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

MENTAL HEALTH AT WORK "BECOMING LESS TABOO": BCC

Nearly 30% of businesses have seen an increase in the number of staff taking time off for mental health reasons, according to a survey by the British Chambers of Commerce (BCC) and Aviva.

The survey – consisting of over 1,000 business leaders from across the UK – suggests firms are more aware of mental health concerns in the office and that the topic is becoming "less taboo" for both employees and employers.

A third of business leaders said they had also noticed an increase in the length of time that staff were taking off due to mental health issues.

Responding to the survey's findings, ACAS chair Sir Brendan Barber highlighted its new framework for positive mental health at work, which outlines the roles that employers and employees can play to achieve this. See the full framework at tinyurl.com/BAM-MentalH

SMALLER FIRMS SHOULD PUBLISH GENDER PAY GAP, SAY MPs

Organisations with more than 50 employees should have to publish details of what they pay the men and women in their employment, MPs have said.

A report by the Business Committee called for the government to "widen the net" to include smaller firms, citing evidence of the pay gap being higher in smaller businesses. Currently only firms of more than 250 staff are required to state the average pay difference between men and women. This is expected to cover only around half of the members of the UK workforce, the committee noted.

Rachel Reeves MP, chairman of the Business, Energy & Industrial Strategy Committee, said that new analysis from the committee revealed "obscene" and "entirely unacceptable" pay gaps in some firms of more than 40%, with 78% of organisations reporting gender pay gaps in favour of men.

Reeves said that a persistent gender pay gap showed that companies were "failing to harness fully the talents of half the population", citing the penalties of working part-time, both financially and in terms of career progression, as a major cause.

The report calls for firms to publish annual progress reports, including action plans for tackling any wage gaps.

Read the report at tinyurl.com/BAM-PayGap1

WHAT EMPLOYERS NEED TO KNOW ABOUT BREXIT

As an employer, are you up to date on the implications of Brexit for you and your workforce? XpertHR has released a podcast outlining the current state of play; what the end of free movement may mean for current and future employees from the European Economic Area; and the potential implications of a no-deal Brexit.

The session, featuring Fragomen senior manager Louise Haycock, also covers what steps HR can take to reassure any employees who may be directly affected by the end of free movement and key dates around the process.

To access the free recording, visit tinyurl.com/BAM-BrexitEmploy

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

INTEREST ON LATE PAID TAX RISES TO 3.25%

Following the increase in the Bank of England base rate to 0.75% from 2 August 2018, HMRC has announced an increase in the rates of interest on late paid tax. HMRC interest rates are linked to the Bank of England base rate. The rates of interest for late payment increased from 3.00% to 3.25% from 21 August 2018. This rate applies to almost all taxes and duties. The exception is quarterly instalment payments of corporation tax, for which the rate rose from 1.50% to 1.75% from 13 August 2018. Repayment interest remains unchanged at 0.5%.

A full list of current and previous interest rates is available at tinyurl.com/BAM-LatePaid

GOVERNMENT SHOULD FACE WORK DIFFERENTIALS CHALLENGE

The government has been consulting on how to tackle non-compliance with the off-payroll working rules (IR35) in the private sector. In our response, the Tax Faculty identified three interdependent policy issues that need to be resolved:

- the tax and legal status of work should be the same, certain and comprehensible to the engager and the worker;
- the tax and benefit differentials between different types of work must be addressed; and
- off-payroll working in the private and public sectors should be taxed in the same way.

Solving these issues will be challenging for government but failing to address them will only add to the current uncertainty faced by businesses and workers.

We understand the government's reluctance to tackle the disparity between the total tax paid by and on behalf of the self-employed and employees. However, this differential is at the heart of the problem, and we strongly believe that addressing it would be the most robust long-term way to restore equilibrium of workers' employment status in the jobs market and to protect Exchequer revenues.

Our full response can be read in ICAEW REP 94/18 at tinyurl.com/Rep9418

The government consultation is at tinyurl.com/BAM-OffPay

EBTs AND CONTRACT LOAN SCHEMES: A WEBINAR

Do you have outstanding loans from employee benefit trusts (EBTs) relating to disguised remuneration? Have you been involved in contractor loan schemes? Has a settlement been agreed with HMRC?

A new loan charge will come into force next April which will apply to any loans made after 5 April 1999 still outstanding at 5 April 2019.

