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CORONAVIRUS BUSINESS ASSISTANCE SUMMARY

Several government initiatives have been introduced to provide funding and other support to businesses impacted by COVID-19. These broadly fall into two categories; the first being funding based initiatives which aim to boost the cashflow and liquidity position in the short to medium term and the second being tax and grant based initiatives which aim to alleviate cost pressure and preserve cash. There is a wealth of information available from many different sources, and sometimes it is difficult to see the wood for the trees, so here is a brief summary of the essential points, together with links to further details, if appropriate.

Employee assistance schemes

Coronavirus job retention scheme – all UK employers can access support to cover up to 80% of employee costs for those who are furloughed and kept on the payroll, rather than being laid off. From 1 March 2020 to 31 July 2020, up to 80% of employee costs are covered (up to £2,500 per employee, per month plus the associated Employer National Insurance contributions and minimum automatic enrolment employment pension contributions on that wage). From 1 August 2020, the scheme will continue, but with greater flexibility to support the transition back to work. The scheme is open to all UK employers that had a PAYE payroll scheme as at 19 March 2020.

Information about the relevant employees and their earnings must be submitted to HMRC through a portal service. Claims can be submitted on behalf of clients by agents who are authorised to act for the business for PAYE purposes.

Further guidance is available on the HMRC website.

Statutory sick pay relief – employers in the UK with fewer than 250 employees (as of 28 February 2020) will be able to reclaim Statutory Sick Pay (SSP) for employees unable to work because of coronavirus. The refund will cover up to 2 weeks SSP per eligible employee. Employers should maintain records of all staff absences and payments of SSP. Further details and access to the online service are available here.

Short term cashflow assistance schemes

Deferral of VAT payments – VAT payments due between 20 March 2020 and 30 June 2020 will be deferred for all UK businesses. Liabilities accrued during this deferral period must be repaid by the end of the 2020/21 financial year. No application is required, and VAT returns should continue to be submitted by the normal due dates.

HMRC time to pay arrangements - all businesses and self-employed individuals in financial distress, and with outstanding tax liabilities, may be eligible to receive support with their tax to pay service. These arrangements are agreed on a case-by-case basis and are tailored to individual circumstances and liabilities. A dedicated Coronavirus (COVID-19) webchat service and helpline has been set up by HMRC. The number is 0800 024 1222.

Assistance for self-employed

Self-employed income support scheme – a taxable grant of 80% of average trading profits over the past three years, up to a maximum of £2,500 per month is available for self-employed or members of a partnership. It is currently available for the three month period to 30 June but might be extended. HMRC have an eligibility checker online, with further guidance available at here.

Deferral of self-assessment payments – payments due on 31 July 2020 may be deferred until 31 January 2021 with no penalties or interest due for late payment. This provision applies to anyone with a second self-assessment payment on account due on 31 July 2020, not just those who are self-employed. No applications are required to access this deferral.

Newly self-employed hardship fund grants (Scotland) – a one-off grant of £2,000 is available for newly self-employed people (who became self-employed on or after 6 April 2019) facing hardship and who are ineligible for other Scottish Government or UK Government schemes. The grant is managed by local authorities and was open from 30 April 2020. Further information on eligibility is available here.

Rates

Business rates holiday for hospitality, leisure and retail (England & Wales) – a full year's 100% non-domestic rate relief for all retail, leisure and hospitality businesses in England for 2020/21. Revised bills will be issued by their relevant local authority, so no action is required by the business to obtain this relief. Guidance for local authorities, with more detailed information on the business premises this relief applies to, has been published here,

Business rate holiday for nurseries (England) – given to nurseries in England for 2020/21 where the property is occupied by providers of Ofsted's Early Years Register places or which are used wholly or mainly for the provision of the Early Years Foundation Stage. No action is required by the business to obtain this relief. Further guidance is available here.

Business rates holiday for hospitality, leisure and retail (Scotland) – full year's 100% non-domestic rate relief for retail, hospitality and tourism businesses for 2020/21. Revised bills will be issued by their relevant local authority so no action is required by the business to obtain this relief. Guidance has been published for local authorities on mygov.scot.

Business rates holiday for aviation industry (Scotland) – Scottish airports will receive a 100% rates relief for a year, as will organisations providing handling services for scheduled passenger flights in Scottish airports. Loganair is included in this due to the unique role it plays in providing connectivity in rural Scotland.

Non-domestic rate relief (Scotland) – all properties in Scotland subject to non-domestic rates will receive a 1.6% relief, effectively freezing the poundage rate for 2019/20 into 2020/21. Local authorities will automatically apply this relief to rates bills.

Grants

Grants for retail, hospitality and leisure business (England & Wales) – one-off grants of £25,000 per property are available to businesses in the retail, hospitality and leisure sectors. For businesses in these sectors with a rateable value of under £15,000, a grant of £10,000 is available. For businesses in these sectors with a rateable value of between £15,001 and £51,000, a grant of £25,000 is available. No action is required by businesses as local authorities will write to eligible properties.

Note – in Wales, a £25,000 grant is available for businesses in these sectors with a rateable value of between £12,001 and £51,000. For businesses with a rateable value of £12,000 or less, they will be eligible for the Small Business Grant Scheme below.

Grants for retail, hospitality and leisure business (Scotland) – businesses in the retail, hospitality and leisure sectors with a rateable value of between £18,001 and £51,000 can apply for a grant of £25,000. In addition to the 100% grant on the first property, ratepayers will also be eligible for a 75% grant on each subsequent property that meets the criteria. Grants do not have to be repaid. Businesses can apply for the grant via their local authority website. Further information on eligibility is available on mygov.scot.

Support for Scottish seafood fishing industry – funding is available to 650 seafood fishing companies through a [Sea Fisheries Hardship Fund] whereby they will receive an initial payment of 50% of two months average earnings. This is available to owners of full time Scottish registered fishing vessels of 12 metres in length and under. For [vessels over 12 metres] grants of up to £21,370 per vessel is available, capped at £42,740 if multiple vessels are operated.

Small business grant scheme (England & Wales) – a one-off grant of £10,000 is available to businesses eligible for Small Business Rate Relief (SBBR) or Rural Rate Relief (RRR). No action is required to obtain the grant, as local authorities will write to eligible properties for the grant.

Note – in Wales £10,000 is available to all businesses eligible for Small Business Rates Relief with a rateable value of £12,000 or less. Grants will be administered through Welsh Local Authorities, but businesses will need to confirm their details through an online form.

Local business grant fund scheme (England & Wales) – businesses with under 50 employees who have experienced a significant drop in income due to the lockdown restrictions can obtain grants of up to £25,000. The allocation of funding is at the discretion of local authorities, but they will prioritise shared spaces, regular market traders, small charity properties that would meet the criteria for Small Business Rates Relief, and bed and breakfasts that pay council tax rather than business rates, for example.

Small business grant scheme (Scotland) – a one-off grant of £10,000 is available for small businesses in receipt of Small Business Bonus Scheme or Rural Relief. In addition to the 100% grant on the first property, ratepayers will also be eligible for a 75% grant on each subsequent property that meets the criteria. Grants do not have to be repaid. Businesses can apply for the grant via their local authority website.

Creative, tourism & hospitality enterprises hardship fund (Scotland) – grants of £3,000 for creative, tourism and hospitality companies not receiving business rates relief were available. Larger grants of £25,000 were also available where it could be demonstrated that additional support was required. The fund is managed by local Enterprise Agencies in partnership with Creative Scotland and Visit Scotland. The fund has now closed for applications.

Pivotal enterprise resilience fund (Scotland) – funding was available for vulnerable SMEs who are vital to the local and national economic foundations of Scotland. The fund is managed by local Enterprise Agencies. The fund has now closed for applications.

Debt assistance schemes

Bounce back loan – loans from £2,000, up to £50,000, or 25% of turnover (whichever is smaller) are available to UK based businesses that have been adversely affected by Covid-19 provided they were not an 'undertaking in difficulty' on 31 December 2019. Under the scheme, the Government will pay the interest and any fees on the loan for the first 12 months with the interest rate fixed at 2.5% for the remainder of the term. Finance terms can be up to six years with no repayments due in the first 12 months. Businesses will remain liable for the capital repayment, but the Government will provide the participating lender with a 100% guarantee. Visit the [British Business Bank] website for more information.

Coronavirus business interruption loan scheme (CBILs) – up to £5m in financial support is available to SMEs in the form of term loans, overdrafts, invoice finance and asset finance through more than 40 participating lenders. The Government will provide lenders with a guarantee of 80% on each loan, with SMEs remaining liable for the capital repayment. Finance terms of up to six years available. Full rules of the scheme and a list of accredited lenders are available on [the British Business Bank] website.

Coronavirus large business interruption loan scheme – enables banks to make loans of up to £200m for businesses (or 25% of turnover) with an annual turnover of more than £45m. The Government will provide lenders with an 80% partial guarantee on loans, overdrafts, invoice finance and asset finance. The borrower remains 100% liable for the debt. Full rules of the scheme and a list of accredited lenders are available on the [British Business Bank] website.

Further information and updates can be found on the Coronavirus hub on the ICAS website, and in particular the [business assistance webpage], which may also be of assistance to clients and businesses more generally.

