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The future of European competitiveness: the role and transformation of SMPs

Practice management: build your business profits!

The financial risk of misclassifying workers

Managing the transition from offline to online accounting

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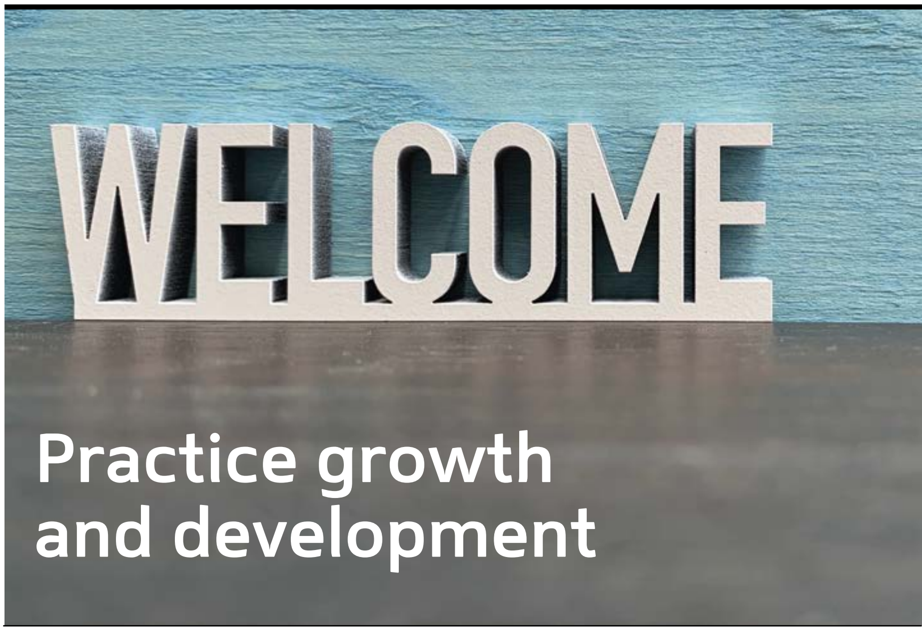

Practice growth and development

Angela Partington Editor, IA

We live in a period of significant change, which is certain to impact the competitive nature of all businesses. The role that small and medium sized accountancy practices can play in these developments will be vital, as Salvador Marín and Paul Thompson explore in their article on the role and transformation of SMPs in Europe (see page 12).

They believe that accountancy firms can play a vital part in boosting the competitiveness of the European economy and set out their 'Four Ps' of practice transformation – Posture, People, Product and Processes. Read their piece for some advice about how SMPs can embrace change, nurture talent, expand their service offerings and modify their ways of working.

Building and strengthening our practices can definitely bring benefits. Shane Lukas explores this approach in his article on how to build your practices, with tips on how to grow your business profits from mildly successful to wildly profitable (see page 14). Karl Hodson considers another key approach to developing accountancy practices in his article on unchaining your business and managing the transition from offline to online accounting (see page 22). He addresses the importance of introducing new accounting software, digitalising company records and embracing a digital-first culture in the workplace.

Throughout all these developments, though, it is essential for all businesses to keep an eye on our primary resource – that of our people. Dino Jangra writes about the rise in global mobility and the pressure this is placing on professionals and employers (see page 6). Catherine Chidyausiku explains the risks that can occur if workers are misclassified (see page 25). And Emma Vinton shares advice on how to help workers through one of the greatest transitions – that of the menopause (see page 18).

We also report on the changes in the Irish Budget (see page 6), which reveals the government's plan to address cost-of-living pressures, housing and social welfare, while the UK Autumn Budget sets out Rachel Reeves' proposals – in the first UK Budget speech by a female chancellor – to raise £40 billion in taxes (see page 8). We are all facing many changes together.

Contributors to this issue

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INTERNATIONAL

G20 leaders urged to prioritise sustainability and governance

The global accountancy profession, through the International Federation of Accountants (IFAC), is urging G20 leaders to focus on sustainability, transparency and governance as the 2030 deadline for the United Nations Sustainable Development Goals approaches.

A new publication, 'G20 Call to Action 2024: building a just world and a sustainable planet', underscores the essential role that high-quality sustainability information, reporting and assurance play in achieving global sustainability targets. IFAC calls for G20 leadership in fostering a comprehensive ecosystem of sustainability reporting and assurance, grounded in international standards and supported by strong corporate governance practices.

The Brazilian G20 Presidency highlights the importance of sustainability across climate, environmental and governance dimensions. The Call to Action It urges G20 leaders to adopt the IFRS Sustainability Disclosure Standards, the International Auditing and Assurance Standards Board's recently approved International Standard on Sustainability Assurance (ISSA) 5000, and the International Ethics Standards Board for Accountant's forthcoming ethics and independence standards for sustainability reporting and assurance.

'As the 2030 deadline rapidly approaches, balancing environmental and societal priorities has never been more urgent,' said IFAC Chief Executive Officer Lee White. 'Professional accountants are driving the creation of a sustainable future. We've already seen policymakers, businesses and society aligning with us to pursue these common goals, and we welcome the expansion of these crucial partnerships.

In parallel with these recommendations, the global accountancy profession is taking concrete steps to support sustainability and governance objectives, including advancing the adoption of sustainability reporting standards, enhanced corporate governance and improved transparency across sectors. Professional accountants and firms are also preparing for the adoption of ISSA 5000, ensuring they meet evolving sustainability reporting needs.

IFAC's publication underscores that a just and sustainable planet is within reach, but only through collective action. 'G20 policymakers must maintain their important momentum and seize this moment,' said Lee White. 'The global accountancy profession is already playing a key role in achieving the Sustainable Development Goals. We welcome the G20's continued and increasing involvement. By adopting these recommendations and collaborating closely with the accountancy profession, we can build a sustainable future that leaves no one behind.'

Key recommendations

- Advocate for a global framework built on IFRS Sustainability Disclosure Standards and ISSA 5000 for assurance.
- Support the International Public Sector Accounting Standards Board (IPSASB) in developing global public sector sustainability standards.
- Encourage governments to adopt accrual accounting and professionalise public finance to boost transparency.
- Ensure SMEs have access to the necessary tools and resources.

AUDIT

NAO's 2024 Code of Audit Practice now in force

The National Audit Office (NAO) has announced that the 2024 Code of Audit Practice has come into statutory effect. The Code sets out how auditors of local public bodies – such as councils, police, fire and the NHS – can fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. It applies to audits not been certified complete at the time it comes into effect, and to the audits of local bodies from 2024-25, until it is replaced after five years.

Local public bodies account for a significant amount of public spending, delivering many of the public services people rely on every day. Much of this money is raised through taxation, and taxpayers, national bodies and other stakeholders reasonably expect assurance from auditors over whether the public bodies have proper arrangements in place to manage their business and finances.

Recognising the growing backlog in local authority audits, stakeholders across the local audit system, including the NAO, have been working on proposals to clear the backlog and return the local audit market to a sustainable footing.

Proposals for the draft Code were submitted to a consultation in February/March 2024, and are intended to support measures taken by the Ministry for Housing, Communities & Local Government (MHCLG) to address the current backlog of local government audits. The main proposed amendments are to give effect to the measures aimed at clearing the backlog and to help make reporting of work on value for money more timely. Additionally, MHCLG has laid a Statutory Instrument in Parliament, which will introduce statutory deadlines for the publication of audited accounts.

Gareth Davies, head of the NAO, said: 'The new Code will support the return to timely and effective local audit. Alongside other measures, including the introduction of statutory deadlines for the publication of audited account, the new Code aims to restore public confidence and put local audit on a more sustainable path.'

AIA NEWS

MONEY LAUNDERING

AIA publishes report of AML activity in 2023-24

AIA has published its professional body supervisor report, which explains work carried out to ensure that accountants prevent criminals from using their services to launder money.

AIA supervises its practising members for the purposes of the UK Money Laundering Regulations 2017 (as amended), where AIA is listed in Schedule 1 as an approved supervisory body. In the Republic of Ireland, AIA is a designated body under the Criminal Justice (Money Laundering and Terrorist Financing) Act. This work is overseen by HM Treasury, the Office for Professional Body AML Supervision (OPBAS) and the Republic of Ireland Departments of Finance and Justice.

AIA's strategy is to provide robust anti-money laundering supervision through a risk-based approach. This requires assessment of risks and targeting resources to the areas or products that are most likely to be used to launder money. AIA also offers support to members through education, guidance, training, compliance checklists and templates.

The report covers: our role in tackling money laundering and terrorist financing; firms and individuals in scope of the regulations; monitoring and supervision activity; reporting suspicious activity; whistleblowing and AML disclosures; emerging risks; and upcoming areas of focus and supervisory activity.

You can find the full report at: tinyurl.com/4nevnn87

EFAA

EFAA releases key policy positions and recommendations for 2024

EFAA
EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES

The European Federation of Accountants and Auditors for SMEs (EFAA) has published its summary of key policy positions and recommendations for 2024, addressing crucial areas for the development and support of small and medium-sized enterprises (SMEs). This document provides guidance on regulatory improvements that can enhance the financial stability and sustainability of SMEs, a sector that plays a vital role in Europe's economy.

As a member of EFAA, AIA supports these recommendations and encourages its members to take note of the key areas outlined:

- **Improved financial reporting for SMEs:** EFAA proposes simplified, proportionate reporting standards, which are aimed at improving transparency while reducing administrative burdens, helping SMEs to access finance more efficiently.
- **Sustainability reporting:** The report calls for SME-specific sustainability reporting standards to help businesses meet rising expectations for environmental, social and governance (ESG) performance.
- **Support for digitalisation:** EFAA advocates for greater assistance in the digital transformation of SMEs, enabling them to adopt new technologies for tax compliance and business efficiency.
- **Proportional audit and assurance services:** EFAA continues to recommend audit and assurance services tailored to SME capacities, ensuring trust and integrity in business operations.

Philip Turnbull, Chief Executive of the AIA, said: 'EFAA's 2024 policy recommendations address some of the most pressing challenges faced by SMEs today. AIA strongly supports these initiatives, which will help our members navigate an evolving regulatory landscape and provide better service to their clients.'

AIA encourages its members, particularly those working with SMEs, to review the full report and consider how these policy recommendations may impact their practices. These updates will shape the accounting landscape in 2024 and beyond, offering important insights for professionals in the sector.

You can read the full report at: tinyurl.com/m69puaf4

PRESIDENT

AIA announces re-election of Council President

Shahram Moallemi, President of the AIA Council

The Association of International Accountants (AIA) is delighted to announce the re-election of Shahram Moallemi as President of the AIA Council. Since his initial election in 2020, Shahram has shown persistent dedication to advancing AIA's mission and overseeing its governance on a global scale.

In his continued role as President, Shahram will also retain his positions as Chair of both the Finance Committee and Applications Committee, while lending his expertise in audit and assurance to the Technical Committee. His contributions to these key areas have been instrumental in upholding the Association's high standards.

Over the past four years, Shahram's presidency has driven substantial progress for AIA, consistently raising the bar for the Association and reinforcing its commitment to excellence. His extensive knowledge in business development, accountancy and taxation, paired with his strategic and analytical approach, equips him ideally for his dual roles as President and Chair.

Shahram's experience in building and expanding successful business brands has been invaluable to AIA's ongoing growth and success. We look forward with enthusiasm to the strides he will make in the coming year.

Other appointments ratified at the AIA Council Meeting, held virtually on 8 November 2024, were:

- Linda Richards: Vice President
- Phillip Ford: Vice President

A message from Shahram

I am honoured to be re-elected as President of the Association of International Accountants and eager to work with our members to advance our profession in today's rapidly changing landscape. This coming year, we have several ambitious goals aimed at strengthening our Association, advancing the accounting profession and supporting global standards and sustainable development.

A key priority is achieving full membership with the International Federation of Accountants (IFAC). To this end, we are committed to full compliance with IFAC's Statements of Membership Obligations (SMOs) and the International Education Standards (IES), which will elevate our professional training and ensure we meet the highest benchmarks in ethical and technical competence.

Equally important is our responsibility to educate and support accountants in addressing critical challenges in sustainability and the integration of advanced technologies like artificial intelligence. Accountants are uniquely positioned to lead in these areas, providing essential insights into sustainable business practices and navigating the opportunities and ethical considerations that come with AI and other emerging technologies. We will invest in training, resources and guidance to help our members lead the way in these fields.

