect from

1 April 2013 to tackle the avoidance of stamp duty land tax. The charge relates to residential property owned by a non-natural person, generally a company or a partnership with a corporate member. Initially, the charge was just for properties with a value in excess of £2m but the threshold is now £500,000.

The charge for 2019-20 (that is, the year 1 April 2019 to 31 March 2020) is based on the value of the property at 1 April 2017 or the value at the date it is acquired if later; the increase in the charge is linked to the consumer price index.

See the latest charges and values at [tinyurl.com/BAM-RetPay](http://tinyurl.com/BAM-RetPay)

## 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**

## EMPLOYEE MONEY WORRIES AFFECT BUSINESS: REPORT

A new report on financial wellbeing reveals worrying figures about the extent to which money worries affect the workplace.

More than three quarters of the people surveyed (77%) by merchant banking group Close Brothers said their money troubles affected them while at work. In addition, 43% said they feared not being able to retire when they wish.

This, in turn, was having a detrimental effect on the businesses themselves: 48% said fewer staff were retiring than in the past, leading to increased people costs. Some 45% of business leaders said this was having a negative effect on their succession planning.

More bosses, too, believed staff money worries had a detrimental impact on the workplace: 88% believed staff had financial difficulties, and 86% of them thought this had affected performance.

*The Financial Wellbeing Index 2019* is the first issued by Close Brothers. It conducted research with more than 5,000 employees from across more than 1,000 employers of 200 or more workers. Answers to questions about financial wellbeing were scored out of 100 in eight categories: money worries; budgeting and planning; debt;

protection; savings and investments; retirement; properties and mortgages; and tax. In the money worry category, the average was 55.6. The lowest score of 42.5 was in protection, followed by budgeting and planning at 48.8. Debt scored highest at 67.7.

The report stated: "It's a huge concern that employees across the UK have such a poor financial wellbeing score. With the rise of defined benefit contribution pensions, increasing longevity and difficult economic times, more people than ever worry about money.

"Poor financial wellbeing doesn't only affect individual employees, it also has an impact on business performance. It leads to a lack of productivity, from staff being distracted by money worries, to sickness absence as the stress takes a physical or mental toll."

## UPDATE TO CODE OF PRACTICE ON ILLEGAL WORKING

The UK government has issued a new Code of Practice relating to the prevention of illegal working.

In order to avoid the potential for being issued a civil penalty, UK employers should familiarise themselves with the new Code, which replaces one issued in 2014.

UK employers have "a responsibility to prevent illegal working in the UK by ensuring that your employees have the right to work here".

In the Code, there is a step-by-step guide for employers on how to carry out a right-to-work check, as well as information about the Home Office's online right-to-work checking service. In addition there is a civil penalty calculator, to show how the system works when an employer has been found not to comply with the statutory Code.

The aim of the Code is to stamp out illegal working, which the Home Office says "often results in abusive and exploitative behaviour, the mistreatment of illegal migrant workers, tax evasion and illegal housing conditions".

[tinyurl.com/BAM-Illegal](http://tinyurl.com/BAM-Illegal)

## REFRESH KNOWLEDGE OF AGE DISCRIMINATION LAW

The latest refreshed guidance from Acas looks at how to avoid age discrimination in the workplace.

Age is a protected characteristic under the Equality Act 2010, and age discrimination is considered by Acas to

be “one of the most common forms of unfair treatment at work”.

Available resources cover aspects of the Act, including:

- protection against unfair treatment because of someone’s actual age, the age they are thought to be, or the age of someone they are associated with;
- protection against harassment because of age; and
- different treatment because of age being allowed in very limited circumstances.

There are downloadable documents on key pointers, obligations for employers and a ‘myths’ factsheet. The web page also contains examples of how age discrimination can be manifested, for example from the wording of a job advertisement, to the offering of internal training opportunities and procedures in place for staff progressing to retirement.

The guidance can be found in full at [tinyurl.com/BAM-Disc](http://tinyurl.com/BAM-Disc)



**YOU CAN FIND OUT MORE ON THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT [ICAEW.COM/FRF](http://ICAEW.COM/FRF)**

**BREXIT’S IMPACT ON YEAR-END ACCOUNTS**

Companies preparing accounts for 2018 and early 2019 reporting dates will need to consider the impact Brexit will have on the numbers reported and the disclosures required in the accounts. The Financial Reporting Faculty’s guide, *Brexit: Preparing FRS 102 Accounts for 2018/19*, highlights some of the key requirements in FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, which may be relevant when preparing accounts in a time of uncertainty.

