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

LANGUAGE OF 'PRODUCTIVITY CRISIS' BAFFLES ORDINARY PEOPLE

The nation's watchword needs to be "working better" if we are to solve the so-called productivity crisis. That was one of the key messages from Matthew Taylor in his overview of a new collection of essays on the subject.

Taylor, chief executive of The Royal Society for the Encouragement of Arts, Manufacturers and Commerce (RSA) and author of *Good work: the Taylor review of modern working practices* (2017), criticised the way productivity and industrial strategy have been explained to citizens in the past.

"Words like 'productivity crisis' and 'industrial strategy' leave most people dazed and confused," said Taylor. "When I am asked what these words mean for the average person I say, 'good work at a good wage, everywhere'. This works much better as a description of what is at stake and the prize on offer."

Drawing on the expertise of more than a dozen experts, from policymakers and economists to academics and trades union spokespeople, the essays flag up a variety of ways in which the relationship between productivity and good work may be strengthened.

Technology is at the heart of the matter, with calls to address the failures of past technological revolutions. The authors suggest: working with employees to make sure they are trained for the future; ensuring workplaces are set up to adequately handle change; and establishing new flexible working arrangements – as well as mechanisms for workers to assert their rights and voice to help them feel valued and engaged.

Planning was seen to be vital to success, and benefits could come for even the smallest businesses with the right support in place. Using the most cutting-edge technology to achieve gains would not be necessary.

The collection, *Can Good Work Solve the Productivity Puzzle?*, was a joint project by The Carnegie Trust and the RSA Future Work Centre, and can be seen at tinyurl.com/BAM-CGWS

GOING VIRAL: ABSENCE DUE TO COLDS AND FLU

With commuters coughing and sneezing over each other in heaving train carriages, it's little wonder that the common cold and flu prevail during the winter months. But where do employers and employees stand when it comes to viruses?

UK law allows a person to be off sick for seven calendar days (including the weekend) without the need to provide a doctor's note. The period would seem designed to accommodate colds: the NHS states that such viruses should resolve in about a week and gives advice to rest and keep warm.

Research by the Chartered Institute of Personnel Development found an average of 5.9 days sickness absence recorded per UK employee in 2017/18. However, they said the statistics masked "the fact that most people continue to work while unwell".

Those in jobs where no or low sickness pay is provided (eg, freelance or zero-hours contracts) may feel compelled to work through colds. But staying away avoids passing viruses to others – especially pertinent in a business with few employees, or for those in contact with the vulnerable (pregnant, elderly and chronically ill people).

A government/Ipsos Mori survey from last year of more than 2,500 employers found that although 55% had encountered health problems affecting staff, only 7% stated that colds, flu and other minor ailments were a significant problem.

For more, see tinyurl.com/BAM-SickLeave

TAX

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HMRC RELEASES GUIDANCE FOR CORPORATE NON-RESIDENT LANDLORDS

Non-resident landlords that are companies will start paying corporation tax rather than income tax on their profits from 6 April 2020. HMRC has released new guidance concerning this change.

Key points to note are that:

- HMRC is automatically registering non-resident landlords for corporation tax and issuing a corporation tax unique taxpayer reference.
- Agent authorisations will not transfer. Companies wishing to retain the services of an existing agent for corporation tax will need to authorise that agent to act for them in respect of corporation tax.
- Companies will need to register with HMRC online services to file their corporation tax return online.
- Transitional rules apply in respect of income tax losses and capital allowances.
- Relief for finance expenses are treated differently for corporation tax and the corporate interest restriction may need to be considered.
- Accounting periods will be set up to default to end on 5 April. If the company prepares its accounts to a different date, it must inform HMRC in writing.
- Payment dates will be different. Consideration will need to be given to the income tax regime and whether an application to reduce payments on account is required. There will be a one-off transitional rule in respect of quarterly instalment payments for very large companies.

HMRC's guidance does not apply to those companies that:

- have tax deducted under the non-resident landlord scheme and are not required to file a tax return;
- start a UK property business on or after 6 April 2020;
- file an income tax return that is not a Non-resident Company Income Tax Return (SA700).

Visit tinyurl.com/BAM-NRCTax

HMRC RECOVERY ACTIVITY USING SIMPLE ASSESSMENT

HMRC is issuing simple assessments for around 311,000 PAYE cases that were previously held back.

HMRC's annual report included the following comment on the introduction of simple assessment:

"We introduced simple assessment as a new, straightforward way for customers with simple tax affairs to pay tax that cannot be collected through PAYE, without them having to complete a tax return. Regrettably, we experienced a number of issues, which meant that about 311,000 customer accounts could not be reconciled as we planned."

The cases that were held back were those that involved multiple tax years. HMRC has now made the necessary systems changes to allow it to deal with multiple years and is issuing the simple assessments for these cases over the period November 2019 to March 2020.

HMRC's annual report can be read at tinyurl.com/BAM-Annual1819

HMRC PUBLISHES STAMP TAXES NEWSLETTER

HMRC published its latest *Stamp Taxes* newsletter covering stamp duty land tax (SDLT), stamp duty and stamp duty reserve tax on 16 January 2020.

The newsletter highlights various items, including:

- new guidance in HMRC's manuals on the definition of a dwelling and the number of dwellings acquired;
- changes to existing guidance covering the replacement residence condition for the higher rate of SDLT for additional dwellings; and
- SDLT repayments being made electronically.