DEALING WITH ARREARS OF PAY IS RARELY STRAIGHTFORWARD

Arrears of pay can accrue in many different circumstances – not just by a failure to meet National Minimum Wage ("NMW") obligations. However, because of an increase in NMW related cases being pursued by HMRC, resulting in a quarterly naming and shaming list and telephone number sized arrears bills in some cases, little wonder that when the term "arrears of pay" are concerned, thought immediately turn to NMW. This article examines how income tax and National Insurance contributions should be applied to pay arrears, potential interest and penalties, and looks at some related tax cases.

Pay arrears

Pay arrears most frequently occur when:

- An employer or employee discovers that wages or salary paid in an earlier period were less than what they should have been paid under the employee's contract
- Backdated pay awards
- The employer's payroll or HR systems make an error
- Equal pay legislation applies and the employer has to pay the arrears to the employee(s) or a court order has ordered this.

What makes earnings from an employment liable to income tax?

Employment earnings are liable to PAYE under s.62 Income Tax (Earnings and Pensions) Act 2003 ("ITEPA 2003"). It follows that any employment earnings paid in arrears such as NMW adjustments, holiday pay corrections, and the like are liable to income tax. It is important to understand that arrears of pay are not compensation awards, even if ordered to be paid by a tribunal and should never be treated as such – HMRC will not accept that argument.

The tax legislation behind pay arrears

In terms of basic principles, the timing of the charge to PAYE on taxable earnings is the earlier of when the payment was either received by the employee or worker, or when to the entitlement arose (s686 ITEPA 2003). In the case of arrears of pay therefore the employer will need to consider when the entitlement arose.

To illustrate this, in a pay dispute, for example, the employees will receive a pay arrears award based on a contractual, or deemed contractual, entitlement to that pay, which entitles them to receive that money from a given point in past time.

Practical application of allocating pay to closed tax years

HMRC guidance which can be found here sets out how to allocate a payment of arrears through payroll in closed years. The guidance explains, in line with the regulations at sections 18 and 686, ITEPA 2003, that whilst legally, the *liability* to tax arises in the year the money is earned, lump sum arrears should be subject to PAYE at the time they are *actually paid.*

There are two settlement procedures, dependent on whether the employer is a 'large employer' or not.

Large employers (such as a local authority or the NHS) wishing to settle income tax liabilities, and where large numbers of employees are involved, can settle directly with HMRC under s.141 PAYE Regulations 2003. If a large employer does not wish to use this settlement route, they must follow the same procedure as other employers, as discussed below.

For those employers who are not 'large employers', the employer should allocate the payments to week 53 of the closed year to which the arrears correspond. If this is not possible or the employer does not wish to do this, and the payment is taxed in full in the tax year in which the payment was received, this could result in an employee being taken into a higher tax bracket for that tax year. The employer has a duty to tell the employee this, thereby enabling them to contact HMRC. Employees who contact HMRC in such cases can have their arrears of pay reallocated at the end of the tax year in which the arrears were paid. In some cases, this will lead to cash flow issues for the employee.

Having established when the entitlement arose, the most common difficulty most employers encounter is the disparate payroll treatment for income tax (PAYE) and NICs purposes (see below).

Software problems

Experience of different software providers shows that some software programmes do not allow employers to process adjustments in closed tax years. If this happens, the HMRC Basic Tools can be used instead to cater for this one-off event. HMRC has placed written guidance on this topic which can be found at here and there is also the employer's helpline (0300 200 3200).

Scottish and Welsh taxpayers

The tax rates used must correspond to the rates applicable to Scottish and Welsh taxpayers in force at the time the employee became "entitled" to the payment. If no Scottish or Welsh rates were in force in the particular year in question, the rates used should be UK rates.

The NICs legislation behind pay arears

National Insurance Contributions ("NICs") are calculated based on pay periods and any lump sums of pay arrears are deemed for NICs purposes to be received in that pay period. As such, no retrospection is required. Whilst a lump sum can result in a large one-off NIC charge for that pay period, which may result in a cash flow issue, in some cases it can actually save the employee money because NICs are charged at 12% until pay reaches the Upper Earnings Limit (£50,000 for 2020/21) and then the charge on amounts above that drops to 2%. The regulations covering this can be found at s.6 SSCBA 1992 or in HMRC's National Insurance Manual.

Practical application of NICs on pay arrears through payroll

In some cases, the NICs will be the only thing processed through the current payroll run because the tax may have been settled directly or put through closed tax years. Care should be taken to configure the payroll parameters to ensure that the lump sum is chargeable to NICs but not to tax. The payment needs to be made on the Full Payment Submission for that pay period.

Payments of arrears in instalments

Employees might agree to sign agreements to receive their arrears of pay in delayed stages if this helps the employer to fund the payments, which would lead to the date on which the monies are paid being delayed.

However, just because employees have agreed to receive the arrears in instalments does not necessarily mean that PAYE is not still due. Earnings are treated as 'received' for assessment purposes, and 'paid' for PAYE purposes, on the earliest of the following in accordance with s.18 ITEPA 2003:

- when a payment of earnings is actually made or when a payment on account of earnings is made; and
- the time when a person becomes entitled to payment of earnings or a payment on account of earnings

For directors:

- the date when earnings are credited in the company's accounts or records; or
- where the amount of the earnings is determined before the end of the period to which they relate, the date that period ends: or
- where the amount of the earnings is determined after the end of the period to which they relate, the date the amount is determined.

HMRC guidance on this can be found at EIM 42360.

If an employer is experiencing any difficulty in paying the PAYE to HMRC, they should contact HMRC immediately to discuss time to pay arrangements.

So, what might constitute pay arrears, and what issues can they raise in practice? Here are some interesting examples.

Police housing allowance arrears

In the case of White v Inland Revenue Commissioners SpC357, Mr White was a police officer who commenced working three days after a police housing allowance was abolished. However, he had been given material about the allowance before joining the police and thought it would be a part of his remuneration. Mr White complained that he had only taken the role because he was anticipating this payment in addition to his earnings as an officer. He was initially awarded a payment but there was a dispute about how the payments should be allocated to which tax years. Eventually it was decided that he was not "entitled" to arrears for some of the years he claimed for, and that any earnings he had accrued an entitlement to should be attributed to the year in which they were deemed to have been earned, in accordance with what is now section 18 ITEPA 2003.

Tronc scheme leading to NMW arrears

The case of Annabel's (Berkeley Square) Ltd and others v Revenue and Customs Commissioners [2009] STC 1551 concerned itself with whether payments from a tronc scheme represented earnings for NMW purposes. In the case of each worker, the 'basic wage' was lower than the NMW and "topped up" by tips by way of a tronc scheme. HMRC took the view that the employers were not satisfying their obligations to pay the NMW, and issued enforcement notices under s.19 of the National Minimum Wage Act 1998. The employer appealed those notices. They argued that the payments from the tronc scheme were "money payments paid by the employer" and thus counted towards pay for NMW purposes by virtue of reg 30ª of the NMW Regs 1999 (SI 1999/584). The Court of Appeal held that a payment to an employee by a tronc master was not a payment by the employer and HMRC won the right to claim NMW arrears of pay.

Unpaid holiday pay arrears

Several pay arrears' cases brought before the Employment Appeal Tribunal ("EAT") have been in connection with holiday pay. Employers in Fulton v Bear Scotland Ltd and others; Woods and others v Hertel (UK) Ltd; Law and others v Amec Group Ltd all lost at the EAT when they appealed against the earlier employment tribunal decision that payments for non-guaranteed overtime were part of normal remuneration and were to be included as such in the calculation of holiday leave taken under Regulation 13 of the Working Time Regulations 1998, SI 1998/1833. Hertel and Amec nevertheless subsequently succeeded in proving that the employees could not claim the consequent arrears of pay awarded to them were unlawful deductions from their pay under the Employment Rights Act 1996.

Pension contribution arrears and the NMW

NMW arrears can also give rise to pension contribution arrears. Where these are identified, it may be necessary under auto-enrolment regulations to place the employee into a workplace pension scheme. Backdated contributions may need to be calculated. This may also have a retrospective effect on the 3 year re-enrolment window if this has already passed. The Pensions Regulator (TPR) has detailed guidance available on its website to help employers / advisers dealing with pay arrears.

Interest and penalties

HMRC reserves the right to charge interest on late payments of PAYE under the Harmonised Interest Regime which was brought in by FA 2009 sections 101-104. HMRC may or may not decide to use its charging powers, depending on the circumstances of each case. Interest is usually chargeable from the 19th April following the tax year in which the PAYE should have been paid.

As far as penalties goes, it is within HMRC's powers under FA2009 Sch.56 to issue penalties for late returns under RTI. These are risk-assessed penalties covering PAYE, Class 1 NICs, CIS and Student Loan deductions based on the number of late payments in a tax year. Incorrect returns are dealt with under FA2009 Sch.55 and are based on the number of employees with a surcharge if the failure continues for more than three months.

No penalties are likely to be applied if the employer has declared and paid the PAYE and NICs in the periods corresponding to when the earnings arrears were treated as 'received' under RTI, as the employer will have complied with the requirements as set down in the PAYE Regulations 2003 (SI 2003/2682) as amended by SI2015/ 1927. However, if the employer subsequently fails to report or pay the PAYE on the arrears on time, penalties may apply under the above provisions.

Other implications

Finally, employers and advisers should be aware that making payments of arrears will be likely to have a knock-on effect in other areas of the employees' lives, to the extent that some may question whether it was worth receiving them in the first place. Consequential issues with state welfare benefits and tax credits are particularly prominent, and it is important that employees understand they need to inform the Department of Work and Pensions and HMRC that they have received a pay arrears award. If their benefits and tax credits are affected, they may find themselves subject to recovery proceedings, fines and penalties. Debt agencies and local authorities may also need to know if an employee received a pay award.

