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

LOCKDOWN AFFECTS YOUNG, WOMEN AND LOW-PAID THE WORST

The COVID-19 lockdown will leave young people, women and lower-paid workers worse off, researchers say.

Several sectors – such as restaurants, shops and leisure facilities – have come to a halt due to government-ordered lockdown measures, which have been put in place to combat the spread of the virus.

Analysis in a new briefing note from the Institute for Fiscal Studies (IFS) shows that workers under the age of 25 are two-and-a-half times more likely to work in crisis-hit sectors. As the shutdown was enforced, 30% of workers under 25 were found to be working in these sectors.

The IFS also found that lower-paid workers would be worse off, as they are seven times more likely to work in a sector that is shut down compared to high earners. Meanwhile, one in six (17%) women were found to work in crisis sectors compared to just 13% of men.

"There is a remarkable concentration of younger and lower-paid workers in the sectors most affected by the lockdown," said IFS Senior Research Economist Xiaowei Xu, who authored the briefing note.

In the short run, however, Xu said that many would have the cushion of the incomes of parents or other household members. But for the longer term, Xu says that there'd be serious worries about the effect of this crisis, particularly on the young and on inequality.

140,000 COMPANIES APPLY FOR COVID-19 FURLOUGH JOB SCHEME

More than 140,000 firms applied for the government's furlough scheme through its coronavirus job retention scheme system (CJRS) on its first day of operation, according to Chancellor Rishi Sunak.

The CJRS went live on 20 April. It offers to fund 80% of workers' wages, up to £2,500 a month, if they are put on leave. According to the Treasury, the system can process 450,000 applications an hour, and employers should receive the money within six working days.

Speaking to BBC's Today programme, HMRC Chief Executive Jim Harra said that employers made 67,000 job claims within half an hour of the system going live.

During a daily Downing Street press conference, Sunak said more than a million workers would have their wages paid through the CJRS, and that the scheme would assist those people who might have lost their jobs if they hadn't been furloughed.

On 17 April, Sunak said that the CJRS would be extended for another month to the end of June – a move that followed the government's announcement that lockdown restrictions would continue for another three weeks.

The Office for Budget Responsibility estimated that the scheme would cost £42bn. But this figure may increase due to the extension of the scheme.

You can read more about the CJRS at tinyurl.com/BAM-CJRS

TAX

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COVID-19: HMRC WARNS ABOUT SCAM EMAILS AND TEXTS

Digital scammers are using coronavirus support measures to target individuals with bogus emails and texts claiming to be from HMRC.

HMRC has updated its list of phishing emails and bogus contact to include a number of coronavirus-related scams (see tinyurl.com/BAM-COVIDScams).

As the details of government COVID-19 packages for businesses and employees (tinyurl.com/BAM-PractAdv) are still being finalised, opportunists are sending scam communications pretending to offer financial support.

One known example is an email scam offering a tax refund to help protect against the coronavirus outbreak, another is a text message scam offering a goodwill payment. HMRC also refers to another text scam that asks recipients to call a phone number to appeal against a fine imposed for leaving their house more than once.

HMRC has sent out its own email highlighting these scams, warning: "If someone gets in touch claiming to be from HMRC, saying that financial help can be claimed or that a tax refund is owed, and asks you to click on a link or to give information, such as your name, credit card or bank details, please do not respond."

ICAEW urges anyone who believes they are entitled to support, but is unclear how to proceed, to ensure that they work with a reputable agent that is known to them.

COVID-19: DIRECTORS ON PAYE CAN FURLOUGH

Company directors that receive salaries through PAYE can be furloughed and apply for a grant of 80% of their salary during the coronavirus pandemic, ICAEW understands.

After examining HMRC guidance ICAEW believes that individuals who are directors of their own family companies and who are themselves paid via PAYE should be eligible for the coronavirus job retention scheme, although the same rules will apply as to other businesses and their employees.