Finally, we are committed to supporting the United Nations Sustainable Development Goals (UN SDGs) by promoting transparency, accountability and ethical governance. Through our work, we aim to contribute meaningfully to economic and social development, enhancing the positive impact of our profession in our communities and beyond.

Together, I am confident we will achieve these goals and continue to build a stronger, more resilient and forward-thinking accounting profession. Thank you for your continued support, and I look forward to a productive year ahead.

Irish Budget 2025: what you need to know

The government of Ireland has unveiled Budget 2025 – its plan to address cost-of-living pressures, taxation, housing and social welfare enhancements.

This Budget introduces key changes that will impact AIA members both personally and professionally, with significant benefits across various sectors.

Minister for Finance Jack Chambers argued that Budget 2025 demonstrates a strong commitment to addressing immediate financial pressures, while laying the groundwork for long-term economic stability, supporting individuals, businesses and key sectors across Ireland.

The measures announced on Tuesday 1 October 2024 by the Minister for Finance and the Minister for Public Expenditure, NDP Delivery and Reform include the following:

Cost of living and energy relief

Budget 2025 includes two €125 electricity credits, one to be paid this year and another in 2025, to alleviate rising energy costs. The 9% VAT rate on electricity and gas bills will be extended until April 2025. Additionally, the minimum wage will rise by 80 cents to €13.50 per hour from January 2025, improving income for workers across Ireland.

Business and employment supports

Budget 2025 includes several measures designed to support businesses. The tax-free limit for non-cash employee benefits, such as vouchers, will increase from €1,000 to €1,500. The Research and Development (R&D) tax credit will also be enhanced, encouraging innovation. A €170 million energy subsidy scheme will benefit 39,000 firms, helping to offset energy costs.

Tax changes and personal reliefs

Personal tax adjustments are a cornerstone of the Budget. Personal, employee and earned income credits will increase by €125. The income threshold for the higher 40% tax rate will rise by €2,000 to €44,000, reducing tax burdens for many individuals. Additionally, the Universal Social Charge (USC) will be cut from 4% to 3%, further easing financial pressure. Inheritance tax thresholds will also increase, offering relief to those planning their estates.

Social welfare increases

For social welfare recipients, weekly payments will increase by €12, while payments for qualified children will see additional rises of €4 for children under 12 and €8 for those over 12. A series of one-off payments will provide further support, including a €400 lump sum for working families, €300 for those on fuel allowance and a €200 payment for those living alone. Carers will benefit from a €150 increase in the Carer's Support Grant, alongside increases in the carer's allowance disregard.

Housing and renters' relief

Housing remains a focal point of Budget 2025, with €3.2 billion in capital spending allocated to social and affordable housing initiatives. The Help to Buy scheme has been extended to 2029, offering continued support for first-time homebuyers. Renters will see the annual rent tax credit increase by €250 to €1,000, a measure set to remain in place for 2025. New taxes aimed at bulk property buyers and vacant homes are also introduced to promote housing availability.


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Healthcare and education investment

Healthcare receives a boost, with funding allocated for 495 new hospital beds and increased mental health services. Schools will benefit from expanded hot meal programmes and free schoolbooks for senior students. A €1.5 billion investment in higher education and research aims to strengthen Ireland's knowledge economy.

Climate and environmental measures

As part of the government's climate agenda, the carbon tax will increase for petrol and diesel from October 2025. For other fuels, the tax hike will take effect in May. The VAT rate on heat pumps will drop from 23% to 9%, encouraging the adoption of energy-efficient home systems.

David Potts, AIA Director of Policy and Regulation, said: 'Budget 2025 strikes a balance between supporting economic growth and addressing the rising cost of living. Whilst the measures announced within the Budget included some positive changes to the tax framework for businesses, including expansion of the R&D tax credit and extensions to certain investor reliefs, their effect on small and medium enterprises and practitioners may be limited and further support is needed to address rising overheads.'

Taxation measures to support businesses

Angel Investor capital gains tax relief: The Angel Investor capital gains tax relief, which is targeted at encouraging business angel investment in innovative start-ups, was announced in Budget 2024, and will commence shortly. It is proposed to increase the lifetime limit on gains, on which the reduced rate of capital gains tax applies, from €3 million to €10 million.

Capital gain tax retirement relief: Finance Act 2023 increased the age parameters and introduced a cap on retirement relief of €10 million. Finance Act 2024 retain the increased upper age limit and will introduce a clawback period of 12 years for relief available for disposals over €10 million, after which the capital gains tax will be abated. These changes are to ensure that the intergenerational transfer of Irish family businesses continues to be supported by the tax system.

Relief for investment in corporate trades: Following a tax expenditure review, it is proposed to extend the relief for investment in corporate trades, which comprises the Employment Investment Incentive (EII), Start-Up Relief for Entrepreneurs (SURE) and the Start-Up Capital Incentive (SCI), for a further two years to 31 December 2025. The limit on the amount that an investor can claim relief on for EII investments will be increased from €500,000 to €1,000,000. It is proposed to increase the relief available to a maximum of €140,000 per year (€980,000 over seven years) for SURE investments.

Research and development tax credit: The research and development (R&D) tax credit is an important feature of the Irish corporation tax system. It provides a 30% tax credit for all qualifying R&D expenditure. The primary policy objective is to increase business R&D in Ireland, as R&D can contribute to higher innovation and productivity. More broadly, the tax credit forms part of Ireland's corporation tax offering aimed at attracting FDI, and at building an innovation-driven domestic enterprise sector. The credit enables Ireland to remain competitive in attracting quality employment and investment in R&D.

It is proposed to increase the first year payment threshold from €50,000 to €75,000. This threshold is the amount up to which a claim can be paid in full in the first year, rather than being paid in instalments over three years. The increase will provide valuable cash-flow support to companies undertaking smaller R&D projects or engaging with the credit for the first time. It is estimated, based on 2022 claims (the latest data available), that increasing the payment threshold to €75,000 will increase, to circa 44%, the proportion of claimant companies qualifying for payment of the credit in full in the first year.

Section 486C start up relief: The Section 486C start up relief currently provides a corporation tax relief for new small companies in the first five years of trading with an annual corporation tax liability of less than €40,000. Marginal relief is available to companies with a corporation tax liability of between €40,000 and €60,000 to ensure companies with a liability just over €40,000 do not lose the full value of the relief.

Section 486C allows relief of up to €40,000 per year against corporation tax liabilities, which may be carried forward where not fully used in the five years. The relief is currently calculated by reference to employer PRSI paid of up to €5,000 per employee. This does not encompass PRSI paid by owner-directors. This measure proposes to extend the qualifying criteria to allow up to €1,000 of Class S PRSI per individual to count toward this cap. This will provide much needed support for small, owner-managed start-up companies.

Autumn Budget 2024

In the first Budget speech delivered by a female Chancellor, Rachel Reeves set out proposals to raise £40 billion in taxes.

The key changes and announcements made on 30 October 2024.

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Personal taxes

Abolition of the remittance basis from 6 April 2025

The remittance basis will be abolished from 6 April 2025 and replaced with the foreign income and gains regime (FIG regime). As well as publishing a detailed technical paper, 103 pages of draft legislation for Finance Bill 2025 was also released.

The four-year FIG regime will be implemented, meaning that individuals in their first four years of UK tax residence will pay no UK tax on foreign income and gains arising in those tax years, as long as they had not been UK resident in the 10 years prior to their arrival.

To benefit from the FIG regime, the individual will need to make a claim each tax year and can claim the exemption in relation to income, gains or both. Note that claiming the FIG regime means that the individual will lose the personal allowance and annual exempt amount. No relief is available for foreign income losses and foreign capital losses in the years in which the FIG regime is claimed.

Overseas workday relief will be extended to four years from three years and the need to retain income offshore will be removed. However, there will be an annual limit to the relief that can be claimed, which is the lower of 30% of the qualifying employment income and £300,000 (see the example in para 89 of the technical paper).

Any individual who has been a remittance basis user in the past will benefit from the previously announced temporary repatriation facility (TRF). This will last for three tax years and include distributions from offshore trusts to UK resident settlors and beneficiaries. The individual will be able to designate amounts of unremitted income and gains on their tax returns and pay UK tax on them in the three-year period but can then remit them at any point, even if this is after 5 April 2028.

Capital gains tax rates

For disposals made on or after 30 October 2024, the main capital gains tax rates applying to assets other than residential property and carried interest are increased from 10% and 20% to 18% and 24% respectively, and the rate applying to trustees and personal representatives is increased from 20% to 24%. The rates applying to residential property disposals (18% and 24%) will remain unchanged. Transitional provisions apply for contracts entered into before 30 October 2024 but completed after that date.

Changes to rules for overseas pensions and scheme administrators

Since 2017, an overseas transfer charge has applied where UK tax-relieved pension savings are transferred abroad. Qualifying recognised overseas pension schemes (QROPS) established in the EEA and Gibraltar were excluded from the charge.

The proposed change removes the exclusion applying to QROPS established in the EEA and Gibraltar for transfers on or after 30 October 2024. The government expects that this will reduce the risk of around £1 billion of UK tax-relieved pension savings being transferred overseas.

Carried interest reform

As previously announced in July 2024, and consulted on, at the Autumn Budget 2024 the government announced that the tax treatment of carried interest will be reformed with effect from April 2026.

All carried interest will be treated as trading profit (of a deemed trade) and will be subject to both income tax and class 4 national insurance contributions (NIC). However, a 72.5% multiplier will apply to qualifying carried interest, so reducing the effective tax rate on this type of income. In addition, employment-related securities will no longer be excluded from the income based carried interest (IBCI) rules, to ensure they apply 'equally and fairly to all recipients of carried interest'. Carried interest will be qualifying for the new regime where it is not IBCI.

Business taxes

Close companies: anti-avoidance measure

Special rules apply to tax loans and advances provided by a close company to a participator. In addition, there is a targeted anti-avoidance rule (TAAR) that imposes a similar tax charge on participators extracting value on amounts which do not fall within the definition of a loan or advance. Under the existing rules, where the value extracted is repaid or returned to the company (referred to as a 'return payment'), and no consideration is given for the return payment, relief from the charge is available.

The government has announced as part of Autumn Budget 2024 that the relief for return payments where the TAAR has applied will be repealed. Tax will therefore remain payable whether or not there has apparently been a repayment, or whether a repayment is subsequently made.

The changes take effect from 30 October 2024 and apply to return payments made on or after that date.

Business asset disposal relief

Business asset disposal relief is a capital gains tax relief that allows business owners with chargeable gains on qualifying business assets to pay capital gains tax at a rate of 10%. The relief is available on up to £1 million of capital gains for each individual over their lifetime. Relief is available on gains arising to sole traders, partners, shareholders and trusts.

At the Autumn Budget 2024, the Chancellor announced that the lifetime limit will remain at £1 million but the rate of tax for business asset disposal relief will increase to 14% from 6 April 2025 and then rise to 18% from 6 April 2026 to match the main lower rate.

Investors' relief

Investors' relief is a capital gains tax relief on the disposal of qualifying shares in an unlisted company. A taxpayer making a disposal that qualifies for investors' relief pays tax at a rate of 10%. There is a lifetime limit on the relief of £10 million, which is in addition to that applying for business asset disposal relief. The relief is available to individuals or trustees.

At the Autumn Budget 2024, it was announced that the lifetime limit for investor's relief will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for business asset disposal relief.

Rules will be introduced that apply to forestalling arrangements where there has been a reorganisation of a company's shares before 30 October 2024.

As with business asset disposal relief, the rate of tax for investors' relief will increase to 14% from 6 April 2025 and then rise to 18% from 6 April 2026 to match the main lower rate.

Employee ownership trusts and employee benefit trusts

An employee ownership trust is a type of trust set up to allow employees of a company to hold a controlling interest in that company.

Where a controlling interest in a trading company is sold to an employee ownership trust and the necessary qualifying conditions are met, the sale of the shares of a trading company or group into an employee ownership trust is free of capital gains tax for the vendors (as long as they are not companies), by deeming the sale to be a no gain, no loss transaction for capital gains tax purposes. In addition, there is the ability to pay bonuses free of income of up to £3,600 per year to employees.

The lifetime limit for investor's relief will be reduced to £1 million for all qualifying disposals made on or after 30 October 2024.