Conclusion

The settlement of pay arrears are something of an administrative nuisance. The tax and NICs disparity of treatment does little to simplify the tasks which an employer has to overcome to correct pay errors retrospectively.

Unfortunately matters are made even more complicated because there is more than one government department involved in the policy, management and collection of pay arrears due to the mix of legislation and regulations covering employment law and tax law. Sometimes this leads to confusion, to duplication and to certain aspects falling through the gaps between the two agencies.

Employers who must pay arrears awards will need to be very careful as they tread through the maze.

OPTIONAL REMUNERATION ARRANGEMENTS – THE STING IN THE TAIL OF PROVIDING FLEXIBLE REMUNERATION

The underlying legislation in relation to the availability of salary sacrifice was changed from April 2017 and these arrangements, are now known as Optional Remuneration Arrangements ("OpRA"). Transitional arrangements are in place between 2017 and 2021. In this article, we look at how the "new" regime is bedding in.

"Salary sacrifice" has been around for at least 30 years, but it became especially prevalent in the 1990s and has remained popular ever since. "Sacrifice" implies that pay is given up, with nothing in return. It is not in fact so much about making a "sacrifice" of any kind. That was a term coined by HMRC which used to strike fear into the hearts of employees and union reps alike when they were first introduced to the concept. It is more about a salary "exchange", in other words an employee could exchange part of their gross salary and get something else in return, such as a benefit in kind, to an equivalent or lesser value.

With the increasing popularity during the 1990s and beyond of the "total reward statement" and flexible benefits plans, employers and tax advisers soon realised that there were potentially significant savings to be made if a portion of gross salary were exchanged for a benefit in kind which was either free of income tax and NICs, or free of NICs. Employers were able to enhance the Employee Value Proposition ("EVP") by introducing a suite of benefits and rewards through salary exchange schemes. The tax free and NIC free items did not need to be payrolled or included on the P11D, and those which still carried a tax liability could be declared on the P11D, but only to the extent the employee had not fully extinguished the benefit.

Examples of tax and NIC free items were parking at or near the workplace; Home Computer Initiative (until 2006); and cycle to work schemes. Workplace pensions were NIC free where an employer made the whole contribution into the pension scheme and the employee contribution was reduced to nil; and cash could be exchanged for company cars and any balancing charge for the private use of the car charged to the P11D with a corresponding Class 1A NICs charge. Other popular benefits included dental insurance, gym membership, private medical insurance, so-called "in-house" or marginal cost benefits such as canteens, or access to the services which the employer provides to its customers such as funeral care.

Why the change?

The main reason for HMRC's drive to change the salary sacrifice regime was because it perceived that abuse was taking place, and items were being exchanged which were outside the spirit of the regime – the main one being travel and subsistence expenses – which was seen to be a form of exploitation of employee and worker rights as well as a reduction in the tax and NICs flowing in to the Exchequer.

According to HMRC, so many salary sacrifice schemes had been set up to reduce income tax and NICs bills that substantial revenue losses were accruing.

The problem was that there was no legislation in place defining what a salary sacrifice scheme should represent, what the Government was prepared to allow, and how it should be reported, as employers were simply making use of existing exemptions and reliefs legislation. Therefore, as a result of s7 and Schedule 2 of the Finance Act 2017, new provisions were inserted into ITEPA 2003 to create the OpRA legislation (with guidance at HMRC, EIM44000). The main aim for the government was to restrict tax efficient OpRAs to pensions, cycle to work and ultra-low-emission vehicles ("ULEVs"), to encourage pensions saving and greener travel arrangements, with an expectation of adding an additional £260 million by 2021/22 through OpRA.

Three key elements of OpRA to remember

An item is now an OpRA if it falls into either "Type A or B arrangements" as outlined at s69A(3) and s69A(4) ITEPA 2003 respectively.

1. **Type A** is where the employee gives up the right or the future right to receive salary (giving up pay, such as in a pension salary sacrifice arrangement).

2. **Type B** is where the employee agrees to be

provided with the benefit rather than the equivalent amount of cash remuneration (choosing something from a menu of flexible reward options).

3. The value of the benefit being provided is deemed to be the greater of: (1) the amount of pay given up; and (2) the value of the benefit (using the usual valuation methods) *ignoring* any amount made good[1].

Note that Type B arrangements extend the previous salary sacrifice regime to have further reach and the valuation rule at 3 above is particularly punitive in terms of the tax due. As a consequence, the employer NICs due on Type B arrangements under the new valuation regime catches items which were previously thought to be paid away, reduced to nil, or exempt, and care must be taken when calculating these benefits in future.

How does the transition work?

The first thing to remember is that post 2017, any scheme involving salary sacrifice transitions into an OpRA where a salary exchange arrangement begins for the first time or reaches a renewal or modification point (the trigger point). Where there are no changes or modifications, there was an automatic transition to OpRA for any arrangements in place on 6 April 2018. It should be noted that the three types of salary exchange which are carried through the transitional arrangements to 2021 are: living accommodation benefit; school fees (special arrangements apply); and cars with emissions >75g/km of CO_2.

The table on the following page explains how the transition from salary sacrifice to OpRA works between 2017 and 2021.

What now falls under the OpRA regime?

As mentioned above, the main aim was to restrict tax and NIC efficient benefits to ultra-low emissions vehicles, cycle to work schemes, and pensions from April 2021. As the table below shows, from April 2018, some benefits can continue as they are until 2021, when they too will be phased out. Everything else which is arranged under Type A or B is now covered under OpRA. However, please note that all benefits in kind provided under normal conditions, i.e. in addition to pay, are not affected by OpRA and should be declared on P11D in the usual way. Even exempt benefits such as health screening need to be considered because if they are paid under a Type B arrangement, the amount foregone by the employee may well need to be declared on P11D, with a corresponding Class 1A NICs charge.

Bear in mind that NICs are also in point. All OpRA benefits are liable to Class 1A NICs so that the NICs rules continue to mirror the income tax rules as with other areas of employment taxation, including for valuation and exemption purposes.

How has OpRA affected the payroll industry and what are employers doing about reporting it?

Three years in, it is interesting to see how the payroll industry has reacted to the changes. All those providing benefits which now fall under the OpRA regime will have submitted their first set of P11Ds with the benefits reported on them, or they may have chosen to payroll the benefits. According to HMRC in a July 2018 report[2] which provides only provisional figures for 2016/17, the tax and NICs generated from payrolling benefits is estimated at around 11% of all benefits in kind related income. This percentage is generally thought, by the tax profession, to be low because payrolling is still unattractive to employers due to restrictions on what can be payrolled, and the fact that anything which cannot be payrolled must still be returned on P11D. Therefore, it is thought to be only those employers providing benefits capable of being payrolled and no more who pursue the payrolling option.

Various reports suggest that issues around the added complexity in the legislation and the treatment of cash and non-cash allowances is confusing for employers. Employers find it hard to distinguish between Type A and B arrangements. Issues around employees who are on the cusp of a tax band mean that some employees will find themselves in a higher tax bracket because of the measures. In Scotland there are five bands to consider, which adds to the complexity and throughout the UK, the

[1] https://www.gov.uk/government/publications/optional-remuneration-arrangements/optional-remuneration-arrangements
[2]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727566/Benefits_in_Kind_Statistics_July_2018.pdf

interaction with other issues such as Universal Credit, tax credits and pensions is often complex.

Conclusion

It is important that employers properly understand the arrangements and ensure that their offerings achieve optimum tax efficiency for themselves and their employees. Naturally, this will also have HR implications as staff handbooks, policies and procedures, remuneration committee decisions and employment contracts need to reflect the OpRA, all with the agreement of employees, to avoid dissatisfaction and loss of engagement, morale and productivity.

Identification of all relevant benefits and tracking of key trigger dates are essential. Fleet managers, living accommodation managers and anyone else involved in the provision of benefits need to understand the rules and comply, as HMRC employer compliance officers will be very interested in those who do not. It would be wise to ensure affected employees in the business also understand the implications of OpRA. Finance departments, directors and senior accounting officers in large businesses also need to understand the rules and reporting requirements and have systems in place to ensure the often complex calculations are correct.

OpRA is here to stay. Time will tell as to whether the measures have resulted in higher revenue receipts for the Exchequer, although measuring success may be tricky as pinning the receipts down to specific areas of remuneration planning will be challenging. The data kept by HMRC on salary sacrifice is somewhat patchy due to the lack of information in this regard on employer returns. It would be difficult to compare this data to any future regime because employers do not have to “sign up” to OpRA – they just transition from one regime to the other.

For further information on special cases, exempt benefits and the OpRA regime generally, please visit HMRC’s website.

April 2017	April 2018	April 2021
All schemes continue to earliest of next trigger point, or April 2018, unfettered.	Existing schemes for Cars, Vans, Fuel, Living Accommodation and School Fees (set up prior to 6 April 2017) can continue to April 2021.	Pensions, Cycle to Work, Child Care and Ultra-low CO_2 Cars (75g/km) continue indefinitely.
Prepare for 2018 & 2021 phasing out/ transitional arrangements.	All other new & existing schemes must be closed except Pensions, Cycle to Work and Child Care.	Schemes for all other Cars, Vans, Fuel, Living Accommodation phased out.