Read the guide at [tinyurl.com/BAM-Brex-prep](http://tinyurl.com/BAM-Brex-prep)

**IFRS ENDORSEMENT**

Draft legislation laid before parliament provides that the international accounting standards - International Financial Reporting Standards (IFRS) - adopted for use in the UK on the day that the UK leaves the EU will be those that had been adopted by the EU

immediately before exit day. In other words, IFRS as adopted in the UK will be identical to IFRS as adopted in the EU on that day.

The draft legislation also provides for a national framework for endorsement and adoption of IFRS after the UK’s departure from the EU.

Read the Explanatory Memorandum accompanying the draft legislation at [tinyurl.com/BAM-Memo](http://tinyurl.com/BAM-Memo)

See the ICAEW blog post on the topic at [tinyurl.com/BAM-IFRS-Brexit](http://tinyurl.com/BAM-IFRS-Brexit)

**FRS 101 AND FRS 102**

The Financial Reporting Council (FRC) has issued FRED 70 *Draft amendments to FRS 101 Reduced Disclosure Framework - 2018/19 cycle* and FRED 71 *Draft amendments to FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland - Multi-employer defined benefit plans*.

**FRED 70**

Accounts prepared in accordance with FRS 101 *Reduced Disclosure Framework* must comply with detailed accounting requirements set out in company law. Some of these requirements conflict with the requirements of IFRS 17 *Insurance Contracts*. Consequently, FRED 70 proposes that insurance entities shall not be permitted to apply FRS 101 if IFRS 17 is part of EU-adopted IFRS. The deadline for comments is 30 April 2019.

**FRED 71**

FRED 71 proposes new requirements in FRS 102 for presenting the impact of transition from defined contribution accounting to defined benefit accounting. The deadline for comment is 31 March 2019. Read the blog at [tinyurl.com/BAM-FRED71](http://tinyurl.com/BAM-FRED71)

**REPORTING OF INTANGIBLES**

The FRC has issued a discussion paper that considers the case for change to the accounting for intangible assets and the likelihood of such change being made in the near future. The deadline for responses is 30 April 2019. Read the press release at [tinyurl.com/BAM-Intangible](http://tinyurl.com/BAM-Intangible)

**ARTIFICIAL INTELLIGENCE AND CORPORATE REPORTING**

The Financial Reporting Lab has published the latest in its series of

reports looking at how technology might affect the production, distribution and consumption of corporate reporting. The report, *Artificial intelligence and corporate reporting – How does it measure up?*, explains what artificial intelligence (AI) is, where its use might make sense in corporate reporting, as well as exploring some of the possible and current use cases for the technology.

The report considers a range of uses of the technology, from AI tools in the finance function, to investors’ use of AI to find investment-relevant information. It also highlights some of the key decisions and considerations that boards and others need to think about when using AI.

Read the press release at [tinyurl.com/BAM-AI-Corp](http://tinyurl.com/BAM-AI-Corp)

**STEWARDSHIP CODE**

The FRC is consulting on a new Stewardship Code that sets substantially higher expectations for investor stewardship policy and practice. The Code will focus on how effective stewardship delivers sustainable value for beneficiaries, the economy and society.

The proposed main changes to the Code include the following.

- Investors must report how their purpose, values and culture enable them to meet their obligations to clients and beneficiaries. This aligns the Code with the UK Corporate Governance Code and encourages embedding behaviour conducive to effective stewardship in the investor community.
- Signatories are expected to take material environmental, social and governance issues into account when fulfilling their stewardship responsibilities.
- Investors are expected to exercise stewardship across a wider range of assets where they have influence and rights, in the UK and globally.

The proposed 2019 Code sets out more rigorous requirements for reporting, focusing on how stewardship activities deliver outcomes against objectives. Reporting will be subject to increased oversight by the FRC to ensure the Code is effective in raising the quality of stewardship across the investor community.

Comments are requested by 29 March 2019. Read the press release at [tinyurl.com/BAM-Steward](http://tinyurl.com/BAM-Steward) ●