The government has announced the following changes:

- restrictions on former owners or people connected to them from retaining control by controlling the employee ownership trust;
- the trustees of the employee ownership trust must be UK resident at the time of the disposal to the employee ownership trust;
- the trustees must ensure that the consideration paid for the shares does not exceed market value;
- the vendor clawback period to recover tax for breaches of the conditions is to be extended;
- additional information required with the claim for capital gains tax relief;
- confirmation in legislation of the treatment of distributions to the employee ownership trust;
- amendments to the participation requirement for income tax relief on annual bonus payments to exclude directors; and
- additional amendments to the IHT rules.

These are effective from 30 October 2024.

Corporation taxes

Research and development reliefs

The government has announced two changes to the corporate research and development reliefs.

The first change is a technical correction is to the R&D intensity condition which applies to expenditure incurred on or after 1 April 2023 in an accounting period beginning before 1 April 2024. For affected periods, the intensity condition required the ratio of qualifying R&D expenditure to total expenditure to be 40% or more.

The second change is to the special rules which apply to certain companies with a registered office in Northern Ireland which claim under the SME scheme for accounting periods beginning on or after 1 April 2024, available only to loss-making R&D-intensive SMEs. For claims made on or after 30 October 2024, the cap will be increased to €300,000 for most companies (with a lower limit for the agriculture and fisheries sectors) and the legislation, currently in regulations, will be rewritten directly into the R&D provisions in Corporation Tax Act 2009.

Corporate Tax Roadmap

One of the priorities for businesses, given the significant number of changes to corporation tax in recent years, is stability, certainty and predictability of the tax regime. To this end, the government published a Corporate Tax Roadmap alongside the Autumn Budget 2024 documents. This sets out its plans for the duration of this parliament in respect of corporation tax and a few other associated taxes. The intention is that clarity on their tax position will encourage businesses to invest in long-term projects and so increase growth in the economy as a whole.

The roadmap sets out several key commitments (see below) and also includes a list of upcoming consultations in the annex. It doesn't rule out changes to the regime, if they are needed to respond to unforeseen circumstances, but the government commits to engaging with businesses and tax professionals as much as possible in respect of any actions it takes. It will also publish further information on its plans and approach in the future.

Employment taxes

Increase in the national minimum wage

The national living wage will increase by 6.7% from £11.44 to £12.21 an hour from April 2025. The national minimum wage for 18 to 20 year-olds will also rise from £8.60 to £10.00. Over time, the government intends to align the national living wage and national minimum wage to create a single adult rate.

Increase in main secondary employer NIC rate, reduction in secondary threshold and increase to employment allowance

The Autumn Budget 2024 introduced two significant increases to employer secondary NIC rates. From 6 April 2025, the main employer rate will increase from 13.8% to 15%. Also, the Secondary Threshold, below which no employer's NIC is payable, will reduce from its current level of £9,100 per annum, to £5,000 per annum.

For an employee paid at £9,100 per annum, this will equate to a new employer NIC liability of £615 per annum. For any employee earning, say, £30,000 per annum, the total employer NIC increase would be £866 per annum, per employee. To at least partially offset these rises, the government confirmed two changes to the employment allowance, taking effect from 6 April 2025. Firstly, the allowance will increase from £5,000 to £10,500 per annum, from 6 April 2025.

In addition, the existing employment allowance eligibility threshold, limiting the allowance to employers who have a total employer's NIC bill of £100,000 per annum or less, will be removed. This means that the size of the employer will no longer disqualify a claim for the allowance.

Payrolling of benefits to become mandatory from April 2026

The government has confirmed that the current process, whereby benefits in kind may be payrolled by employers, will become mandatory from 6 April 2026.

The new process will replace the current default method, whereby employers return benefits annually on forms P11D. For the present, the

> **The existing employment allowance eligibility threshold will be removed. The size of the employer will no longer disqualify a claim for the allowance.**

current exceptions for employer related loans and living accommodation will be retained, though from April 2026 the employer may opt voluntarily to include these items in their payrolling benefits processes.

Tackling non-compliance in the umbrella payroll market

The government remains concerned that there are significant levels of fraud, as well as non-compliance, in the umbrella payroll sector. Following on from earlier consultation, the government confirmed its intention to put greater onus on employment businesses or agencies, as well as onto end clients.

The new rules will apply from 6 April 2026, where a temporary worker is paid through an umbrella payroll provider. The intention is to make agencies responsible for accounting for PAYE on payments. The agency will be the party liable for PAYE tax and NIC. Where there is no such agency, this responsibility will alternatively fall on the end client. The change is likely to require that both agencies and end clients carefully review their temporary worker supply chains.

Inheritance tax

Business property relief: rate reduction to 50% for some shares

From 6 April 2026 the rate of business property relief (BPR) available on shares traded on a recognised stock exchange which is designated as 'not listed' will no longer qualify for business property relief at 100%. From this date, the rate of relief will be 50%. This provision is targeted at AIM shares.

Anti-forestalling measures mean that these new rules will apply for lifetime transfers on or after 30 October 2024 if the donor dies on or after 6 April 2026. So a lifetime gift to an individual of unquoted shares made on or after 30 October 2024 where the donor dies on or after 6 April 2026 but within seven years of the gift will be a failed potentially exempt transfer to which only 50% relief will apply.

Business property relief and agricultural property relief: 100% relief cap

For transfers on or after 6 April 2026, the combined value of business property relief and agricultural property relief available at 100% will be capped at £1 million. The relief given on the balance of any property qualifying for business property relief or agricultural property relief will be at 50%. Where the qualifying property is a mix of both agricultural and business property then the £1 million will be allocated proportionately.

If the £1 million allowance is not used in full, then it is lost and is not transferable to a spouse. The allowance will cover all transfers made by an individual on death and in the seven years before death.

Anti-forestalling measures mean that these new rules will apply for lifetime transfers on or after 30 October 2024 if the donor dies on or after 6 April 2026. So a lifetime gift to an individual of property qualifying for business property relief at 100%, made on or after 30 October 2024, where the donor dies on or after 6 April 2026 but within seven years of the gift, will be a failed potentially exempt transfer to which only 50% relief will apply.

Abolition of domicile and move to a residence based inheritance tax system

It was announced at the Conservative Spring Budget 2024 that domicile would be abolished as the connecting factor for inheritance tax. Labour's Autumn 2024 Budget has confirmed that from 6 April 2025, a new residence-based system for inheritance tax will be introduced.

From 6 April 2025, the test for whether non-UK assets are chargeable to inheritance tax will be whether the individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which the chargeable event arises. They will be known as a 'long-term resident'.

Those leaving the UK will remain in the scope of inheritance tax for three years if they have been resident between 10 and 13 years. This will then increase by one tax year for each additional year of residence. An individual will not be treated as long-term resident for inheritance tax purposes in the year following 10 consecutive years of non-residence.

The statutory residence test will apply when assessing residence and the pre-statutory residence test rules will apply for periods before its introduction on 6 April 2013.

If the settlor or a trust has died before 6 April 2025 then the excluded property status of the trust will be decided on the old test – that is the settlor's domicile when the assets were settled. Otherwise, excluded property comes within the new regime based on whether the transferor is a long-term resident. This is a major change from the original Conservative proposals.

Unused pension funds and death benefits

From 6 April 2027, unused pension funds and death benefits payable from a pension will form part of an individual's estate for inheritance tax purposes. The scheme administrators will become liable for reporting and paying any inheritance tax arising.

Produced by Tolley

For transfers on or after 6 April 2026, the combined value of business property relief and agricultural property relief available at 100% will be capped at £1 million.

SMALL AND MEDIUM-SIZED PRACTICES

The future of European competitiveness: The role and transformation of SMPs

***by Salvador Marín** and*
Paul Thompson

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Mario Draghi's recent report on 'The Future of European Competitiveness: The Role and Transformation of SMPs' highlights the urgent need for reforms across Europe (see tinyurl.com/y89an9mj). Without prompt measures, Europe risks losing its competitive edge globally, which could undermine future growth. The takeaway is clear: reform is essential for Europe to maintain its position as a key player in the global economy.

What then does this mean for Europe's small and medium-sized accountancy practices (SMPs)? What role do they stand to play in raising the competitiveness of the European economy, specifically in supporting the growth of small and medium-sized enterprises (SMEs) and start-ups? And how might they themselves adapt to properly fulfil this role?

This article looks at how SMPs themselves can transform to be more effective in their support for SMEs. Essentially, it's a manifesto for making Europe's SMPs more competitive! And the same manifesto is good for SMPs elsewhere.

The role of Europe's SMPs in making Europe competitive

The European Federation of Accountants and Auditors for SMEs (EFAA for SMEs) believes that SMEs are central to the sustainable transition and competitiveness of the European economy (see efaa.com). We also believe that SMPs are instrumental to SMEs being able to contribute to the timely transition and competitiveness of the European economy. In other words, SMPs are key enablers – enabling SMEs. Our European Parliamentary Election 2024 Manifesto (see tinyurl.com/mvahxp4h) set out our top five priorities for SMPs if they are to be key enablers of SMEs. It states that SMPs are vital partners of SMEs in the journey of transition, helping them to navigate financial resilience, technological advancements and sustainable practices.

SMPs are experiencing the same technological and digital transition as their clients, as well as the same need to stay competitive. This experience provides them with unique insights to share with their SME clients. SMPs provide professional services to businesses ranging in size and complexity from simple micro enterprises through to complex medium enterprises. These services, including advice, are tailored to meet the specific needs of SMEs, as well as being informed by learnings from across multiple clients. Moreover, SMPs are themselves SMEs, operating in the accountancy sector, and as such they are a good fit for SMEs and can advise them in a language they readily understand.

What must SMPs do to fulfil this role?

In effect, what's needed is practice transformation. Back in 2020, the early days of the global pandemic, the International Federation of Accountants (IFAC) published the 'Practice Transformation Action Plan – A Roadmap to the Future' (see tinyurl.com/2kc5rmha). In 2021, IFAC and EFAA co-hosted the event 'Future of SMPs:

lessons from the crisis and practice transformation' (see tinyurl.com/yc87by6d) to promote the Action Plan. We believed that SMPs needed to 'reboot' if they were to survive and thrive during the pandemic.

IFAC and EFAA have continued to advocate for practice transformation. But today, here in Europe, there is a great urgency to this transformation. SMPs themselves need to transform if they are to help SMEs and start-ups be the engine room of renewed European competitiveness. And a vital pre-requisite to realising this transformation is that regulators and standard setters recognise that SMEs are the foundation of strong economies. They must accordingly fully embrace the 'think small first' approach to the setting of regulation and standards.

What does this transformation entail?

We believe it entails the following – the four Ps of practice transformation.

1. Posture: embrace change

By posture, we mean the attitude, mindset and cultural approach that is adopted. The world is changing, fundamentally and fast. SMPs need to accept that the only constant is constant change, so it's best to embrace it. SMPs, and specifically their leadership, must be prepared to adapt and reposition as regulation, market needs, the economic environment and technology change.

2. People: attract, retain and nurture talent

The most important asset of any knowledge-based business are its people. This is especially true of accountancy. The accountancy profession and SMPs, especially those in Europe and North America, are engaged in a war for talent, competing with other professions and industries (some with current cachet such as tech) to attract talent.

It's not just about attracting more people. It's about attracting the right type of people, and reskilling existing people, to cope with the changing way of working and the services offered. SMPs increasingly need people with technical skills and expertise in sustainability and emerging technologies like artificial intelligence, as well as 'soft' skills such as teamwork and leadership.

In May 2024, EFAA published 'Building a strong brand identity for small and medium-sized accountancy practices' (see tinyurl.com/49kcvfx6), which highlights the attractiveness of a career in an SMP and the need to build a strong brand identity. SMPs need to proactively promote why their practice is a rewarding place to work both financially and professionally.

3. Product: expand service offerings

The professional service offerings of SMPs are changing. There has been strong growth in advisory services over the past several years. We see continued growth in this service line as more SMEs seek advice on how to be more competitive through improvements to their strategy and operations. SMPs, being SMEs themselves and able to draw on the experience and insights from across their client portfolio, are ideally placed to offer this advice.

And then there is the exponential growth in sustainability services – advisory, reporting and assurance that EFAA documented in its 'Call to Action: SMPs Supporting Creation of the Sustainable Economy' (see tinyurl.com/4bu4uats).

There is enormous opportunity for SMPs to expand through offering sustainability services to SMEs. But this opportunity comes with inevitable, but surmountable, challenges. The foremost challenge is that of building the necessary capacity and capability. However, as revealed in EFAA's research 'The Role of Small and Medium-Sized Practices in the Sustainable Transition of SMEs' (see tinyurl.com/4wn9dykv), SMPs are ready to take on this emerging role.