OUTSOURCED IT SUPPORT - PROS AND CONS

The Covid-19 pandemic and the consequential widespread need for many to work from home has seen an accompanying rise in cyber-crime which means it’s more important than ever to ensure your business has robust IT systems. Whether you have an internal IT department, external support or maybe a helpful client, it is vital to ensure they are up to speed with the developments across the profession and on the wider information technology landscape.

As a chartered accountant, you may have offered your skills and expertise to varying businesses during your career, as an outsourced Finance Director (FD). The FD client benefited from your diverse accountancy experience, providing sound, well-informed advice to the business. Outsourcing is seen as a great way of getting the expertise a business needs, but for a fraction of the cost of undertaking that responsibility in-house.

The 2019 UK IT Outsourcing Study found the top reasons for outsourcing are:

- Cost reduction (68%)

- Focus on core business (57%) and
- Access to resources (51%)

Over the next two years, outsourcing is expected to continue to increase in the UK, with 71% of organisations planning to outsource at the same rate or more, and that was before the pandemic! Businesses that haven't outsourced their IT sometimes think it will be too expensive or difficult do, and no one likes change, but it can bring many advantages to the business as a whole. So, let's look at the pros and cons of outsourcing your IT:

The Pros

- Takes the overall burden of IT off an existing member of staff, usually one of the Partners/Directors.
- Have an expert you can rely on to give you comprehensive and impartial advice.
- Available at the end of a phone or onsite when you need them.
- Can help develop your cyber resilience strategy.
- Keep up-to-date with the latest industry technology.
- Take advantage of new developments in automation and AI technologies, both in-house and for clients, to help stay compliant and competitive.
- With remote monitoring, many issues are fixed with no interruption to the business.
- Various licences and renewals, such as Microsoft, are managed on your behalf.
- Management of hardware replacements, ensuring spend is planned in advance.
- Don't need to manage cover when IT staff are on holiday
- Frees time to you focus on your own core business

The Cons

- Can take time to find the right IT company for your business to work with.
- Mutual trust will need to be built.
- Won't know all your staff and systems from day one.
- Potential negative impact on staff morale if taking someone's job and not handled well.
- Data security might be an issue if you don't know who is accessing your data.
- Evaluating the quality of support can be more difficult.
- Longer than normal wait times if service level agreement not set appropriately.
- Unexpected or hidden costs if not properly thought through.
- Being off-site can hamper direct communication.
- Loss of granular control over day-to-day IT functions.

Conclusion

The ideal outsourced IT partner would support both the bottom-line efficiencies and top-line growth agenda of the business. A good IT provider will help you embrace new ideas and technologies to help drive innovation while maintaining a long-term view of the relationship.

How recently have you reassessed your IT support? For many firms, recent events have thrown the need for flexibility and a "fit for purpose" IT structure into sharp relief. Perhaps now is the time to review how yours has coped, and to future proof your system?

SELLING A DIVISION - CHANGES TO THE SUBSTANTIAL SHAREHOLDING EXEMPTION

Often in corporate disposals of a trading division, the purchaser would rather it be an asset purchase rather than acquire the shares as it has many benefits including, for example, the ability to claim capital allowances on certain assets, it is not acquiring the company warts and all, and avoids a sale and purchase agreement with a time consuming and costly due diligence process. On other occasions however, it might make sense to acquire the shares.

Historically, where a division of a company was to be sold, assets, including chargeable assets, were hived down to a subsidiary and the shares were sold. This would however trigger a capital gains de-grouping charge on the subsidiary leaving the group within six years under Section 179 of the Taxation of Chargeable Gains Act ("TCGA 1992").

For some years, Section 3D of Section 179 has allowed the de-grouping charge, which would otherwise have arisen in the company leaving the group, to be treated as additional consideration which is added to the proceeds of the share disposal by the parent company.

Paragraph 15A, schedule 7AC TCGA 1992 allows Substantial Shareholdings Exemption ("SSE") to apply to the vendor company in circumstances where:

(a) immediately before the disposal, the investing company holds a substantial shareholding in the company invested in;
(b) an asset, which at the time of disposal is being used for the purposes of a trade carried on by the company invested

in, was transferred to it by the investing company or another company;

(c) at the time of the transfer of the asset, the company invested in, the investing company and, if different, the company which transferred the assets, were all members of the same group; and

(d) the asset was previously used by a member of the group (other than the company invested in) for the purposes of a trade carried on by that member at a time when it was such a member.

Where these conditions are met, the investing company is treated as having held the substantial shareholding at any time during the final twelve-month period when the asset was used as mentioned in (d) above.

The practical benefit of these provisions is that the parent can create a wholly owned subsidiary, hive down the trade and assets to that subsidiary, sell the shares in the subsidiary to a third party and the de-grouping charge is added to the sales proceeds of the selling company. A substantial shareholdings exemption is available to the selling company both in respect of its actual gain on disposal of the shares and the de-grouping charge, provided that the trade has been carried out for a combined period of at least twelve months by the parent company and the subsidiary company. It may be that, for example, the trade was only carried out by the subsidiary for a month before its shares are sold by the parent. SSE will be available provided that the parent itself carried on the trade for at least eleven months.

This situation was ideal where the intangible fixed assets of the original company were in existence prior to 2002, when the intangible assets regime was introduced. “Old” goodwill, for example, would be treated as a chargeable asset and would benefit from the provisions described above.

If, however, we were dealing with a company which created intangible assets from 2002 onwards, then there would be a de-grouping charge under the intangible assets regime which could not be covered by SSE.

With effect from 7 November 2018 however, an intangible assets de-grouping charge under Section 780 CTA 2009 will not arise in the hive down scenario described above, where the share disposal qualifies for substantial shareholdings exemption.

The treatment of chargeable assets and intangible assets where there is a de-grouping charge following a share disposal are now similar. There is however a difference in that where a de-grouping charge arises in respect of chargeable assets, the company acquiring the assets achieves an uplift in their base cost without a tax charge.

For intangible assets, there is no deemed disposal and reacquisition at market value, and therefore no uplift in the tax base cost, but instead the transfer is tax neutral with the recipient company assuming the tax base cost of the disposing company.

The facility to hive down the trade and assets of a business to a “clean” company and then to dispose of the shares with the de-grouping charges being covered by substantial shareholdings exemption is very useful in a number of commercial situations. For example, the original company may be subject to litigation and purchaser may not wish to acquire its shares due to the risk of the litigation going badly. Similarly, the original company may have assets, including licences or patents, which it wishes to retain, and so the transfer of the trade and assets required by the purchaser can be achieved by the hive down process.

PENSION LIFETIME ALLOWANCE – PHEW, WHAT A RELIEF!

When pensions were “simplified” in 2006 and the lifetime allowance introduced, individuals whose funds already exceeded the lifetime allowance, or were likely to, were able to elect into a system of protections so that the lifetime allowance tax charges did not impact them.

With each reduction in the lifetime allowance, it has been possible to elect for protection. One of the consequences of obtaining protection is that no further pension contributions could be made as these would remove the protection. Where further contributions are made, the removal of protection has potentially very costly tax consequences. Particularly with the introduction of auto enrolment, it would be very easy for individuals to inadvertently lose their protection.

In the case of Gary Hymanson v HMRC (2019) TC6815, the First Tier Tribunal held that the tax payer did not lose his £1.8 million fixed protection as a result of a mistake made by making payments to his pension funds. Mr Hymanson had obtained a fixed protection certificate in respect of £1.8 million in 2012. He had four pension schemes and made no further contributions to one of those to which he contributed when he had funds available. He did not however realise that he should have cancelled his standing orders to the others. The tribunal held that HMRC had not considered whether the standing order payments were void by mistake and held that HMRC's decision was unreasonable. HMRC has withdrawn its appeal in this case.

This is a very timely reminder to tax payers who have protection that they should not be making further contributions to their pension schemes if they wish to retain the protection. They may not be as lucky as Mr Hymanson.

WHAT IS THE DIFFERENCE BETWEEN A POTENTIALLY EXEMPT TRANSFER AND A CHARGEABLE LIFETIME TRANSFER?

If only there was a funny punchline to this. There isn't, but the difference is interesting where the asset gifted qualified for agricultural property relief or business property relief.

Agricultural property relief and business property relief is withdrawn on a lifetime transfer where the donor dies within seven years of the gift and the donee no longer holds the asset.

The cumulation of the donor's lifetime gifts has to be looked at in these circumstances and Sections 113A(2) and 124A(2) Inheritance Tax Act 1984 ("IHTA 1984") refer. Where we are dealing with a chargeable lifetime transfer, typically a gift to a trust on which IHT at the lifetime rate was charged, the original amount of the chargeable lifetime transfer will remain part of the donor's cumulative total for IHT purposes.

Where the gift was a potentially exempt transfer, the amount of this ultimately charged to inheritance tax will be added to the donor's cumulative totals. This is perhaps best illustrated by an example.

Fearing his own mortality, in July 2016 Shiva Matimbas gifted shares worth £400,000, in Noah's Yachts Ltd, an unquoted trading company, to a trust for his grandchildren. In October 2018, he gave further shares in the company worth £500,000 to his son Ruben.

The company's entire issued share capital was acquired for cash on a takeover by a third party, in February 2019. Shiva died in June 2019.

The gift to the trust in July 2016 of £400,000 qualified for business property relief at 100% and the chargeable lifetime transfer was nil. The potentially exempt transfer of shares to Ruben in October 2018 also qualified for business property relief at 100% and no IHT was payable.