Under the scheme, businesses are able to apply for government grants for employees' salaries up to the lower of 80% of an employee's regular wage and £2,500 per month for three months from 1 March. The scheme could run for longer if the restrictions in movements to halt the COVID-19 pandemic remain in place.

We are awaiting full details of how the scheme will operate from HMRC, including for directors paid via PAYE but not receiving a consistent, regular monthly salary. We understand the intention of the scheme is to include those on irregular earnings, but full details on how the amount of the grant will be calculated for these individuals have yet to be released.

As with other businesses, such directors would need to have been on the payroll on 28 February 2020 and they cannot work while they are on furlough leave. We do not yet know the extent to which minor directorial duties would be disregarded, or whether the requirement that a furloughed employee should do "no work" would prohibit this.

We recommend all decisions in relation to the furlough scheme, and the reasons for taking them, should be documented together with a suitable audit trail.

It is our view that in such times as we find ourselves, a pragmatic view should be taken. You can read ICAEW guidance on the coronavirus job retention scheme furlough at tinyurl.com/BAM-C19Jobs

TWO DECREASES IN HMRC INTEREST RATES

Following the decreases in the Bank of England base rate, HMRC interest rates for late payments have also been revised.

The Bank of England Monetary Policy Committee voted on 11 March 2020 to decrease the Bank of England base rate to 0.25% from 0.75%. A second rate reduction was voted on 19 March 2020 to take the base rate to 0.1% from 0.25%.

These changes come into effect for HMRC late payments on:

- 23 March 2020 and 30 March 2020 for quarterly instalment payments; and
- 30 March 2020 and 7 April 2020 for other payments.

HMRC's web page with information on the interest rates (tinyurl.com/BAM-HMRC-IntRate) for the payments is updated as each of these changes come into force.

It should be noted, however, that repayment interest rates will remain unchanged as they are already at the de minimis of 0.5% specified by legislation.

FINANCIAL REPORTING

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

CORONAVIRUS

The coronavirus (COVID-19) pandemic is having a major impact on businesses but the extent to which this affects the financial statements, in terms of both measurement and disclosure, will depend on the particular facts and circumstances of the entity.

While there is a general consensus that COVID-19 is a non-adjusting event for 2019 year ends (including December 2019), greater judgement will be required for years or periods ending in 2020.

The Financial Reporting Faculty's guide, *Coronavirus: How to distinguish adjusting from non-adjusting post balance sheet events*, outlines some of the factors to consider when determining whether information which comes to light after the reporting date are non-adjusting (ie, to be disclosed when material) or adjusting (ie, to be reflected in the amounts recognised in the financial statements).

The faculty has also produced a checklist, *Implications of COVID-19 on the preparation of accounts under FRS 102*, which is aimed primarily at those entities preparing accounts for periods ending in 2020 and outlines some factors to consider when assessing the impact of the disease on the numbers and disclosures.

The faculty's webcast, *Accounting for COVID-19 support schemes*, looks in greater detail at the financial reporting consequences of the Coronavirus Job Retention Scheme, the Coronavirus Business Loan Interruption Scheme (CBLIS) and rent holidays.

Companies House has advised that companies who are unable to meet their filing deadline due to COVID-19 will be granted an automatic and immediate three-month extension.

However, companies must apply for the extension and applications must be submitted before the company's filing deadline. Changing the year-end accounting date may also be an appropriate course of action for some companies in light of the current public health situation. You can find out more about the application process in our article *Coronavirus: extensions to filing deadlines and changing reporting dates*.

The full range of coronavirus guidance, including on-demand webcasts, external guidance and plans for further resources, can be found on our hub at tinyurl.com/BAM-CoronaFR

INTEREST RATE BENCHMARK REFORM

In September 2019, the International Accounting Standards Board (IASB) published *Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7* providing temporary exceptions to specific hedge accounting requirements and requiring related disclosures in the period during which there is uncertainty about contractual cash flows arising from interest rate benchmark reform.

The IASB has now published further proposed amendments as part of the second phase of this project. These proposed amendments aim to address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform.

Read the IASB's press release at tinyurl.com/BAM-IASBAmends ●