4. Processes: modify ways of working

SMPs need to consider how their processes can be modified to improve their overall efficiency, effectiveness and economy.

First, SMPs need to be constantly alert to developments in new technology and leverage them. Many SMPs have already embraced technological transformation. Leveraging technology has enabled SMPs not only to increase the efficiency of their traditional compliance-oriented accounting tasks, but also to become strategic advisors to SMEs.

Right now, the focus is on artificial intelligence (AI). In June 2024, EFAA held a webinar 'How accountants can appropriately rely on AI' (see tinyurl.com/4p7habew) that offered guidance on how SMPs can use AI.

SMPs also stand to gain from being sustainable themselves. As well as making their practices a more attractive place to work for those seeking a purpose-led place of work, 'walking the talk' provides them with the experience that can be shared with SME clients, as well as the authenticity and legitimacy that comes from practicing what you preach.

EFAA for SMEs, together with our member PAOs and with the support of IFAC, is the voice of SMPs, and in turn their SME clients, in Europe. We will continue to work in lockstep to help SMPs transform. ●

This article was originally published by IFAC.

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Build your business profits!

Shane Lukas shares some tops tips on how to how to take your practice from mildly successful to wildly profitable.

Shane Lukas
Managing Director,
AVN Inspiring Accountants

The dream of a wildly profitable practice that provides both financial rewards and personal freedom can seem elusive to many accountants. If you find yourself working long hours, juggling numerous clients and still not achieving your hoped for level of profitability and fulfilment, you aren't the only one.

But you don't have to accept this as 'just the way it is.' There is a proven seven step roadmap, which will help you to transform your practice from mildly successful to wildly profitable.

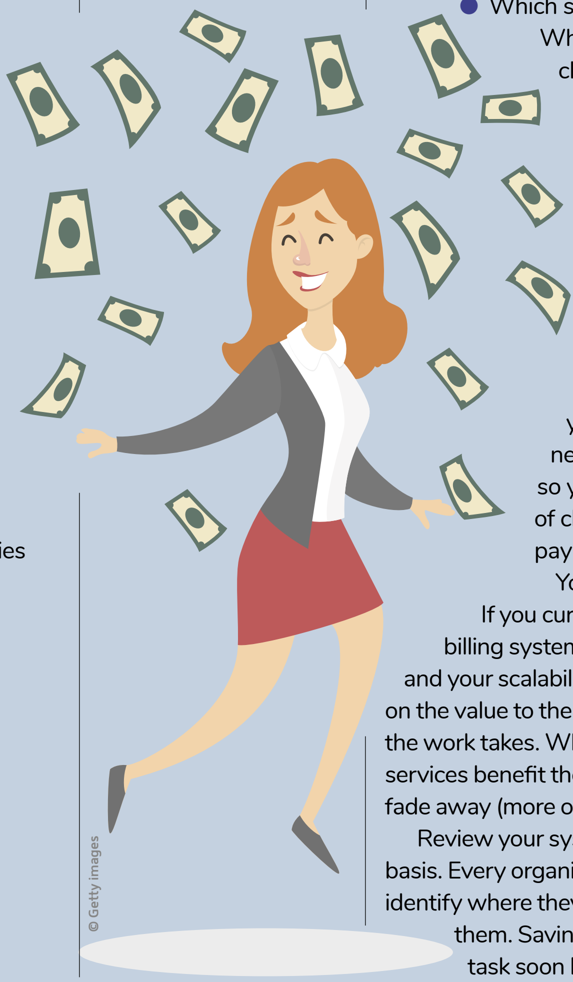
In this article, we'll explore the first three steps of this roadmap, which lay the foundation for your practice's transformation. You'll find out how to access the remaining four steps at the end.

Understanding the challenges

It is crucial to acknowledge the common hurdles that many accountants face:

- **Lack of a clear strategy:** Without a defined vision and plan, it is easy to get caught in day-to-day operations without making meaningful progress toward long-term goals.
- **Competing on price:** Positioning your services primarily on cost undervalues your expertise and reduces your profits.
- **Accepting any client:** Taking on all clients, regardless of fit, can lead to high-maintenance relationships that drain time and resources.
- **Being the bottleneck:** When everything relies on you, growth stalls, stress increases and work-life balance suffers.
- **Neglecting your own business:** Focusing solely on your clients' needs at the expense of your own practice's development impacts both scalability and profitability.

The result is overwork, reduced profits, strained personal relationships and a lack of enjoyment in your work. The good news is that by making fundamental changes, you can overcome these challenges and significantly boost your practice's profitability.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The proven seven step roadmap

The roadmap to transforming your practice consists of seven comprehensive steps which address every aspect of your business. While all seven steps are essential, here we'll focus on the first three.

Step 1: Clarity

Define your vision and goals

The first step in transforming your practice is gaining absolute clarity about what you want to achieve:

- What does 'wildly profitable' mean for you? Is it doubling your current revenue? And is that by increasing the average fee per client or simply increasing the client count?
- How many hours do you want to work each week? How many uninterrupted holidays would you love to take every year? What does your ideal life outside of work look like?
- Who are the clients that value your services the most and contribute significantly to your profitability?
- Which services do you want to offer? What mix of services will meet your clients' needs while maximising your profits (and your enjoyment)?

Reverse engineer your strategy

Once you know the answers to these questions, work backwards to create a strategic plan which outlines the steps that will move you towards your goals. For example, you may need to restructure your client base so you attract more of the right type of client (i.e. those who are willing to pay for higher-value services).

Your pricing strategy is also critical. If you currently operate an hourly-based billing system, this limits both your profits and your scalability. Value-based pricing focuses on the value to the client, not how many hours the work takes. When clients can see how your services benefit their business, pricing objections fade away (more on this later).

Review your systems and processes on a regular basis. Every organisation has inefficiencies so identify where they are and look at how to improve them. Saving even a few minutes a day on a task soon builds into hours saved.

Invest in your personal and professional development

To reach new levels of profitability, it is important to keep learning and enhancing your skills. Every successful business needs marketing, sales and leadership expertise but many accountants have never studied these areas. There are thousands of books, websites and training courses to help you with these business skills.

It is also increasingly important to stay updated on the latest accounting technologies and software that can automate routine tasks.

Work with a coach

A business coach can provide a valuable external perspective and highlight blind spots in your practice. Regular check-ins ensure that you stay on track with your strategic plan.

Step 2: Positioning

Differentiate your practice

Standing out from your competitors in a way that's relevant to your ideal clients is essential. There are many ways to differentiate your firm. Here are just a few:

- Specialise in a niche, either for a specific sector or demographic. You could also specialise in a particular type of service, such as business valuations.
- Develop a strong brand that reflects your values, expertise and the unique value you provide. Ensure that your website and social media profiles demonstrate that you deeply understand your ideal client and the benefits of working with you. Show your human side and create an emotional connection.
- Share content that's valuable to your target market, not just a sales pitch. This could be in the form of articles for your own or others' websites, on webinars, podcasts or speaking at relevant events.

Communicate your value proposition

Your target market won't know how you can help them unless you tell them! Clearly articulate how your services differ from your competitors and the specific benefits of working with you. Highlight how you have helped clients to grow their business, increase revenue, reduce costs or simply how you take away the stress of running a business.

Market to your ideal clients

When asking for referrals (and make sure you do!) or networking, be clear about the kind of clients you want to work with. Make sure that your marketing speaks directly to the needs and pain points of your niche market. Use client testimonials and case studies to build credibility and trust with potential clients.

Step 3: Value

Enhance the perceived value of your services

Clients are willing to pay more when they perceive higher value. Every touchpoint on the client journey affects this perception so review every interaction you have along the way. Keep in touch regularly with prospects and clients so you stay top of mind. Newsletters, tips emails and social media posts are all effective at doing this.

Expand your service offerings

Are you giving your clients what they really want? Moving to an advisory-focused practice opens up a range of new opportunities. Can you offer strategic planning, performance benchmarking, profitability analysis, cashflow and financial forecasting or risk management? Advisory can sound scary but in fact you probably already have the skills you need to get started.

Implement value-based pricing

As mentioned above, value-based pricing puts the focus on the benefits for the client, not how long a job takes. It is helpful to bundle your services into packages that provide specific solutions to your clients' needs. And a tiered pricing model gives you flexibility to cater to various client segments.

Leverage technology for efficiency

The range of technology available to accountants is vast. Used effectively it can free up your time to focus on higher-value services, minimise errors and ensure compliance with the latest regulations, and provide real time insights and up-to-date financial information to clients

In conclusion

Transforming your accounting practice from mildly to wildly profitable is achievable! While the first three keys lay a solid foundation, the remaining steps are crucial. These steps look into optimising operations, further leveraging technology, enhancing team performance and creating sustainable growth systems.

Remember, success isn't just about working harder; it's about working smarter and making strategic choices that align with your goals. Start with the first three steps and see what a difference they make to your profitability, freedom and enjoyment. ●

You can find out more about the complete roadmap in The Accountants KnowHowClub (look for Your Structured Improvement Journey) at: www.avn.co.uk/knowhowclub

Author bio

Shane Lukas is Managing Director of AVN Inspiring Accountants, an acclaimed TEDx speaker and also the author of several books, *Putting excellence into practice* and *What's next for accountants?*

Rise in global mobility

The rise in global mobility increases complexity and pressure for professionals and employers.

Dino Jangra
Partner, Workforce Advisory team, Crowe UK

Global mobility is a prevalent area of service in the international tax arena, concerning the two key areas of taxation worldwide – cross-border employment taxes and cross-border personal taxes. Increasingly, with the rise of cross-border remote working – someone employed in one country but living and working in another – corporate taxation is becoming a routine part of the risks that need to be advised upon and managed.

This usually involves the HR, compensation, benefits and/or reward departments, but it can also involve the finance and tax teams. This activity is usually organised in a central or global team that could be co-located or sit in different time zones but deliver a global process and policy.

Together with research partners Santa Fe relocation and Expatise Academy, Crowe UK reviewed the current state of pressure and complexity for those managing mobility, uncovering the causes and suggesting a way forward in the joint research piece: 'Taking care of global mobility professionals' (see tinyurl.com/yerkpwrj).

What was unique about this research was that it was survey-based, supplemented by live in-person workshops which allowed the proposed way to be shaped and tested by almost 400 in-house professionals. The result is a practical model for professionals to apply to their personal, team and enterprise stakeholders both internally and externally.

The pressures of global mobility

The 'Taking care of global mobility professionals' research evaluated the increasing complexity and pressures that global mobility and international HR professionals face. Its primary goals were to:

- **Understand challenges:** Examine how global mobility professionals manage cross-border remote work, compliance issues and growing operational pressures.
- **Explore trends:** Analyse the implications of emerging work patterns, such as hybrid work, business travel and international assignments.
- **Propose solutions:** Provide actionable recommendations to reduce pressures on global mobility teams and optimise their contributions to business strategy.

Key findings

1. Increased complexity and pressure

Complexity drivers: 88% of respondents reported a rise in complexity, largely attributed to evolving regulations, cross-border remote working and the need to manage cases across jurisdictions.

Pressure points: Two-thirds of respondents experienced increased workload pressures over the past two years, with major areas of challenges being: supporting HR, employees and line managers; addressing immigration and compliance issues; and reporting to leadership and managing data systems.

2. Cross-border remote work

70% of respondents anticipated growth in cross-border remote working, reflecting a shift toward flexible international work arrangements. However, 77% highlighted a lack of awareness and tracking mechanisms for cross-border remote work among organisational stakeholders.

3. Visibility and influence

Global mobility professionals are continuing to focus their energies on getting a 'seat at the table', with 65% expressing a desire to spend more time engaging with senior leadership. Many teams were perceived as 'compliance enforcers', rather than strategic business partners.

4. Operational inefficiencies

A significant portion of respondents relied on outdated tools like Excel, complicating data management and reporting. External suppliers were another area of focus, consuming valuable time and resources that could otherwise be spent in other value add areas.

Author bio

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5. Impact of global trends:

Ever increasing focus on compliance with regulations, such as the EU's Posted Worker Directive, have heightened the need for compliance expertise and process. Increased reliance on remote and hybrid work arrangements has introduced new risks and obligations that are inherently complex to manage.