As the trustees no longer held the shares at the date of Shiva's death, the business property relief is withdrawn and, after deducting two annual exemptions of £3,000 each, £394,000 is subject to inheritance tax. £325,000 is taxed at nil percent and the remaining £69,000 is subject to IHT at 40%.

As Ruben no longer holds the shares and neither had he reinvested his sale proceeds into other business property, no business property relief is available when calculating the IHT arising as a result of Shiva's death. After deducting two annual exemptions of £3,000 each, £494,000 is taxable at 40%.

The interesting difference here is that, even although business property relief was withdrawn when calculating the additional tax on the chargeable lifetime transfer to the trust, following Shiva's death, the original amount of the chargeable lifetime transfer of nil remains part of Shiva's cumulative total, and not £394,000.

The potentially exempt transfer of shares to Ruben also becomes chargeable following Shiva's death, without the benefit of business property relief. The amount added to Shiva's cumulative total of gifts is however £494,000.

As Michael Caine famously said in Educating Rita, "now there's not many people know that".

TAX QUERY – WHICH PROPERTY VALUATION TO USE IN INHERITANCE TAX CALCULATION?

Question

I am the executor of an estate of a client who died over a year ago. Due to the availability of her own and her late husband's nil rate bands and residence nil rate bands, there will not be an inheritance tax liability. One of the assets of the estate was her main residence in respect of which we obtained a surveyor's valuation at £400,000.

The house was recently sold for £490,000 which called into question the original surveyor's valuation. We researched the position and noted that a similar house in the locality was sold for around the time of our client's death for £455,000 and we therefore instructed another firm of surveyors to carry out a valuation. They produced a valuation of £460,000.

The original £400,000 was included in the confirmation of our client's estate and the inheritance tax return.

I understand that it may be possible to adjust the value for Inheritance Tax ("IHT") purposes. Must we use the £400,000 figure for the capital gains tax ("CGT") computation in the executry tax return or can we use the more recent surveyor's valuation of £460,000?

Answer

Simons Taxes at I4.311 under the sub heading "Sale Price Higher than Death Value" states that where the sale price is higher than the value at the date of death, the usual reason for wanting to make a claim to substitute the sale price for the value on death is to increase the personal representatives' or beneficiaries' acquisition value of the interest in land for CGT purposes, in circumstances where there will either be no additional IHT payable by reason of the substitution of the higher value, or less additional IHT and the amount of CGT saved.

However for some time, HMRC maintained, and Special Commissioners then held, that such a claim cannot be made where there is no IHT payable on the interest in land on the deceased's death, e.g. because of exemption, 100% business or agricultural relief, or the entire estate being below the IHT threshold. HMRC have now updated their IHT manual to make clear that they will deny claims to substitute a higher sale value for land or buildings sold within three years of the date of death.

The point here is that there must be an "appropriate person" in relation to an interest in land if a claim for the relief is to be made in respect of that interest in land, and there is no such "appropriate person" in relation to an interest in land if no IHT in respect of the deceased's death is payable on it". HMRC's position is that unless there is an "appropriate person" who is basically a person who suffers IHT, then such a claim is not competent for IHT purposes.

This view was upheld in the case of Stonor (Dickinson' Executors) v IRC (2001) ST199. The Stonor case concerned a lady who died in 1992 leaving the residue of her estate to charities. The value of her non residuary estate did not exceed the IHT nil rate band and there was accordingly no IHT payable. The estate included freehold properties which had been valued at probate at £582,000. A number of properties were sold and the executors informed the Capital Taxes Office in 1997 of gross sale prices of £918,475 and requested confirmation from the Revenue that they accepted the figures as amended probate values. The Revenue's response was that since the charity relief had been claimed, an investigation into values was not necessary for IHT.

In 1998 the executors made a claim under Section 191 IHTA 1984 which provided that where an interest in land in a deceased person's estate was sold by the appropriate person within three years of death and the appropriate person made a claim, the value for the purposes of IHT was the sale value. Section 190(1) defined the Appropriate Person as the person liable for IHT in relation to any interest in the land. The executors' appealed against HMRC's determination, contending that the statutory reference to the person liable for IHT did not mean the person who had paid the tax but merely clarified the right person to make the claim. The executors were the appropriate person because they would have been liable for tax if the residuary beneficiaries had not all been charities or if the value of the part of the estate which did not pass to residuary beneficiaries had exceeded the nil rate band.
The tribunal held that the purpose of the section was to grant relief from inheritance tax where there was a fall in the value of land after death. The section did not state that it could apply, where values increased after death, but it did state that the claim must be made by the appropriate person. That person was the person liable for inheritance tax attributable to the value of that interest. Gifts to charities were exempt transfers and no tax was chargeable. The whole scheme of Part VII IHTA 1984 was that there was only a liability for tax which was actually

payable. It followed that reference in Section 190(1) to the person liable for inheritance tax meant the person who either had paid the tax or who had an obligation to pay it. There was no person liable to pay the tax if there was no tax payable and the executors appeal was dismissed.

The above concerns the inheritance tax position.

Section 274 of the Taxation of Chargeable Gains Act 1992 ("TCGA 1992") "Value Determined for Inheritance Tax" states that "where on the death of any person inheritance tax is chargeable on the value of his estate immediately before his death and the value of an asset forming part of that estate has being ascertained (whether in any proceedings or otherwise) for the purposes of "the application of that tax to the estate", the value so ascertained shall be taken for the purposes of this act to be the market value of that asset at the date of the death".

In her decision in the Stonor case, the Special Commissioner at paragraph 25 of her judgement stated "my view is also supported by the fact that Section 274 only applies where inheritance tax is "chargeable" on the value of an estate. In the present appeal most of the transfers of value were exempt and so tax was not "chargeable".

Footnote 11 of the extract in Simons Taxes mentioned above states that "the value on death "ascertain" (in proceedings or otherwise) for IHT purposes is taken as the value at death for CGT purposes: TCGA 1992 s274. It should be noted that Section 274 only applies where IHT is chargeable on the value of a person's estate on death and in relation to an asset forming part of that estate. It therefore seems that Section 274 does not apply where no IHT is payable in respect of the deceased's estate. This point is mentioned with approval in Stonor (Dickinson' Executors) v IRC (2001) STC (SCD) 199 at para 25".

In summary of the above, in your case, as no value at death has been ascertained then, for capital gains tax purposes, the executry return could adopt the second valuation of £460,000 as the value at date of death. You may however wish to include in the white space of the return that an alternative valuation had been obtained earlier and also the date and sale price achieved in respect of the similar property.

VAT: LATE REGISTRATION

Very few general-practitioner CAs will not have come across a client who has failed to register for VAT at the right time, having inadvertently crossed one of the registration thresholds. This common occurrence arises usually due to misunderstanding either the compulsory registration rules or the VAT treatment of a particular supply.

The current VAT registration threshold is £85,000 and there are two distinct ways in which this might be crossed, resulting in compulsory VAT registration.

The historic test applies when, looking back, at the end of any month, taxable supplies made in that twelve-month period then ended, exceed the registration threshold. When this happens, the business must notify HMRC of the obligation to be VAT registered within 30 days of the end of the month in which the threshold was crossed and registration will be effective from the 1st of the next month.

The future test applies when, looking forward, there are reasonable grounds for believing that taxable supplies in the next 30 days, will exceed the registration threshold. In this case, the business must notify HMRC of this threshold breach within this 30 day period and they will be registered from the start of that 30 day period.

A common misunderstanding is what constitutes taxable supplies. Not only does it include all supplies made at any rate of VAT (thus, standard rated, reduced rated and zero rated) but it also includes the value of reverse charge services received from abroad and also the value of any self-supplies. Sales of capital assets and exempt supplies should be excluded when considering whether the registration threshold has been crossed. Note that a business that makes only zero-rated supplies must still apply for registration when the threshold has been crossed (but may, if they chose, apply for exemption from registration at the same time).

Overseas traders should beware, as they are obliged to register for VAT in the UK when they make any value of taxable supply, and there is effectively no registration threshold for such businesses.

As soon as it becomes apparent that the registration threshold was crossed some time ago (and bearing in mind that the registration threshold has been climbing most years so looking back, it may have been less than £85,000 depending on the date of the breach) and the application will be late, it is necessary to apply immediately, in order to minimise penalties and interest charges. The four-year rule does not apply in these circumstances. Late VAT registrations must be declared for breaches of the threshold in the past 20 years.

Once it has been identified that the VAT registration application is late, it is necessary to calculate the net amount of VAT due to HMRC and ideally, disclose it to HMRC as part of the registration process. HMRC have no discretion in the matter of back dating and VAT must be accounted for as appropriate on all taxable supplies made since the registration should have been effective. Cooperating with HMRC will help to minimise penalties.

Note that all sales which are taxable at either the standard or reduced rate of VAT, should be treated as paid gross, thus, for standard rated sales made since 4 January 2011 when the 20% rate was introduced, only 1/6 of the amount received for the supply is due to HMRC as output tax.

Failure to notify a liability to register for VAT may result in a penalty. The amount of the penalty will depend on the amount of VAT due and how the eventual registration application is made.

The penalty is calculated as a percentage of the VAT due (being output tax less input tax), from the date when registration should have been notified to the date when HMRC either received the notification, or became fully aware that the business ought to have been registered.

The penalty rate will be 5% if the notification is not more than 9 months late, 10% if between 9-18 months late and 15% of more than 18 months late. There is a minimum penalty of £50.