The Tax Faculty has published a webinar recording on this topic, hosted by the head of faculty Frank Haskew and vice-chairman Rebecca Benneyworth.

The deadline for the settlement opportunity for submitting all the relevant information to HMRC is 30 September 2018.

The recording can be found at tinyurl.com/BAM-EBTs

FINANCIAL REPORTING

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

STRATEGIC REPORT

The Financial Reporting Council (FRC) has issued updated guidance on the Strategic Report. While the general structure of the guidance and key messages remain largely unchanged, there have been important changes in two key areas:

EU Non-Financial Reporting Directive

Updates have been made to reflect new non-financial reporting requirements that came into effect for certain entities from 1 January 2017. The new rules require that 'traded', banking or insurance companies, with more than 500 employees (referred to as public interest entities, or PIEs, in the guidance), prepare a non-financial information statement within their strategic report.

The relationship between this non-financial information statement and the existing strategic report requirements is complex and requires careful consideration by those companies affected. Therefore, the FRC has separated out what content is required by companies within the scope of the new non-financial reporting requirements (Section 7B) from those companies not affected by the new non-financial reporting requirements (Section 7A).

The FRC has also included additional information in the Scope section to help companies determine which parts of the guidance to apply.

S172 reporting

The guidance has been updated to place greater focus on the directors' duty under section 172 of the Companies Act to promote the success of the company.

In addition, the guidance has been updated to reflect new legislation, The Companies (Miscellaneous Reporting) Regulations 2018, which requires large companies, for financial periods beginning on or after 1 January 2019, to include a statement in their strategic report describing how the directors have had regard for the matters set out in section 172 when performing their duty to promote the success of the company. These matters include, for example, consideration of the interests of the company's employees, suppliers, customers, wider stakeholders, and the impact of the company on the community and environment.

Download the guidance at tinyurl.com/BAM-StratRep

CRYPTOCURRENCIES

There are currently no specific accounting requirements for cryptocurrencies in either IFRS or UK GAAP so accounting solutions are derived by analogy to comparable standards and refer to the conceptual frameworks for financial reporting. You can read more about how cryptocurrencies work and why they pose such a dilemma for accountants, auditors and regulators by reading the article *Experts weigh in on cryptocurrencies* in *By All Accounts*, the Financial Reporting Faculty's magazine.

See tinyurl.com/BAM-ExpertCrypto

PERFORMANCE MEASURES

The FRC's Financial Reporting Lab has published *Performance metrics – an investor perspective*, a report setting out investors' views on the reporting of performance. Investors are calling on companies to choose metrics to report their performance that are clearly aligned to the company's strategic goals, explain how they are calculated and provide sufficient information that allows comparisons to be made to previous years' performance.

The report includes a framework and a set of questions for companies and their boards to consider when deciding how they report their performance.

Also, the report supplements the current regulatory focus on the reporting of performance following the guidance on alternative performance measures issued by the European Securities and Markets Authority and the FRC's reviews on the application of that guidance.

Read the report at tinyurl.com/BAM-Invest1

FINANCIAL INSTRUMENTS

The International Accounting Standards Board has published a discussion paper on how companies issuing financial instruments should classify them in their financial statements.

IAS 32 *Financial Instruments: Presentation* currently sets out how a company that issues financial instruments should distinguish financial liabilities from equity instruments. That distinction is important because the classification of the instruments affects how a company's financial position and performance are depicted.

The board has responded to feedback from investors and others and has considered previous work on the topic to propose an approach that would provide a clear rationale for why a financial instrument would be classified as either a liability or equity without fundamentally changing the existing classification outcomes of IAS 32 and enhance the information provided through presentation and disclosure. Comments are due by 7 January 2019. ●

UK CORPORATE GOVERNANCE CODE

The FRC has released its 2018 UK Corporate Governance Code, which puts the relationships between companies, shareholders and stakeholders at the heart of long-term sustainable growth in the UK economy. The new Code is not only shorter and sharper but a product of extensive consultation.

The Code places emphasis on businesses building trust by forging strong relationships with key stakeholders. It calls for companies to establish a corporate culture that is aligned with the company purpose, business strategy, promotes integrity and values diversity.

There is a renewed focus on the application of the principles of clear, meaningful reporting. Investors and proxy advisers must assess explanations carefully and not take a tick-box approach.

There are key changes to guidance on the relationship between workforce and stakeholders, company culture, succession and diversity, and remuneration.

Read the Code at tinyurl.com/BAM-UKCGC