haysmacintyre

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Welcome to haysmacintyre's regular 'e-news alert' for corporates and private individuals.



Q2 Capital 500 QES

Earlier this month the London Chamber of Commerce and Industry published its Q2 2024 Quarterly Economic Survey (QES) which gave a, mostly, positive outlook for London businesses. Individual business confidence continued to grow in the quarter, with both turnover and profitability expectations improving. The economic outlook for London also improved and the economic outlook for the UK turned positive for the first time since Q3 2021. Despite the good news, cost pressures remained a concern, particularly from labour and utilities.

Chilly wind blows on IR35

The Upper Tribunal has remitted the IR35 case involving TV presenter Adrian Chiles (<u>HMRC v Basic Broadcasting Limited</u>) back to the First Tier Tribunal (FTT). This is on the basis the FTT had made legal errors in reaching its original conclusions, primarily around the terms and circumstances relating to the interpretation of the hypothetical contract, under which Chiles provided his services. This will be the fourth time the case will go to tribunal and demonstrates the complexities of both the IR35 legislation and the tribunal system, which is not helping to clear the backlog of cases. Please contact our <u>Employment Taxes team</u> for assistance with employment tax matters.



BADR in the spotlight

HMRC has <u>issued letters to taxpayers</u> and their tax agents it has identified as having exceeded the lifetime limit of £1 million for Business Asset Disposal Relief (BADR), previously known as Entrepreneurs' Relief. The letter explains that further BADR claims are unlikely to be accepted and that interest will be payable if additional tax arises from any amended returns, which HMRC is requiring to occur within 30 days of the letter, as otherwise HMRC may open an enquiry. Please contact your usual haysmacintyre adviser or <u>Danielle Ford</u>, Partner and Head of Tax Disputes & Resolutions, if you require assistance with BADR and/or have received such a letter.

Proposed changes in medium-sized reporting

Just before the General Election was announced, the Government published a <u>consultation to simplify parts of corporate reporting</u>. The consultation covered increasing the medium-sized employee threshold from 250 to 500 employees and removing the requirement for medium-sized companies to produce a Strategic Report. Whilst last week's King's Speech made reference to audit and corporate governance reform, no mention was made regarding corporate reporting so it will be necessary to wait to see if these proposals are carried forward by the new Government.

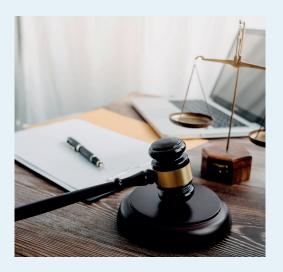


IASB amends IFRS 9

The International Accounting Standards Board (IASB) has issued narrow scope amendments to the classification and measurement requirements in IFRS 9 Financial Instruments. The amendments include clarifying the classification of financial assets with environmental, social and corporate governance (ESG), and similar features, and whether the loans should be measured at amortised cost or fair value. The amendments also clarify the date on which a financial asset or financial liability is derecognised when settled through electronic payment systems. The amendments are effective for reporting periods beginning on or after 1 January 2026.

Threats from cybersecurity

The European Confederation of Institutes of Internal Auditing (ECIIA) has published its <u>2024 Risk in Focus</u> report that sets out hot topics for internal auditors. The biggest threat continued to be cybersecurity and data security with 84% of survey respondents saying it was a top five risk, with 60% rating it in the top two priorities. The report also recognises that disruptive technologies, such as AI, could propel these risks higher by 2027. The topics ranked second to fourth were: human capital, diversity, talent management and retention; change in laws and regulations; macroeconomic and geopolitical uncertainty; and business continuity, operational resilience, crisis management and disasters response.



King's Speech announces strengthened audit and governance measures

Last week, the <u>King's Speech</u> announced the Draft Audit Reform and Corporate Governance Bill would be brought forward to replace the Financial Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA) as the statutory regulator. It is also proposed to: extend Public Interest Entity (PIE) status to the largest private companies; remove unnecessary rules for smaller PIEs; create new powers to investigate and sanction company directors for reporting and audit failures; and introduce a new regime to oversee the audit market, protecting against conflicts of interest at audit firms.

Changes afoot at the FRC

The FRC has announced that, following a review of its economic analysis, data analysis, research and market monitoring operations, it has <u>established two new functions</u>: one being Market Intelligence and Insights (MII) and, the other, Digital Reporting and Taxonomies (DRT). MII will focus on providing more comprehensive, evidence-based analysis and insights across the FRC's policy development, monitoring and regulatory activities. DRT will focus on building the FRC's knowledge and capability, improving the quality of digital reporting and developing tools to support the reporting ecosystem.



Tax gap widens

Data published by HMRC shows the gap between the tax collected and the total theoretical tax liability (the "tax gap") grew in absolute terms between 2021/22 and 2022/23 from £38.1 billion to £39.8 billion. However, due to the growth in the expected total tax collection, the percentage tax gap fell from 5.2% to 4.8%. Whilst over the period from 2005/06 to 2022/23 the overall tax gap fell from 7.4% to 4.8%, the gap for corporation tax alone increased from 11.4% to 13.9%. HMRC estimates that small businesses have not paid c£10.9 billion of corporation tax, making up the single biggest component of the gap.

And finally... tax own goal

In the news recently, it was announced that former England international footballer, Emile Heskey, had been ordered to pay HMRC's legal costs of c \$195k. This own goal came off the back of legal fees incurred by HMRC in anticipation of a High Court battle, which ultimately did not kick off as Mr Heskey paid the tax bill thought to be \$1.63m. This highlights the importance of seeking measured professional advice on the best way forward and the merits of challenging HMRC, as it is apparent that your own costs are not the only financial risk. Please contact our Tax Disputes & Resolutions team for such advice.

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of the Year 2023