This penalty will only be waived if HMRC believe that the business had a reasonable excuse for failing to register at the right time. It is not easy to meet the criteria of reasonable excuse, and many have tried and failed. HMRC say that they will “look closely at the circumstances of each case and the conduct that led to the late registration. If you can show that your conduct was that of a conscientious business person who accepted the need to comply with VAT requirements, then there may be a reasonable excuse.”

The following guidelines are provided by HMRC which show circumstances where there might be a reasonable excuse for failing to register on time.

1. Compassionate circumstances: where you are totally responsible for running a small business and you or a member of your immediate family was seriously ill or recovering from such an illness at the time that notification was required.
2. Doubt about liability of supplies: here, there must be written evidence of an enquiry about the liability of supplies and the liability has remained in doubt.
3. Uncertainty about employment status: where there are genuine doubts as to whether the relevant business is a self-employed individual or is employed. Again, it is necessary to produce correspondence with HMRC about these doubts.

Genuine mistakes, honesty and acting in good faith are not accepted as reasonable excuses for penalty purposes. In addition, inability to pay or reliance on another person to perform a task are not deemed to be reasonable excuses.

A penalty can, however, be reduced if there are mitigating circumstances. The amount of mitigation allowed will depend on the circumstances of the case. In exceptional circumstances, a penalty can be mitigated to nil and of course, penalties can be appealed against.

VAT REVERSE CHARGE IN CONSTRUCTION – DELAYED

In a dramatic reversal, HMRC announced on Friday 6 September 2019 that the introduction of VAT reverse charge in construction would be delayed by 12 months to 1 October 2020. This followed calls for a delay, due to low levels of awareness reported in the construction sector.

What is VAT reverse charge?
VAT reverse charge is an anti-fraud measure. It makes the customer liable to account for VAT on specified goods and services. It is formally referred to as ‘domestic reverse VAT charge for building and construction services’ in order to distinguish it from other VAT reverse charges applying to business to business supplies made to businesses outside the UK.

Domestic reverse charge already applies to mobile phones; computer chips; wholesale gas and electricity; and services in connection with renewable energy certificates, wholesale telecommunication and emission allowances. It was to have been extended, with certain modifications, to supplies of construction from 1 October 2019.

Why did the delay happen?

HMRC attributed the delay to the need to avoid the change coinciding with Brexit and to give the industry longer to prepare.

What if a business had already changed its systems?

HMRC recognises that some businesses may have changed their invoicing systems to apply reverse charge from 1 October 2019 and may have been unable to reverse the change before that date. If this resulted in invoicing 'errors', HMRC should have adopted a light touch approach 'where genuine errors have occurred {*due to*} the fact that the implementation date changed'.

Further guidance

Revenue and Customs Brief 10 (2019) sets out the reasons for the delay and HMRC's approach to errors.

The main guidance can be found here that reflects the revised date.

MICROSOFT OFFICE 365

Just like many other software providers, Microsoft have adopted a Software as a Service (SaaS) offering for their popular business suite of Office applications. This means that you only pay for the number of users that need the software, and even then, there are different variants of the licence, dependant on each individual's needs.

Office 365 is an integrated experience of apps and services, designed to help you work collaboratively and have more time to concentrate on your business. Applications like Word, Excel, PowerPoint and more are updated monthly with the latest features and security updates and Microsoft protect your data with 24/7 security and support.

The SaaS model is popular, as it means you don't end up on an old, outdated version of the software. Not only is it good to be up-to-date with the newest functionality available, it also means you remain secure and compliant.

Some people are unaware that with Office 365 you can install the Office software, including Outlook, Word, Excel, PowerPoint etc., on up to 5 PCs or Macs, 5 tablets and 5 mobile devices, per person. By making use of your 1TB of OneDrive online storage, which is included in your licence, it is easy to work on the same data, on multiple devices. So you could create a spreadsheet on your desktop computer in the office, work on it on your Mac at home, and show it to a client on your iPad using the Excel app. It is very straight forward to use and allows access across multiple devices while you're on the go.

MS Office 365 Business Basics licence costs £3.80 + VAT per user per month if paid annually, with the most commonly chosen version Business Standard starting at £9.40 per month.

Here's a brief overview of some of the services worth having a look at in the MS Office 265 suite.

- Bookings: schedule and manage appointments. Your client can simply go to your website, see what times are available, book the service, the day and the staff member. The information shows up across all of your devices and the client gets a confirmation and reminder email that they can easily add to their calendar.
- Kaizala: Use the mobile app to create or join groups, send an announcement, and create a job, meeting, poll, or survey.
- Teams: Set up, customise and collaborate in teams and channels, upload files and folders, work with posts and messages, and start chats, calls, and meetings. Microsoft Teams lets you host online meetings and video calls for up to 250 people, chat with your team from your desktop or on the go with the Microsoft Teams App. You can bring together all your team's chats, meetings, files, and apps so you can easily connect and collaborate from one place.
- MileIQ: real-time, accurate mileage tracking and reporting in the palm of your hand. Automatically detects and calculates all of your business miles. Turn it on when you start your journey, classify

trips into personal or business categories.

- OneDrive: Create and upload files, share and collaborate with others and sync your files and folders in OneDrive and OneDrive for Business.
- OneNote: Take and format notes, draw and sketch, stay organised, share and sync, and use OneNote on your mobile devices.
- Planner: Plan an event, track a process, publish content, and support customers.
- PowerPoint: Create, share and co-author presentations, create slides, tables and animations, and insert pictures and videos.
- Stream: Get started uploading, categorising and sharing your videos with Microsoft Stream.
- To-Do: Create and share lists, add due dates and reminders, plan your day, and sync your tod-dos to Outlook tasks.

Conclusion

There is a wealth of software at your disposal, with new products and services being added all the time. Are you making the most of the technology you have access to? Why not take a look at Microsoft's Office 365 Training Centre where you can access free tips to get you started.

CORONAVIRUS AND ITS IMPACT ON FINANCIAL REPORTING

As the COVID-19 pandemic evolves, this article summarises some of the areas to be considered by entities when producing their financial statements in this uncertain period.

The UK Regulatory body the Financial Reporting Council (FRC) is having regular discussions with the large accountancy bodies to monitor the impact that the COVID-19 outbreak might have on the publication of financial reports.

For those preparing financial statements, some of the areas that may require additional consideration by corporates as a result of the pandemic include, but are not limited to, the following:

Revenue recognition – Under IFRS, revenue can only be recognised by an entity when the receipt of the related consideration is probable. For entities applying FRS 102, they should refer to the recognition criteria in Section 23 of that standard. COVID-19 might have an impact on customers' ability to make such payments and therefore entities may need to consider writing off some of their outstanding balances.

Impairment of non-financial assets including goodwill – Entities may need to consider whether COVID-19 has resulted in asset impairment due to changes in estimated future generated cash flows and earnings. This may involve an impairment assessment of such assets in addition to that already required to be performed on at least an annual basis under both IFRS and UK GAAP.

Financial instruments – Under IFRS 9 Financial Instruments, COVID-19 might have an impact on an entity's Expected Credit Losses (ECL) as borrowers may experience difficulties meeting their financial obligations. ECL include trade receivables and loans as well as the losses anticipated in relation to the measurement of loan commitments and financial guarantees. The amount and timing of these losses will require a significant amount of judgement.

Stock and inventory – Under IFRS, these items are valued at the lower of cost and net realisable value. FRS 102 requires that inventories are measured at lower of cost and estimated selling price less costs to complete and sell. These approaches to stock valuation are generally viewed as comparable. In a volatile market, these measurements may require further consideration.

Events after the end of the reporting period – Entities are obliged to consider whether events that have occurred after the end of the reporting period have had an impact on the financial results if they become aware of these before the financial statements are issued. If such events represent circumstances that existed at the balance sheet date, then an adjustment must be made to the appropriate balances. If the entity determines that the circumstances did not exist at the balance sheet date, these are considered non-adjusting events but, if material, sufficient disclosure about the nature of the event, accompanied by an estimate of the financial impact, should be included in the financial statements.

Breach of covenants – The current uncertain trading conditions may result in some entities breaching their financial covenants. These entities should consider whether such a breach might result in a change of the timing of any related liabilities; for example, if they become repayable on demand and, as a result, their presentation in the financial statements as current or non-current liabilities.

Going concern – An entity's financial statements must be prepared on a going concern basis unless management intend to cease trading or liquidate the entity or has no other alternative but to do so. For example, entities preparing their financial statements to 31 December 2019, that have been severely affected by COVID-19, may need to consider whether the going concern basis remains appropriate despite the impact not occurring until after the year end. Any material uncertainties relating to going concern should also be disclosed in the financial statements.

FRC GUIDANCE ON REPORTING CONSIDERATIONS DURING COVID-19

Acknowledging that we are in a period of extraordinary uncertainty, the FRC recognises that many entities are facing challenges and disruption to their normal management and governance processes.

The FRC guidance is complemented by guidance from the Prudential Regulation Authority (PRA), on the approach to be taken by banks, building societies and PRA-designated investment firms in assessing expected loss provisions under IFRS 9.

This latest guidance attempts to highlight some of the key areas of focus for boards in order that they maintain strong governance principles during their reporting processes. At the same time, the FRC also issued a Bulletin on Guidance for auditors and matters to consider where engagements are affected by Coronavirus (Covid-19).

In such a period of uncertainty, the FRC is aware of the increased judgement that may need to be applied to forward-looking estimates and assessments during the preparation of the financial statements and other forms of corporate reporting. Their guidance seeks to help boards to focus on the areas that of most importance to investors and to provide greater clarity over the use of key judgements applied to forward-looking information.