See tinyurl.com/BAM-STLetter

2019 HARDMAN LECTURE IS ONLINE

The Tax Faculty's annual Hardman lecture was presented by Paul Johnson, Director of the Institute for Fiscal Studies. Paul focused his talk around the tax policy changes that will face any incoming government. His speech dealt with a number of themes, including the various challenges facing policymakers and the policy options the chancellor might wish to consider in order to address them.

A film of the lecture is available online at tinyurl.com/BAM-Hardman19

FINANCIAL REPORTING

FRS 102 – IBOR

The *Amendments to FRS 102 – Interest rate benchmark reform* provides relief to certain hedge accounting requirements in order to avoid unnecessary discontinuation of existing hedge relationships during the period of uncertainty over interest rate benchmark reform.

For cash flow hedges, the amendments require that an entity assume that hedged cash flows based on an interest rate benchmark will continue beyond the period when they could potentially be replaced by cash flows based on an alternative rate. Similarly, for fair value hedges, the amendments require that interest rate benchmark risk continues to be treated as identifiable in the hedged item even if this ceases to be the case.

The amendments are applied retrospectively to hedge relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to gains or losses in the cash flow hedge reserve at the beginning of that period.

These amendments are effective for accounting periods beginning on or after 1 January 2020. Early application is permitted.

Read the *Amendments to FRS 102 – Interest rate benchmark reform* at tinyurl.com/BAM-IntBench

FRS 101 – ANNUAL REVIEW

The Financial Reporting Council's (FRC) annual review of FRS 101 *Reduced Disclosure Framework* considers whether the standard should be amended as a result of developments in IFRS and/or in response to stakeholder feedback.

FRS 101 provides an exemption from the requirements of IAS 7 *Statement of Cash Flows*. The proposed amendments clarify qualifying entities are also exempt from disclosures related to the statement of cash flows but required by other IFRS (IFRS 6 *Exploration of Mineral Rights* and IFRS 5 *Discontinued Operations*).

Read more about the proposals at tinyurl.com/BAM-RedDisFrame

IFRS 16 LEASES – FAQs

The Financial Reporting Faculty has published a short summary of the key requirements of IFRS 16, including an outline of the lease accounting model, changes for lessors, transition arrangements and the impact on financial statements.

See tinyurl.com/BAM-LeasesFAQ

IFRS PRESENTATION AND DISCLOSURE

The International Accounting Standards Board (IASB) has issued extensive proposals that aim to improve how information is communicated in the financial statements, with a particular focus on the statement of profit or loss. Central to the proposals is the suggestion that IAS 1 *Presentation of Financial Statements* is replaced with a new standard that would comprise:

- new requirements on presentation and disclosure in the financial statements; and
- requirements brought forward from IAS 1 (with only limited changes to the wording).

The proposals recommend new subtotals for the statement of profit or loss:

- operating profit or loss;
- operating profit or loss and income and expenses from integral associates and joint ventures; and
- profit or loss before financing and income tax.

The IASB has also proposed a definition for 'management performance measures' and would require an entity to disclose information about management performance measures in a single note in the financial statements. The standard would also specify the information an entity would be required to disclose about management performance measures including, eg, a reconciliation to the most directly comparable total or subtotal specified by IFRS.

Read more about the proposals in our blog at tinyurl.com/BAM-FinStBlog

BRYDON REPORT

In December 2019, Sir Donald Brydon issued the report *Assess, Assure and Inform: Improving Audit Quality and Effectiveness*.

The report, produced in response to an extensive consultation carried out in 2019, includes close to 100 recommendations on a range of matters with the overall aim of improving the quality and effectiveness of audit. While the focus of Brydon's work remains firmly on audit, many of his recommendations make reference to corporate reporting (as well as other areas such as corporate governance). These include entities preparing a 'Public Interest Statement' as part of the strategic report, replacing 'true and fair' with 'present fairly, in all material respects' and disclosure of audit fees on the face of theprofit and loss account.

You can find out more about the corporate reporting aspects of the Brydon Report in our blog at tinyurl.com/BAM-Brydon

IMPROVING CORPORATE REPORTING

Thematic reviews

The FRC has announced its 2020/21 corporate reporting and audit quality review programme.

The FRC's Corporate Reporting Review team will supplement its routine reviews of corporate reporting with four thematic reviews:

- IFRS 16: review of disclosures in the first year of implementation;
- Cash flows and liquidity disclosures;
- IFRS 15: a deeper dive; and
- The effects of the decision to leave the EU on companies' disclosures.

These reviews will identify scope for improvement, as well as areas of better practices, in a number of areas of stakeholder interest. The Corporate Reporting Review team will also contribute to a planned FRC-wide project focusing on climate change, by reviewing the relevant disclosures given in companies' annual reports.

Read the press release at tinyurl.com/BAM-ThematicRev

Workforce reporting

The FRC's Financial Reporting Lab has issued a report providing practical guidance and examples on how companies can provide improved information to investors on workforce-related issues. Workforce-related matters, such as working conditions, changing contractual arrangements and automation, have all become areas of increasing investor focus in recent years and the Lab's report reveals investors' overwhelming support for clearer company disclosures. Alongside the report, the Lab also published a summary of the report covering questions companies should ask themselves about their reporting on workforce matters.

See tinyurl.com/BAM-WFRep ●