A suggested way forward

The many hours of in-person engagement with hundreds of mobility professionals in workshops were invaluable in uncovering, road-testing and refining approaches that could solve the fundamental problem.

This fundamental problem was that professionals were directly dealing with the increased pressure and complexity created, because of ineffective education in two areas:

- educating the business on the consequences of undertaking global mobility; and
- educating the business on how to best engage with the global mobility team or function.

The paradigm they were faced with was the difficulty that too often professionals were dealing with the consequences of this problem and had little energy and time to then make advances on the required education – a classic 'Catch 22' situation.

Having researched global best practice and functional effectiveness in departmental teams and functions serving businesses across different industries and speciality areas, the research proposed a change maturity model that would enable professionals to address the 'Catch 22' scenario.

There are three different stages of maturity of function which can be applied to global mobility professionals and the teams in which they deliver:

- **Tactical/administrative:** This is largely focused on process, procedure and getting data and forms to the correct experts at the right time.
- **Risk and cost management:** This involves more specific focus on quantitative aspects such as risk and cost management, focusing on the capture, management and reduction of risk and cost.
- **Advisory business partner:** This function operationally delivers support and reduction in cost and risk but is also seen as a true advisory partner working and directly influencing decision making and strategy in the business.

Crowe is a leading provider of global mobility tax services and is focused on understanding the pressures and complexities of those they support directly within organisations rather than the technical day-to-day issues they advise on.

To move between the three stages, there are four key enablers/change journeys:

- **Choice:** There must be an active choice to change the status quo, focus on reducing complexity and pressure rather than accepting and managing it.
- **Mindset:** A substantive change in mindset is required to move from an internally orientated reactive execution approach to a strategic customer-centric approach focused on both internal and external partnerships.
- **Operations:** A step change is required from manual and siloed stakeholder management and operations approach to being able to deliver unified global operations and real-time analytics to support and improve decision making.
- **Skills:** This involves developing from a focus on operational proficiency and solving routine problems to targeting ongoing continuous evolution and improvement.

The journey is what matters

The research authors developed a structured journey plan across the above stages in a single document. Two of the three core authors know London very well, so they took inspiration from the London Underground Tube map to create a visual of the journey. This helps professionals to consider the context of their role, team and relationship(s) with other key stakeholders. The engagement with the model has been very positive.

What this means for advisors and accountants

Global mobility is not unlike other areas of the business that need support from accountants and tax advisors. The research's key findings are likely not unique to global mobility HR teams – the pressure and complexity of having to do more with less resources at a time when regulation is increasing applies to many different functions that accountants and tax advisors support.

The research clarifies the importance of the customer experience focus and the importance of outside-in thinking. Services are technical, and that advisors have the right technical expertise is usually a given, an expectation. The advisors who will make the most difference to their clients (internal and external) and drive the most value will be those who deliver their support in a way that reduces pressure and complexity. ●

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Improving menopause support in the workplace

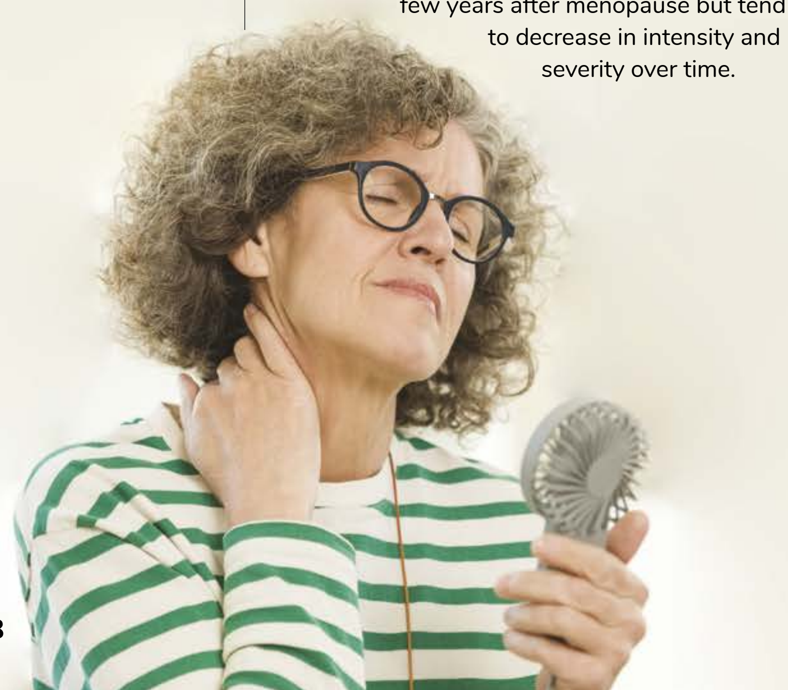
Emma Vinton **explains how menopause can be better accommodated by employers in the financial sector.**

Emma Vinton
Registered Mental Health Nurse, Educating Edward

Menopause is a natural biological stage marking the end of the body's reproductive capability. It typically occurs between ages 45 and 55 but can happen earlier or later. The global impact of menopause is vast. Around 25 million people go through menopause each year and this number is predicted to increase to 1.2 billion by 2030.

The menopause occurs in three stages:

1. **Perimenopause**: This is a transitional period that can start several years before menopause onset.
2. **Menopause**: This begins after the 12th consecutive month without a menstrual period. The ovaries stop releasing eggs, and hormone production (particularly estrogen and progesterone) decreases significantly.
3. **Postmenopause**: This phase occurs after menopause and lasts for the rest of the person's life. Symptoms may continue for a few years after menopause but tend to decrease in intensity and severity over time.



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Menopause can greatly impact physical and psychological wellbeing at work. Some individuals develop symptoms in their 30s and are in substantive employment for many years. It is therefore imperative that employers understand how menopause might impact their working day.

Common signs

The reduction in oestrogen and other hormone levels during menopause can lead to a variety of physical and emotional symptoms, including:

- **Mood changes**: Irritability, anxiety and depression can increase, possibly due to changing hormone levels.
- **Sleep disturbances**: Insomnia and disrupted sleep patterns are common.
- **Cognitive changes**: Memory problems and 'brain fog' (difficulty concentrating or thinking clearly).
- **Hot flushes**: Sudden feelings of heat, often accompanied by sweating and a flushed face.
- **Night sweats and skin changes**: Hot flushes and skin problems (acne, dryness, cracking and oiliness) can all disrupt sleep.
- **Vaginal dryness**: Reduced oestrogen can lead to dryness, which can affect comfort and sexual health.
- **Bone density loss**: Lower oestrogen levels can contribute to decreased bone density, making people more susceptible to fractures.

Women who experience early menopause (before the age of 45), are also at a higher risk of developing cardiovascular diseases and bone disorders like osteoporosis. This can cause pain and discomfort, which may limit work activities.

Male menopause: Men can experience male menopause (andropause) as testosterone levels lower. This usually occurs after the age of 50 and can cause mood swings, insomnia, loss of libido, erectile dysfunction and muscle wastage. Men are also less likely to discuss their health needs with colleagues, which can result in social isolation, task avoidance and withdrawal. If left unchecked, these issues may lead to other, more serious conditions such as stress or depression, so it is important to check in with our male colleagues.

Transgender menopause: Transgender people, particularly trans men (female-to-male) and some non-binary individuals who were assigned female at birth, may experience menopausal symptoms. Additionally, some trans women (male-to-female) might experience symptoms similar to menopause if they stop hormone replacement therapy (HRT) or experience hormone fluctuations.

Reasonable adjustments and accommodations

The Health and Safety at Work Act (1974) requires employers to provide a safe and healthy work environment for employees, including those who work from home. Workplace adjustments and accommodations refer to the changes made to a job, the work environment or the way tasks are typically done to allow employees to perform their duties effectively. These are tailored to meet the unique needs of individuals facing health conditions, disabilities or other challenges.

Workplace accommodations provide practical solutions to some of the challenges associated with menopause. Here are some useful examples that you can implement with your team:

Task management:

- Break up large tasks: Allow large assignments to be split into smaller, manageable parts, making them easier to handle when experiencing fatigue or brain fog.
- Adjust project timelines: Provide flexible deadlines for long-term projects or temporarily reduce workloads during peak symptom phases.
- Offer job role adaptations: Offer temporary adjustments in duties if concentration, memory or other cognitive symptoms are affected.

Risk assess work environments:

- Temperature control: Provide fans, portable AC units or easy access to window ventilation to help with hot flushes.
- Break spaces: Designate quiet, relaxing break areas where employees can take a moment to rest.
- Adjust workstations: Offer sit-stand desks to help employees find comfortable working positions.

Flexible working arrangements:

- Adjust working hours: Employees should be able to adjust their working hours where reasonable if symptoms are distressing. Starting and finishing work at times that suit their physical needs may help them work around morning fatigue or nighttime sleep disturbances.
- Offer remote working options: Offer the option to work from home on days when menopausal symptoms are particularly challenging.
- Reduce hours or offer job sharing: Permit reduced hours or job-sharing roles to ease physical and mental strain.

Enhanced sick leave and supportive leave policies:

- Allow flexible sick leave: Allow employees to take half-days or split sick leave as needed to accommodate fluctuating symptoms.
- Offer paid leave for specialist appointments: Provide paid time off for medical appointments related to menopause.
- Introduce menopause-specific sick leave: Introduce menopause-specific leave options so employees don't use up standard sick leave.

Mental health and wellbeing support:

- Access to mental health days: Allow employees to take days off specifically for mental health recovery, especially when anxiety or mood changes arise.
- Onsite or online support groups: Encourage peer support groups where employees can share experiences and tips in a safe space.
- Employee Assistance Programmes: Offer counselling services or mental health resources, including support specifically tailored for menopause.

Awareness and education initiatives:

- Educational workshops: Host workshops with healthcare professionals to educate all staff about menopause and its impacts.
- Introduce menopause awareness training for managers: Equip management with knowledge about menopause symptoms and supportive responses.
- Inclusion in health and wellbeing policies: Integrate menopause support into existing health and wellbeing policies, making it an organisational priority.

Transgender employees:

The inclusion of transgender experiences in menopause-focused diversity, equity and inclusion initiatives can create a more compassionate work environment. Key accommodations include:

- Adopting inclusive policies and language: Ensure that menopause-related policies are gender-neutral and explicitly inclusive of transgender and non-binary experiences. Use terms like 'gender-affirming menopause' and make it clear that accommodations apply to all employees experiencing hormone-related symptoms, regardless of gender.
- Enhancing manager and HR training: Educate managers and HR teams on transgender menopause to increase awareness and reduce stigma. Training should emphasise the

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unique challenges that trans and non-binary employees might face related to hormone therapy and menopause, such as potential impacts on mental health and physical wellbeing.

- Improving access to healthcare and support: Provide health benefits that cover HRT and related care, as well as mental health resources, which are especially important during hormone transitions. Consider including menopause counselling and trans-affirmative Employee Assistance Programmes to provide resources and support for hormone management and emotional wellbeing.

Why should I act?

Offering menopause-related accommodations isn't just about compliance; it brings multiple benefits to employees and organisations. By implementing just some of these measures, you could achieve the following benefits.

Increase employee retention and reduce turnover costs: Employees who feel supported and valued are more likely to stay in their roles. Retaining experienced staff is crucial in accounting, where specific skills and industry knowledge are often developed over many years. Reducing turnover saves costs associated with recruitment, training and lost productivity. It also helps maintain consistency in client relationships – a very important part of accountancy.

Enhance employee productivity and focus: Fatigue, anxiety, hot flushes and brain fog can affect a colleague's ability to focus, meet deadlines and perform at their best. Providing accommodations such as flexible working hours, comfortable workspaces or sick leave options directly addresses these challenges, helping employees to maintain high productivity levels, even as they experience these symptoms.

Boost employee morale and job satisfaction: Employees who feel respected and understood tend to have higher morale and job satisfaction. For those going through menopause, having workplace support can reduce feelings of isolation or embarrassment about their symptoms. Accountants who are happy in their roles are more likely to contribute meaningfully, collaborate effectively and positively represent the company.

Attract and retain a diverse workforce: Menopause accommodations can be a key factor in supporting gender diversity in the workplace. Women in their 40s, 50s and beyond bring valuable experience and expertise to accountancy firms. Supporting them through this life stage ensures that firms retain this talent. A diverse workforce that includes women in senior roles enriches company culture, offers varied perspectives and fosters inclusive decision-making. This commitment can also enhance the company's reputation as a progressive employer, attracting top talent from diverse backgrounds.