Matters included in the guidance are:

- The need for narrative reporting to provide forward-looking information that is specific to the entity including the board's assessment of business viability and the methods and assumptions underlying that assessment;
- Going concern and any associated material uncertainties, the basis of any significant judgements and the matters to consider when confirming the preparation of the financial statements on a going concern basis;
- The increased importance of providing information on significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made; and
- Judgement required in determining the appropriate reporting response to events after the reporting date and the extent to which qualitative or quantitative disclosures may be appropriate.

This article summarises the specific issues included in the guidance relevant to both the preparation of financial statements and corporate reporting.

Financial Statements

Going concern and material uncertainties

IAS 1 requires financial statements to be prepared on a going concern basis unless management either intends to liquidate the entity, or to cease trading, or has no realistic alternative but to do so. FRS 102 contains a similar requirement in that an entity is a going concern unless management intend to liquidate the entity, or cease trading, or has no realistic alternative but to do so.

The FRC believes that is it likely that more companies will disclose "material uncertainties" related to going concern in the current circumstances.

In the current climate, these assessments will be significantly more difficult to perform due to the uncertainty around the impact of COVID-19, the extent and duration of social distancing measures, the impact on the economy and asset prices generally. Boards should also consider their access to government support measures that have been announced.

If a material uncertainty does exist, then the company should disclose it in terms that are as specific to the entity as possible.

Significant judgements and estimation uncertainty
The FRC has stressed the need to disclose the underlying assumptions applied when preparing a viability statement, and any significant judgements made when assessing whether there are material uncertainties to disclose.

Similarly, companies should disclose significant judgements made in applying accounting policies that have the greatest effect on the financial statements. In addition, at this time, the FRC encourages companies to provide as much context as possible for the assumptions and predictions underlying the amounts recognised in the financial statements.

Relevant judgements and assumptions might include:

- the availability and extent of government support measures;
- the availability, extent and timing of sources of cash, including compliance with banking covenants or reliance on those covenants being waived; and
- the duration of social distancing measures and their potential impacts.

Events after the reporting date
IAS 10 and FRC 102 both distinguish between those events occurring after the balance sheet date that provide more information about the conditions that existed on the balance sheet date (adjusting events) and those that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Adjusting events require an adjustment to the amounts in the financial statements. Only disclosures are required in response to material non-adjusting events.

There is a general consensus that the outbreak of COVID-19 in 2020 would be a non-adjusting event for the vast majority of UK companies preparing financial statements for periods ended 31 December 2019.

For later reporting dates, companies will need to apply judgement to their assessment of the extent to which the impact of COVID-19 arises from non-adjusting events. This will depend on the reporting date, the specific circumstances of the company’s operations, and the particular events under consideration.

If an event is considered to be non-adjusting, then the nature of the event should be disclosed. Where an estimate of the financial effect on the company can be made, then this should be disclosed. Otherwise the fact that the financial effect cannot be estimated should be disclosed. A range of estimated effects is acceptable as is a qualitative description in the absence of any quantitative information.

Corporate Reporting

Solvency and cash flow
Investors have highlighted that their key information needs relate to the liquidity, viability and solvency of companies. Boards cannot predict the extent and duration of the COVID-19 pandemic nor its consequences for the global economy. It is however reasonable for investors to expect companies to be able to provide details of the possible impacts on their specific business under different scenarios.

One area of particular importance is the availability of cash within a group of companies and the ability to transfer such resources around the group to where it is needed.

Strategic Report and Viability Statement
The Strategic Report should always have a future-oriented focus, especially so during the current crisis, and be entity-specific. COVID-19 is affecting all businesses and individuals but the implications for individual companies may differ, as will their plans to mitigate some of the effects.

In setting out its principal risks and uncertainties, a company should consider the specific areas that are most under threat and the steps being taken to protect them. This will include the protection and retention of staff to enable them to rebuild when the crisis ends. All stakeholders, including investors, are concerned about companies’ workforces and are looking for some insight into how they are being retained and supported.

In the current uncertain environment, many boards may be reluctant to state in the viability statement that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over a period of assessment.

However, the FRC emphasises that:

- boards are required to have a "reasonable expectation" of the company's viability over the period of assessment. The current emergency, and unprecedented pace of change, means that this reasonable expectation is likely to reflect a much lower level of confidence;
- clarity over the company's specific circumstances and the degree of uncertainty about the future is vital; and
- when presenting a company's viability statement, its board should draw attention to any qualifications or assumptions as necessary.

If any qualifications have been applied to the viability statement, the board should describe the limitations of their predictions, the level of confidence with which they have been made and any uncertain future events that could prove critical to the company's viability.

Similarly, the key assumptions and the future scenarios considered should be explained as well as details of the scenario and stress testing undertaken. Above all the need for greater disclosure is key.

GUIDANCE ON THE IMPLICATIONS OF COVID-19 CONTROL MEASURES AND CHARITY FINANCIAL REPORTING

Charities SORP Committee has issued guidance on the financial reporting implications that may arise from the measures being put in place to contain the impact of the virus.

Status of the guidance

The guidance applies to trustees' annual reports and accounts prepared in accordance with the Charities SORP (FRS 102). It does not amend the Charities SORP (FRS 102) and applying the guidance is voluntary.

Nevertheless, it is designed to assist accounts preparers, auditors and independent examiners as they consider the implications of control measures around the COVID-19 outbreak on trustees' annual reports and accounts.

Some key messages from the guidance

The measures being taken to contain COVID-19 will impact on charities in many different ways. It is important that charity trustees understand the impact of these measures on the delivery of their charity's activities and its governance arrangements, including the management of its finances.

Where a charity's accounts have been prepared but not yet been approved, trustees should consider whether information needs to be included in its trustees' annual report and accounts to explain the impact of the COVID-19 outbreak on their charity. It is important that trustees understand what changes are required. Charities need to keep up to date with developing guidance from the relevant charity regulator in their jurisdiction.

Accounting related considerations

The guidance highlights several technical accounting issues which should be considered by charities and their accountancy advisers.

True and fair view
The trustees when preparing and/or approving the charity's accounts are responsible for ensuring that the accounts give a true and fair view. This is based on an assessment that the reported income, expenditure, assets, liabilities and funds are fairly described and stated as at the reporting date (financial year-end), taking into consideration all relevant information regarding the conditions existing as at the reporting date. In the current circumstances this may mean that the accounts are not prepared on a going-concern basis but on an alternative basis.

Post-balance sheet events
Accounts only need to be adjusted for events occurring after the balance sheet date where there is evidence of conditions existing at the year-end date. Therefore, with respect to COVID-19, December 2019 year-end accounts are far less likely to be the subject of an adjusting post-balance sheet event.

Going-concern considerations
When assessing their charity's ability to continue to adopt the going-concern basis of accounting, trustees should consider all available information about the future at the date they

approve the accounts. In particular, giving consideration to information from budgets and forecasts for income, expenditure and cash-flows. Attention should be given to the available unrestricted funds and reserves, credit facilities (such as overdrafts), and any other forms of financial assistance available to the charity.

Alternative basis for accounts preparation where not a going concern
If the accounts cannot be prepared on a going-concern basis this should be disclosed. Consideration should then be given to the effect on the accounting policies, in particular judgements and estimates to do with the valuation of assets and liabilities including any known liabilities resulting from any decision to wind the charity up.

Defined benefit pension liabilities
The valuation of pension assets and liabilities may be affected by changes in financial markets for shares and other securities and government bonds. Trustees may wish to contact the trustees of any defined benefit pension schemes in which their employees are members or for which there are ongoing obligations to identify any potential implications for the charity going forward.

Liabilities and provisions
Charities providing goods and services to beneficiaries may need to give consideration as to any costs arising from potential or actual disruption to supply chains, availability of staff, and the charity's ability to fulfil any contractual obligations or meet performance targets which may give rise to additional costs or penalties.

In summary

ICAS members involved with the preparation or scrutiny of charity accounts should familiarise themselves with this guidance and consider its relevance to the charities they support either as a member of staff, a trustee or accountancy adviser.

It is also important to be alert to the publication of new or revised guidance from the Charities SORP Committee, the UK charity regulators, other regulators operating in the charities sector and other authoritative sources such as professional accountancy bodies, the UK Financial Reporting Council and Companies House.

GUIDANCE FOR AUDITORS AND MATTERS TO CONSIDER WHERE ENGAGEMENTS ARE AFFECTED BY CORONAVIRUS

The Financial Reporting Council (FRC) has issued guidance (16 March 2020) for auditors in light of the current spread of coronavirus.

It recognises that the level of uncertainty about the immediate outlook for many companies has increased sharply and therefore impacts on companies proposing to report results in the coming weeks and months, and for their auditors.

The guidance covers the following areas:

Logistical issues in preparing accounts and undertaking audits
Some companies and auditors are facing practical difficulties in preparing accounts and carrying out audits. The FRC expects this will affect the way in which audit firms carry out their audit of those companies, given ever increasing restrictions on travel, meetings and access to company sites in some jurisdictions and the need to develop alternative audit procedures to gather sufficient, appropriate audit evidence.

ICAS adds that these logistical issues are likely to also have an impact on audits which are solely being undertaken in the UK. With airlines and trains likely to decrease their level of operations in the coming days and weeks, the ability to travel within the UK is likely to be restricted.