Ensure legal compliance and risk mitigation: Under the Equality Act 2010, menopause-related symptoms can be considered a disability if they have a substantial impact on day-to-day activities. Failure to support menopausal employees can result in discrimination claims. By proactively implementing supportive policies, firms not only stay compliant with employment laws. They also avoid potential financial and reputational costs associated with legal disputes.

Enhance your reputation and employer brand: By showing care and understanding toward employees at all stages of life, including menopause, firms demonstrate a progressive, human-centred approach. A positive employer brand improves recruitment outcomes and customer trust. When clients see that a firm treats its employees well, they're more likely to view it as trustworthy, ethical and forward-thinking.

Reduce absenteeism and presenteeism: Menopausal symptoms often result in increased sick days or presenteeism (where employees work despite feeling unwell, leading to reduced productivity). Offering accommodations, such as flexible work hours or private rest areas, can help mitigate these impacts. This enables employees to contribute more effectively, minimising disruptions and fostering a smoother workflow across teams.

Develop a stronger, more inclusive workplace culture: An inclusive workplace culture boosts team cohesion and trust. Employees who feel supported also feel more comfortable sharing their needs and experiences. This fosters collaboration and strengthens the team dynamic. These qualities are invaluable in team-based professions like accountancy.

Conclusion

By acknowledging and addressing the impact of menopause at work, employers can reduce turnover, boost productivity and enhance overall employee satisfaction. Reduced turnover translates to savings on recruitment, training and onboarding costs. Increased loyalty leads to higher productivity and a supportive culture ultimately attracts top talent and drives business growth. ●

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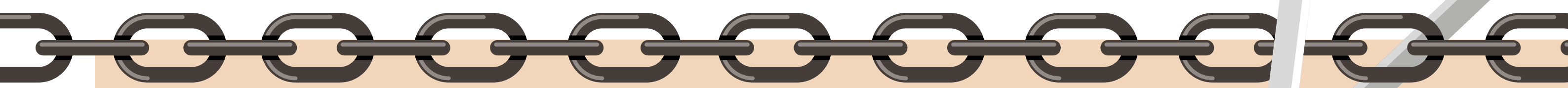

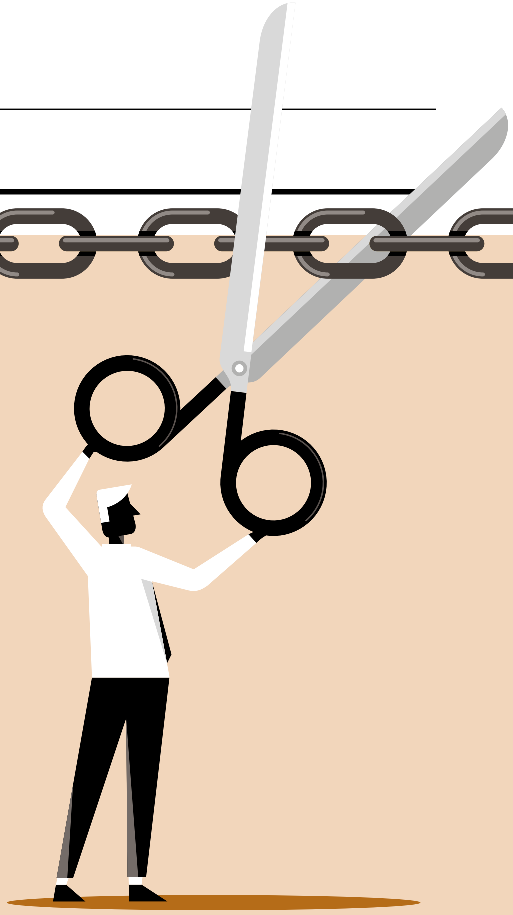

Unchain your business

Karl Hodson **examines how businesses can manage the transition between offline and online accounting – and the benefits they can achieve as they do so.**

Karl Hodson
Business finance specialist,
UK Business Finance

The UK government's ten year strategy to build a trusted and modern tax administration system, also known as Making Tax Digital, is transforming the technological maturity of accountancy firms nationwide.

What does this mean for accountancy firms still reliant on offline, paper-based accounting, looking to make the mammoth transition to online accounting? We explore the transition in stages – from introducing new accounting software, funding the transition and digitalising company records, to migrating information and embracing a 'digital-first' culture in the workplace.

Transitioning to online accounting

When transitioning from offline to online accounting, you must navigate the selection process with care. Explore the options available and weigh the importance of the primary and secondary features offered through the online accounting portal for your practice.

Choosing a platform

When choosing online accounting software for your business, you must consider your long-term needs. While it's common for practices to offer multiple accounting platforms to clients, you need to consider affordability and staff training before taking this route.

Here are some key questions to consider when choosing a cloud accounting platform:

- Is the software industry standard, secure and compatible with Making Tax Digital?
- Is the platform scalable as your business grows, including client numbers?
- How proactive are the providers with implementing updates and developing new technologies to remain competitive?
- What are the costs for the current package and future upgrades, and is this affordable in the short and long term?
- Are there any client incentives included, such as free add-ons or complementary services?
- What customer support is available for your practice and clients?
- What do reviews and client testimonials say?

The cloud accounting software of your choosing must function as a one-stop shop for the sake of efficiency and client satisfaction. While online accounting is naturally an upgrade from offline accounting, intuitive features such as artificial intelligence and integrations can truly elevate the experience and save substantial administration time.

Cloud accounting software stores data in the cloud so it is accessible anywhere, at any time, and shows a live snapshot of company finances. Automatic back-up means that in the event of a data breach, security threat or an administrative mistake, your data is protected.

Funding the transition

Accountancy firms are advancing their digital capabilities and upskilling staff to support the roll out of new technology. The profession is rapidly changing as accountants must match the technological literacy of clients to stay competitive.

As the world we live in embraces digitalisation, from digital currency to online only banks, and AI-powered customer support, the world of accounting must mirror this by offering tools that can transform the accounting journey.

The 2024 Intuit QuickBooks Accountant Technology Survey (see tinyurl.com/4wnyed73) found that accountants and bookkeepers are doubling down on their investments in technology:

- Accountants are planning to increase spending on technology by 50% over the next 12 months.
- Firms invested £30,000 on average in accounting technologies over the last year – a 50% increase from the average £20,000 investment reported last year.
- An average of £30,000 is earmarked for accounting technologies over the next 12 months.
- When asked which technologies accountants foresee their businesses investing in or upgrading, 47% said cloud accounting software and 48% said practice management software.

As the digital landscape in accounting is changing, the appetite for accountants to embrace new tools early is equally increasing. To thrive in this dynamic industry, accountants must actively invest in new technology.

If you require a helping hand to fund the transition to online accounting, a business loan or refinancing may provide a solution. If there is more than sufficient cash in the business, you may redirect funds to the digital transformation of the business from areas that are already well supported.

Migrating financial records

When transitioning to online accounting software, you must embrace the mundane task of digitalising offline records. While this may appear like a gargantuan task, there are purpose-built tools available that can seamlessly facilitate this.

Most industry standard accounting software offers migration tools that enable the mass transfer of information from offline sources, such as Excel.

By using these features, you can migrate financial records at the click of a button and save considerable time otherwise spent manually inputting information. This practice is prone to human error, which could cause discrepancies and seriously hamper the accuracy of your work.

Considering integrations

Reconciliation in accounting is only possible when all the financial records of a business are accessible. While some businesses may depend on a handful of essential applications to record their financial activity and process payments, businesses with multiple income sources may regularly use a variety of portals and payment gateways. Your accounting software must enable data feeds from these platforms.

Integrations are essential as they establish a connection between applications and the primary accounting portal. The accounting software that you subscribe to must actively update integrations. Due to the fast-evolving nature of technology, popular apps are likely to change over time, so fresh updates are vital.

There are a wide range of integrations that fulfil a host of purposes, such as:

- accounts preparation;
- tax filing;
- bank feeds;
- credit control;
- customer relationship management;
- data entry;
- invoicing;
- expense management;
- inventory;
- e-commerce;
- business finance;
- business funding;
- reporting;
- integrations;
- payment gateways;
- payroll;
- practice management; and
- time tracking.

These features are crucial to clients to make recording financial information a palatable experience. Integrations enable the automatic transfer of information, which is essential for painting a complete picture of a company's finances, tax liabilities and exposure to financial risk.

Cultivating a digital-first culture

The transition from offline accounting to online accounting is a mammoth change that can positively transform and futureproof an accountancy practice. To showcase how online accounting can revolutionise the way your workforce works, take advantage of the resources on offer as part of the onboarding process.

This often includes a free live demo, software trial, online training and a Q&A with a dedicated account manager. This is key to building a workforce receptive to change and passionate about the digital platforms and tools that are an integral part of the accounting journey.

Author bio

Karl Hodson is a business finance specialist at UK Business Finance, helping businesses to raise finance through lending, crowdfunding, loans and government schemes.

© Getty images

> **The move to online accounting is inevitable to meet industry benchmarks and appeal to a digitally powered client base.**

- **Customer expectations:** The necessary move to online accounting mirrors the demand for digital innovation in accounting. Firms must embrace this to meet customer expectations.
- **Industry benchmarks:** The technological standards in accounting are progressing year-on-year, so the fight to match up to industry benchmarks is on. By avoiding modernisation through the adoption of new technology, you run the risk of operating an out-of-date business model.

The government is a long road to modernising and simplifying HMRC's tax framework, with much focus on digitalisation. This involves implementing a digital by default approach and reducing paper outputs. A recent HMRC consultation, 'Simplifying and modernising HMRC's income tax services through the tax administration' (see tinyurl.com/4xmc32pj), took place to gather views on how the current tax administration framework can be updated to fulfil the following requirements:

- deliver on the government's ten year tax administration strategy;
- make sure the tax administration keeps up with the rapid changes taking place in society, economy and technology to deliver the flexible, resilient and responsive tax system the UK will need in the years ahead;
- deliver a more real-time, integrated and accurate data-led service; and
- implement a digital-by-default approach and execute the necessary legislative changes to support the move to digital.

This is clear evidence that the move to online accounting is inevitable to meet industry benchmarks and retain appeal to a digitally powered client base. The wealth of benefits that stem from transitioning to online accounting are innumerable. From unchaining your business of geographical restrictions, to increasing efficiencies and connecting workflows, the switch to online accounting is an exhilarating milestone for any practice.

The financial risk of misclassification

Catherine Chidyausiku **explains the risks that can occur when misclassifying workers, and how businesses can avoid worker misclassification findings and the fines and penalties which come with them.**

Catherine Chidyausiku
Chief Legal Officer for
North America at People2.0

Large companies need to have proper classification of employees as a key part of their onboarding and retention strategies. Increased hiring resources and role creation for temporary workers and freelancers can be key to growth for many large enterprises. If this is not properly managed, however, the business could be at risk of breaching employment regulations and face financial consequences. From construction and logistics to healthcare and retail, all industries are affected by misclassification regulations.

What are the risks that can occur when misclassifying workers and how can businesses avoid falling foul of potential fines?

Financial and ethical consequences

Incorrectly classifying workers in the company directory can lead to an array of financial implications, which can damage the cash flow of the firm. These include delayed wages, overtime and benefit payments; backdated tax and National Insurance payments; fines issued by regulators; and legal fees following action taken by underpaid staff.

Other consequences outside the financial implications include lost wages, damaged staff morale, loss of talent and unfair competition when it comes to cutting costs. With many industries proving more competitive than ever amidst growing technological innovations, misclassifying workers is not worth these risks. Regulators across the world are cracking down on worker misclassification, staff exploitation and the tax avoidance involved.

United States

In the United States, enterprises need to adhere to the state and federal laws and guidelines (including multiple different tests applied by different agencies) around classifying contingent workers who would like to provide their services as independent contractors. These are intended to ensure that necessary distinctions are made between employees on payroll and independent contractors.

In March 2024, the US Department of Labor began enforcing new legislation ordering companies to apply the appropriate benefits and protections to each worker. These include minimum wage, overtime, tax withholding and benefits.

The main factors that need to be taken into account when enforcing the Fair Labor Standards Act are:

- the degree of autonomy involved in the role (the more independent, the more likely the worker will be found to be an independent contractor);
- the duration of contracted work (short term is more likely to be independent);
- whether the services being provided are a core part of the company's core business (the worker is more likely to be an employee if they are providing core services);
- investments made by the worker in their business;
- profit or loss likelihood; and
- skill and initiative.

Data from by the IRS reveals that firms have managed to hire independent contractors for around 30% less cost compared to permanent staff (see tinyurl.com/r8433hm5). While this may be financially beneficial in the long term, it is very likely that legal risks and expenses will come back to bite the firm down the line if they haven't made sure that the independent contractors are truly independent.

US Department of Labor research reveals that around 10% to 30% of employers across the country have listed staff incorrectly since the 2000s (see tinyurl.com/yck8t48h). Misclassification is particularly prevalent within labour-intensive industries, which are largely made up of female workers and staff of colour including Black, Latinx, and Asian American/Pacific Islander backgrounds.

In the United States, corporations including FedEx and Microsoft have been found liable for having misclassified staff over the last 25 years, and have had to pay settlements in the millions of dollars – $97 million for Microsoft following an eight-year legal battle in 2000; and $500 million in the case of FedEx in a 2015 lawsuit.

United Kingdom

In the UK, penalties enforced by HMRC for liability over a lack of withholding tax can make up 100% of the amounts due, depending on the severity of the infringement. Navigating the regulations on employment status and employments rights in the UK to understand the risks associated with staff and independent contractor misclassification is no easy feat (see HMRC guidance at tinyurl.com/5n7576fp). Once this is conquered, achieving and maintaining compliance becomes yet another prominent challenge.

The IR35 regulation for UK freelance workers was introduced in 2020 to help prevent business tax evasion occurring as a result of misclassification. This legislation orders contractors who work like employees to pay the same amount of income tax and National Insurance as an employee, regardless of whether they are providing services through a personal service company.

Breaching the regulation can lead to millions of pounds in fines being ordered. Notably, a government body was recently fined £36 million for misclassifying staff, resulting in backdated taxes.

However, a recent report from the Public Accounts Committee (PAC) – responsible for overseeing government expenditures – has accused the rulings of being too complex, stating that businesses are finding hiring freelancers too risky from a compliance standpoint (see tinyurl.com/3vrtbxw2):

> 'Since the IR35 reforms, employers have moved between 150,000 and 200,000 workers from contractor status onto their own payroll. However, we are concerned that a lack of confidence in how to apply the rules, together with HMRC's tough approach when taxpayers make mistakes, is deterring companies from using contractors unnecessarily.'

The report also concluded that the regulation was not sufficiently deterring misclassification.

European Union

In the European Union, the EU Court of Justice has issued several rulings that have reinforced the criteria for distinguishing between independent contractors and employees. These rulings emphasise the importance of factors such as control, integration into the business and economic dependence in determining the correct classification.

The resulting fines and penalties for misclassification have been extensive, reaching

£1.73 billion in minimum wage, paid holidays and other benefits in a ruling against Uber in the UK in 2021; and €20 million against Tesco Ireland in 2020.

Australia

In Australia, the High Court of Australia oversaw a 2022 ruling declaring that the documented terms of all contracts would from then on be the primary factor in determining misclassification.

In 2023, the Fair Work Legislation Amendment (Closing Loopholes No. 2) Act 2023 clarified the definition of 'employment' and made it clear that regardless of what the written contract states, the definition of employment is defined by the practical reality and true nature of the relationship between the individual and the party who may be deemed to be an employer.

To determine the true nature of the relationship, a multi-factor test was instituted which undertakes to evaluate the totality of the relationship. This new method for independent contractor classification became effective August 2024.

How to overcome the pitfalls

Incorrectly classifying workers in the company directory can lead to an array of financial and other implications. These include:

- actions by agencies to challenge worker misclassification, and to impose fines and penalties, as well as wage and hour implications related to those who are found misclassified as independent contractors;
- actions by local taxing authorities for unpaid taxes and backdated medical, unemployment and workers compensation benefits;
- fines issued by regulators; and
- legal fees, settlement payments and administrative costs to defend actions taken by potentially misclassified workers.

Other consequences outside financial implications include brand damage when the misclassification suits and findings are publicised. Additionally, there are extensive information sharing arrangements between different agencies interested in worker classification, so that one audit with a negative finding can cause a snowball effect with other agencies joining in for their piece of the pie.

To ensure that your business stays compliant with worker classification legislation and mitigate risks, you must do the following:

- Thoroughly audit your current payroll documentation protocols, and adjust where necessary.
- Carefully examine the current guidance and labour laws, as well as keeping an eye out for any changes.
- Implement clear policies for taking on independent contractors and freelance workers.
- Consider partnering with a workforce solution and compliance provider.

Seeking expertise from a globally operating workforce solution and compliance provider can keep your business leaders clearly informed about legal developments pertaining to worker classification, both in the UK and further afield.

Employee of Record (EOR) and Agent of Record (AOR) services provide a framework for properly determining how each member of staff should be classified in the system, and how to engage accordingly.

Taking this proactive step can keep you properly informed, as well as reducing strain on hiring and retention processes, leaving you free to focus better on core business activities that bolster your bottom line - rather than damage it. ●

Author bio
Catherine Chidyausiku is Chief Legal Officer for North America at People2.0 and is a seasoned legal expert with over two decades of experience in workforce solutions.

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EVENTS

FEATURE EVENT

Corporate Governance (Malaysia)
Date: 11 December 2024
Time: 18.00 – 19.00 (Malaysia time)
Venue: Online webinar

Speaker:
Dr Lau Chee Kwong

Dr Lau Chee Kwong is Associate Professor of Accounting with the Nottingham University Business School, Malaysia. He has more than 30 years of practical experience in financial accounting and corporate reporting, corporate finance, banking management, financial management, investments, academic administration, lecturing, corporate training and consultation work. He conducts training, lectures and seminars for in-house corporate clients, as well as public courses in IFRS, MFRS, MPERS, MPSAS, ESG and sustainability reporting, fraudulent financial reporting, ethical consideration, etc.

Dr Lau lectures the bachelor's degree programmes, MBA, MSc Professional Accountancy, Master of Finance, ACCA, CFA and ICAEW; and supervises Masters and PhD students in their research projects. His research papers have been published in journals and presented in national and international conferences. He served as a member of the Issues Committee of the Malaysian Accounting Standards Board (MASB) from 2008 to 2013. He is also a member of the ACCA Malaysia Advisory Committee from 2019 to 2023.

The 2010s witnessed a drastic growth of economic prosperity around the globe but at the same time, we also see the mushrooming of accounting scandals and corporate failures arising from unsustainable growth. Effective corporate governance therefore becomes vital in addressing this agency problem and ensuring effective management of businesses to maximise the values of shareholders and other stakeholders.

The Malaysian Code on Corporate Governance (MCCG) introduced in 2000, with latest updates in 2021, has been a significant tool for corporate governance reform and has influenced corporate governance practices of companies positively.

This webinar presents a conceptual and practical perspective to managing and reporting corporate governance practices for businesses.

OTHER UPCOMING WEBINARS

Sustainability and ESG for the Financial Market (Hong Kong)
Date: 12 December 2024
Time: 12.00 – 13.30 (Hong Kong Time)
Language: Cantonese

The webinar will be held in Cantonese (with some English terminology) and will cover the following key topic areas related to environmental, social and governance:
- the Global Megatrend of ESG;
- sustainability and ESG;
- key trends relating to sustainable development;
- the 17 goals of sustainable development; and
- the seven essentials of ESG.

Tax Updates (Malaysia)
Date: 17 December 2024
Time: 18.00 – 19.00 (Malaysia Time)
Speaker: Thenesh Kannaa

The webinar will provide delegates with an overview of recent tax developments with an emphasis on 2025 Budget updates. The areas covered is include corporate tax, tax incentives and indirect tax.

Making Tax Digital: How to get you and your clients ready
Date: 10 March 2025
Time: 10.30 – 11.30
Speaker: Emma Rawson

It is a little over a year until the first taxpayers will have to join Making Tax Digital for Income Tax Self-Assessment (MTD for ITSA). This will represent a fundamental shake-up in how taxpayers and agents interact with HMRC, and each other. Now is the perfect time to get to grips with the rules and think about how you can get your clients and your practice ready. We'll take a detailed look at the MTD for ITSA requirements, which taxpayers must join and when. We'll also spend time exploring the practical implications for agents and the steps you can start taking now to get ready.

The webinar is aimed at tax advisers and accountants who work with sole traders and landlords. Those who are themselves sole traders or landlords may also find the session useful. It is pitched at an intermediate level – whilst no prior knowledge of MTD ITSA is needed, a basic understanding of the current ITSA rules will be assumed.

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INTERNATIONAL

A new report sets out global progress towards both mandated and voluntary corporate climate-related disclosures

Over 1,000 companies have referenced the International Sustainability Standards Board (ISSB) in their reports and 30 jurisdictions are making progress towards introducing ISSB Standards in their legal or regulatory frameworks.

These are some of the key findings of a detailed progress report presented to the Financial Stability Board (FSB) by the International Reporting Standards (IFRS) Foundation. The report also sets out alignment of disclosures with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The IFRS Foundation took on responsibility for recording climate-related disclosure progress when the TCFD disbanded in 2023.

82% of companies disclosed information in line with at least one of the 11 TCFD recommendations, as companies around the world turn their attention to climate-related disclosures. However, with less than 3% of these companies reporting in line with all 11 TCFD recommended disclosures, few companies provide disclosures that cover the company's climate-related governance, strategy, risk management or metrics and targets. If the omitted information is material, it indicates that investors are not currently receiving the information needed to assess and price climate-related risks and opportunities.

The report shares information about the status of the 30 jurisdictions that are progressing towards introducing ISSB Standards in their regulatory frameworks, as well as insights into how companies are transitioning from disclosures prepared using the TCFD recommendations to disclosures prepared using ISSB Standards.

A separate analysis by the IFRS Foundation on these 30 jurisdictional frameworks illustrates:

- **Jurisdictions see the value of Scope 3 greenhouse gas (GHG) emissions disclosures. All 29 jurisdictions that have finalised or published proposals on climate-related disclosures have included Scope 3 GHG emissions disclosure requirements, with some allowing or proposing brief extensions of transitional reliefs to prepare for the requirements.**
- **Jurisdictions see the value of including industry-specific disclosure requirements. 28 jurisdictions have included or are considering requirements for industry-specific disclosure. Just two of the 30 jurisdictions have signalled the intention to make industry-specific disclosure voluntary, at least initially.**
- **Climate-related risks and opportunities are clearly important to investors, but so are disclosures on the full spectrum of sustainability-related risks and opportunities. 90% of the jurisdictions have included or are considering requirements for disclosure covering all sustainability-related risks and opportunities over time. Some jurisdictions are initially focused on the disclosure of climate-related risks and opportunities.**

In some cases, jurisdictions have moved closer to the ISSB Standards relative to their initial proposals in response to calls from stakeholders for adopting greater alignment with ISSB Standards and to secure comparability of their disclosures by adhering to the global baseline.

Stakeholders, in particular investors and companies with significant cross-border operations expected to be subject to more than one set of jurisdictional requirements, perceive a risk in replacing the current patchwork of voluntary initiatives with regulatory fragmentation should jurisdictions modify ISSB Standards extensively. Other companies likely to be part of global supply chains are also advocating for alignment with the global baseline to ensure a streamlined global reporting regime that avoids unnecessary burden.

INTERNATIONAL

IPSASB issues a draft of a groundbreaking climate-related disclosures standard for the public sector

Climate change affects everyone, transcending borders and economic boundaries. Rapid progress to mitigate climate change requires public sector action, and effective action requires the quality information that only sustainability reporting standards specific to the sector's needs can provide. To meet the public sector's unique reporting needs, the International Public Sector Accounting Standards Board (IPSASB) is developing the world's first climate-related disclosure standard for governments around the world, with support from the World Bank. The draft of this inaugural Sustainability Reporting Standard (IPSASB SRS TM) has been issued for public comment.

Ian Carruthers, IPSASB Chair, said: 'The rapid progress needed to address climate change requires public sector action. The scale of the investment involved and the need for coordinated action across all sectors of the economy mean that only governments are equipped to lead the changes required. Using policy tools, such as taxation, regulation and subsidies, governments can influence behaviours across entire economies.

'Public sector finances are already stretched following the pandemic, so while stronger public financial management can release some of the resources required, the capital markets will need to fill the gap. With sovereign bonds already making up almost 40% of the $100 trillion global bond market in 2022, IPSASB's proposed standard on climate-related disclosures will be help governments to provide consistent, comparable and verifiable information and will ultimately help them maintain access to capital markets.'

To promote global consistency and comparability, IPSASB SRS ED 1, 'Climate-related Disclosures' proposes public sector specific guidance which builds on the International Sustainability Standards Board (ISSB) global baseline. In doing so, IPSASB SRS ED 1 proposes principles for the more limited group of public sector entities that have responsibility for climate-related public policy programmes and their outcomes.

Sue Lloyd, ISSB Vice-Chair, said: 'The public sector is a major component of global capital markets so ensuring that public sector organisations disclose high quality, comparable sustainability information is important to meet the information needs of investors.'

UK AND IRELAND

The FRC has launched a consultation on updates to the UK Stewardship Code

The Financial Reporting Council (FRC) has launched a consultation on significant updates to the UK Stewardship Code, focusing on supporting economic growth and investment and delivering increased transparency for millions of UK investors, savers and pensioners. The FRC also wants to streamline reporting requirements and reduce burdens for signatories, and ensure a clearer focus on the purpose of stewardship and the outcomes that it delivers.

The UK Stewardship Code has raised standards of stewardship in the UK and is recognised globally as driving best practice in the industry. It operates as part of a comprehensive regulatory framework, working alongside the Financial Conduct Authority's oversight of financial markets, the Pensions Regulator's protection of member interests, and the Department for Work and Pension's pension scheme regulations. While the Code is voluntary, it complements these regulatory requirements by promoting transparency and good practice in stewardship, contributing to the UK's reputation as an attractive destination for global investment. The good reputation and effectiveness of the Code is reflected in the number of global investors and asset managers that choose to sign up.

As a direct result of engagement with stakeholders during the pre-consultation phase, the Code will be supported by targeted guidance to help indicate the range of information that signatories might wish to include in their reporting.

Key proposals in the consultation include:

- a revised and enhanced definition of stewardship that emphasises the need to create long-term sustainable value for clients and beneficiaries as a key outcome of good stewardship;
- a streamlined reporting process separating policy and activity disclosures to reduce reporting burdens;
- targeted principles for different types of signatories and service providers, including for the first time, a dedicated principle for proxy advisors; and
- new guidance to support effective implementation and help signatories with the transition to the new reporting arrangements.

Richard Moriarty, CEO of FRC, said: 'The UK Stewardship Code plays a vital role in promoting long-term value for millions of people who trust their hard-earned savings and pensions to the investment community in order to provide for their future. This consultation marks an important evolution of the Code, ensuring it maintains high standards of stewardship in a manner that continues to support UK growth and is more proportionate. In doing so, we aim to help enhance the attractiveness of the UK as a leading global destination for capital and its management.'

The consultation, which runs until 19 February 2025, follows extensive engagement with over 1,500 stakeholders during 2024 and reflects four years of analysis of reporting against the 2020 Code.

FRC publishes its Annual Review of Corporate Reporting

The Financial Reporting Council (FRC) has published its Annual Review of Corporate Reporting setting out the findings of its monitoring of UK companies' annual report and accounts alongside its expectations for the upcoming reporting season.

The report is an important resource for preparers and auditors of financial statements, investors and other stakeholders.

Overall, the FRC is pleased that the quality of reporting in the FTSE 350 has been maintained, and that there have been improvements in several reporting areas, with provisions and contingencies falling out of the 'top ten' issues for the first time in over five years. This year, the FRC also questioned significantly fewer companies in relation to their disclosure of judgements and estimates, another area that has featured in the top ten for many years.

The FRC was, however, disappointed that there has been an increase in the number of restatements in relation to impairment of assets and cash flow statements, predominantly in companies outside the FTSE 350, where we are seeing some evidence of a widening gap in quality. These will remain areas of close focus for the FRC. Companies and their auditors may reduce the risk of challenge by closely reviewing the FRC's findings to avoid similar breaches of reporting requirements in future.

The FRC will continue to take a proportionate and targeted approach to its monitoring to ensure companies comply with the relevant reporting requirements. The FRC does not expect companies to provide information in their annual reports and accounts that is not material or relevant to users.

In relation to sustainability reporting, the FRC was pleased that, given the complexities for reporters, there were comparatively few compliance issues in premium-listed companies' reporting against the Taskforce for Climate-related Financial Disclosures (TCFD) framework.

EUROPE

ESMA announces 2024 European Common Enforcement Priorities for corporate reporting

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, has issued its annual European Common

Enforcement Priorities (ECEP) Statement for 2024 corporate reporting. The ECEP statement highlights the importance of connectivity between financial and non-financial information.

ESMA and European enforcers will focus in 2025 on the following topics:

- International Financial Reporting Standards (IFRS) financial statements: liquidity considerations and accounting policies; judgements and significant estimates.
- Sustainability statements: materiality considerations in reporting under the European Sustainability Reporting Standards (ESRS); scope and structure of the sustainability statements; and disclosures related to Article 8 of the Taxonomy Regulation.
- European Single Electronic Format (ESEF) digital reporting: common filing errors found in the Statement of Financial Position.

The ECEP sets out the expectations of ESMA and National Competent Authorities regarding the specific areas of focus for the enforcement and supervision of the annual financial reports of issuers of securities admitted to trading on European Economic Area regulated markets.

Issuers, auditors and supervisory bodies should consider the topics and detailed recommendations included in this document when preparing, auditing and supervising the 2024 annual financial reports. These recommendations should be contemplated by issuers considering materiality and relevance for the issuer's operations and annual financial report.

EIOPA presents its value for money benchmark methodology for unit-linked and hybrid insurance products

The European Insurance and Occupational Pensions Authority (EIOPA) has published its methodology on setting value-for-money benchmarks for unit-linked and hybrid insurance products. Such benchmarks are central to EIOPA's and national supervisors' efforts to adopt an increasingly data-driven and risk-based approach to the supervision of value for money risks. They will allow supervisors to better identify products with high value-for-money risks and ensure that consumers are placed at the centre of insurance products.

Over the years, supervisors across Europe have consistently reported issues with some parts of the unit-linked and hybrid market. The issues are often related to the mismatch between consumers' expected returns and the actual benefits received, or to unjustified costs, fees and penalties. While products that do not offer value for money are not widespread, EIOPA's Eurobarometer Data shows that they can have a significant impact on consumers' trust.

To tackle these concerns and proactively identify products offering poor value for money, EIOPA made value-for-money a key priority as early as 2020. The methodology for value-for-money benchmarks published today is a tool that will help supervisors to effectively deal with risks in the unit-linked and hybrid market affecting consumers.

The methodology outlines a three-step approach to create reference benchmarks:

- **Step 1: Product clusters:** Unit-linked and hybrid products are highly diverse across Europe and the same benchmarks cannot be applied to all products. Therefore, the first step is to cluster products with similar features into groups based on policyholders' needs. The benchmarks methodology sets out a list of criteria for categorising products. This fundamental step intends to bring much-needed comparability to products distributed across Europe.
- **Step 2: Value-for-money indicators:** The benchmarks methodology defines indicators for costs and returns around which value for money benchmarks are calculated. Specific indicators allow for a more transparent, efficient and reliable comparison of products. This, in turn, would help to identify products that offer poor or no value to consumers and lead to more supervisory scrutiny.
- **Step 3: Setting benchmarks:** EIOPA will use the data it collects for the Costs and Past Performance report to calculate benchmarks. EIOPA will not request additional reporting to help minimise the burden on the market.

National supervisors will be able to consider other qualitative and quantitative benefits that unit-linked and hybrid products offer to consumers and take them into account when assessing value for money.

Joint Committee of the ESAs to focus on digital resilience and sustainability disclosures in 2025

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) has published its Work Programme for 2025, placing particular emphasis on ongoing collaboration to tackle cross-sectoral risks, promoting sustainability in the EU financial system and strengthening financial entities' digital resilience.

More specifically, in addition to fostering regulatory consistency, adequate risk assessment, financial stability as well as the protection of consumers and investors, the ESAs will undertake joint work in 2025 to:

- provide further guidance on sustainability disclosures;
- make progress on financial entities' digital operational resilience by, among others, launching the oversight of critical information and communication technology (ICT) third-party providers and implementing the major ICT-related incident coordination framework in accordance with the Digital Operational Resilience Act (DORA);
- monitor financial conglomerates;
- promote coordination and cooperation among national innovation facilitators with a view to facilitating the scaling up of innovative solutions in the financial sector; and
- address other cross-sectoral matters such as retail financial services, investment products and securitisation.

UNITED STATES

FASB issues a standard that improves disclosures about income statement expenses

The Financial Accounting Standards Board (FASB) has published an Accounting Standards Update (ASU) that improves financial reporting and responds to investor input by requiring public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements.

'This project was one of the highest priority projects cited by investors in our extensive outreach with them as part of our 2021 agenda consultation initiative,' stated FASB Chair Richard R. Jones. 'We heard time and again from investors that additional expense detail is fundamental to understanding the performance of an entity and we believe that this standard is a practical way of providing that detail.'

During the FASB's 2021 agenda consultation and other outreach, investors observed that expense information is critically important in understanding a company's performance, assessing its prospects for future cash flows, and comparing its performance over time and with that of other companies. They indicated that more granular expense information would assist them in better understanding an entity's cost structure and forecasting future cash flows.

The ASU addresses this feedback by requiring public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. Specifically, they will be required to:

1) Disclose the amounts of:
    a) purchases of inventory;
    b) employee compensation;
    c) depreciation;
    d) intangible asset amortisation; and
    e) depreciation, depletion and amortisation recognised as part of oil and gas-producing activities (or other amounts of depletion expense) included in each relevant expense caption.
2) Include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements.
3) Disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively.
4) Disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments in the ASU are effective for annual reporting periods beginning after 15 December 2026, and interim reporting periods beginning after 15 December 2027. Early adoption is permitted.

FASB seeks public comment on proposed improvements to hedge accounting

The Financial Accounting Standards Board (FASB) has published a proposed Accounting Standards Update (ASU) that would clarify certain aspects of the guidance on hedge accounting and address several incremental hedge accounting issues arising from the global reference rate reform initiative.

In 2017, the FASB issued Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, to better portray the economic results of an entity's risk management activities in its financial statements. The Standards were also intended to make certain targeted improvements to simplify the application of the hedge accounting guidance.

During the FASB's 2021 agenda consultation project and other outreach, stakeholders expressed concerns that, in certain circumstances, the current guidance increases the risk of not being able to apply hedge accounting for otherwise highly effective hedging relationships, which results in less decision-useful information for investors. Stakeholders also identified some areas of hedge accounting guidance requiring further updates to address the effects of reference rate reform on hedge accounting.

The amendments in the proposed ASU would enable entities to apply hedge accounting to a greater number of highly effective economic hedges, thereby improving the decision-usefulness of information provided to investors.

ASIA PACIFIC

The International Platform on Sustainable Finance presents the Multi-Jurisdiction Common Ground Taxonomy to enhance interoperability of taxonomies across EU, China and Singapore

The International Platform on Sustainable Finance (IPSF) has presented the Multi-Jurisdiction Common Ground Taxonomy (M-CGT), a comparison of the sustainable finance taxonomies of China, the EU and Singapore.

Developed by the People's Bank of China (PBOC), the European Union Directorate-General for Financial Stability, the Financial Services and Capital Markets Union (FISMA) and the Monetary Authority of Singapore (MAS), the M-CGT builds on the EU-China Common Ground Taxonomy (CGT), a joint initiative under the IPSF by the European Commission and the PBOC in 2020 to enhance the interoperability of the EU and China's taxonomies.

With the publication of the M-CGT, the bilateral EU-China CGT will be expanded to include the Singapore-Asia Taxonomy (SAT), enhancing the interoperability of taxonomies across China, the EU and Singapore.

The M-CGT serves as a technical reference document for a wide range of market participants including financial institutions, corporates, investors and external reviewers. It allows them to assess what could be considered green across the three jurisdictions in scope, based on the activities, environmental objectives, and criteria covered in the M-CGT. While the M-CGT is not legally binding, green bonds and funds that align with the M-CGT criteria can be considered by cross-border investors whose markets reference the taxonomies which are mapped to M-CGT, subject to applicable laws and regulations of each jurisdiction.

The M-CGT will also serve as a reference for jurisdictions that are developing their domestic green taxonomies and has been designed to accommodate the comparison of more jurisdictions' taxonomies in the future. This will increase the number of taxonomies that are interoperable and help facilitate cross-border green capital flows.

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