Audit quality remains paramount and additional time may be required to complete engagements
The FRC reminds auditors of the continued need for audits to comply fully with applicable standards. It highlights that given the current circumstances, additional time may be required to complete audits and it is important that this is taken, even at the risk of delaying company reporting.

ICAS adds that auditors should be proactive in discussing planned audit timetables with clients whilst accepting that even revised timetables may be subject to sudden change given the fluidity of the situation. These timetables should be regularly revisited to allow for likely interruption to audit fieldwork and potentially the increased time it will take companies to prepare their respective information packs.

Additionally, the likelihood of staff resources being depleted at both the audit firm and at the audited entity needs to be considered.

The impact of coronavirus on an auditor's risk assessment of a company.
The FRC highlights that one of the key issues is the auditor's risk assessment, and whether this needs to be revised. As the current situation is very fluid this is something that will need to be constantly reconsidered during the course of the audit.

ICAS adds that the audit firm will need to consider the likely impact of coronavirus on the entity's staff and operations. Where has the threat level of existing risks been magnified and indeed is an entity now exposed to new significant risks? Has the audited entity any plans and measures to mitigate any such risks?

Liquidity may feature strongly in such considerations.

Obtaining Audit Evidence
How the auditor gathers sufficient, appropriate audit evidence; the planned audit approach; and alternative procedures; all may need to change, particularly in group audit engagements. The FRC reminds auditors they must be able to gather the necessary, sufficient and appropriate evidence to be able to report or consider modifying their audit opinion. This ties in with point 2 above and the potential need for additional time to complete audits.

ICAS envisages that greater use will be required of technology in relation to the sharing of data and in the hosting of virtual meetings. Steps of course will need to be taken to ensure that appropriate security measures are in place when utilising such technological means.

Group audit review considerations
The FRC is concerned that the current situation should not undermine the delivery of high-quality audits. Therefore, group auditors need to consider how they plan to review the work of component auditors to meet the requirements in the standards, including considering whether alternative procedures can be used: for example, where travel is restricted. This ties into the increased use of technology noted at 4 above.

Implications for the auditor's assessment of going concern and an audited entity's future prospects recognising the high level of uncertainty
This will undoubtedly be a key focus of many current and forthcoming audits given that uncertainty about the global economy and the immediate outlook for many companies has increased.

In terms of the applicable ISA this remains the June 2016 version of ISA 570 'Going Concern' although auditors can early adopt the 2019 version of the standard.

ICAS also highlights that consideration must be given to the difficulties that management may have in preparing future projections given the fluidity of the situation. Indeed, such projections could change significantly in a short space of time. Care therefore must be exercised to ensure that any projections reflect the situation as and when an audit report is to be signed.

The need to consider the adequacy of disclosures made by management about the impact on the company of COVID-19
This is to ensure that users of the financial statements are properly informed, and the company's prospects and how they might be affected are appropriately described, recognising the high degree of uncertainty that currently exists.

ICAS adds that auditors need to also consider their responsibilities in relation to other information presented by management with the financial statements. This is covered in ISA (UK) 720 'The Auditor's Responsibilities Relating to Other Information' and of course very much depends on the nature of the audited entity e.g. is it a premium listed entity.

The need for the auditor to reassess key aspects of their audit on an ongoing basis
As a result of the fast-changing situation, recognising that this assessment will take place right up to the point of signing the auditor's report and may need the provision of further evidence and information by management. The points at 3 and 6 above very much fall into this category. Where the current circumstances have had a significant impact on the delivery of the audit, the auditor will need to consider how to explain this in their report, for example, by reporting this as a key audit matter.

ICAS adds that, while most audit reports do not require the reporting of key audit matters, audit firms are still required to consider the impact of current circumstances on the overall audit and the audit report. For example:

- The impact of potential going concern issues including whether a material uncertainty exists.
- The sufficiency of audit evidence including circumstances where there is a limitation of scope.

- Whether sufficient disclosure is presented in the financial statements and whether the auditor should draw the users' attention to any specific matters via an emphasis of matter paragraph.

Further information is provided in the full FRC guidance. The Financial Reporting Council (FRC) has previously published guidance for companies on disclosure of risks and other reporting consequences arising from the emergence and spread of COVID-19.

The Financial Reporting Council (FRC) issued a further Bulletin for auditors on 26 March 2020, Guidance for auditors and matters to consider where engagements are affected by Coronavirus (COVID-19). The FRC highlights that the Bulletin is intended to provide guidance to auditors, carrying out audit engagements that may be affected by Covid-19 and is driven by two factors:

i) in order to be able to give an audit opinion that is not subject to a disclaimer or qualification due to a scope limitation, the auditor must always obtain sufficient, appropriate audit evidence; and

ii) even in challenging times, the flow of high quality, independently assured information to support the functioning of capital markets is of fundamental importance. Reporting on audit engagements should be driven by the information needs of users of audited financial statements.

The Bulletin is intended to help auditors deal with the emerging situation and should not be enduring or long-term solutions. The FRC will withdraw this Bulletin when circumstances return to normal. It details a non-exhaustive list of factors auditors should be considering when carrying out audit engagements in the current circumstances, along with guidance on how they might be addressed.

The guidance covers the following areas:

1 Acceptance and take-on of new audit engagement
2 Planned Audit Approach
3 Materiality
4 Communication with Those Charged with Governance
5 Audit Evidence, including Audit Confirmations
6 Compliance with Laws and Regulations
7 Going Concern
8 Group Audits
9 Access to Information
10 Quality control
11 Reporting – Key Audit Matters (when ISA (UK) 701 applies)
12 Reporting – Scoping
13 Reporting – Modified Opinions
14 Subsequent Events
15 Written Representations
16 Professional Scepticism
17 Partner Rotation
18 Support to Audited Entities

Further information is provided in the FRC Bulletin.

GUIDANCE FOR AUDITORS ON ATTENDANCE AT STOCKTAKES DURING THE CORONAVIRUS OUTBREAK

The spread of COVID-19 continues to escalate across the UK and this has led to the introduction of mobility restrictions. These will obviously have major implications for many businesses and indeed for auditors.

The Financial Reporting Council (FRC) issued guidance for auditors covering several areas on 16 March 2020 and subsequently issued a bulletin on 26 March 2020. Given the fluidity of the current situation it is likely that further guidance will be issued in due course. Members are therefore advised to sign up to news alerts from the FRC and to check their website on a daily basis.

Updated stocktake guidance from ICAS

ICAS has issued updated guidance on attendance at stocktakes to assist auditors in assessing whether, in light of their potential non-attendance at a stocktake, the use of alternative procedures would enable them to have sufficient and appropriate evidence in relation to the assertions of existence, condition and completeness of inventory. The guidance highlights that the most relevant ISAs (UK) in terms on stocktake attendance, are ISA (UK) 501 (June 2016) Audit Evidence—Specific

[Considerations for Selected Items]() and [ISA (UK) 705 Modifications to the Opinion in the Independent Auditor's Report](). It also recognises that the likelihood is that there will be far fewer stocktakes taking place in the coming months. Given the fluidity of the current situation this updated version of the ICAS guidance contains additional content at paragraphs 1.4, 1.5 and 4.7 to provide increased clarity to the earlier version published on 26 March 2020.

Alternative procedures

The guidance highlights matters that the auditor should consider and suggests potential alternative procedures that might assist them in obtaining sufficient and appropriate audit evidence. Amongst the alternative procedures discussed are:

- use of web or mobile based video-conferencing;
- stocktakes at a future date with appropriate rollback (including cut-off) procedures undertaken; and
- analytical review.

These of course are very much circumstances specific, and the auditor will need to exercise professional judgement as to their practicability. The auditor also must ensure that all matters considered and implemented are appropriately documented to allow understanding of the thought process that was followed in their determination. Even if the above possibilities for alternative ways to remotely attend a stocktake are feasible, it may still be determined by the auditor that the inherent risk and/or materiality of the stock amounts are so significant that remote observation is not appropriate. In these situations, if there are no suitable alternative procedures, it is likely there will be a limitation of scope in the audit opinion.

Audit Opinion

Ultimately, before issuing their audit opinion, the auditor must assess whether they have obtained sufficient and appropriate audit evidence. During the current Coronavirus outbreak a limitation in scope in relation to inventory might be a more likely occurrence because:

(a) stocktakes may not happen;
(b) even if they do, auditors may not be able to attend in person or make remote observation work to a satisfactory level; and
(c) alternative procedures may not be possible.

Each situation must be assessed on a case by case basis. If the auditor concludes that they have obtained sufficient and appropriate audit evidence, then there is no need to qualify the audit opinion on the basis of a limitation of scope with regards to inventory.

In circumstances in which the auditor is not able to obtain sufficient and appropriate audit evidence in relation to the existence and completeness of inventory, whether by procedures performed at the stocktake or by alternative procedures, there would be a limitation of scope.

If the inventory is material, then there would be a need to qualify the audit opinion on the basis of a limitation of scope.

In certain circumstances the auditor may need to issue a disclaimer of opinion if they conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

Where the auditor is to issue a limitation of scope opinion, reference should be made to illustration 3 in ISA (UK) 705. This provides an example of a limitation of scope audit qualification, but this does not relate to non-attendance at a stocktake. Therefore, this would need to be reworded appropriately but does illustrate how the concept should be applied.

Extension of accounting period

It should be noted that an audited entity could consider taking advantage of the ability to extend their accounting period. This is covered in section 392 of the Companies Act 2006 which allows this period to be extended (please note the accounting period cannot exceed 18 months) provided this has not been done in the previous five years. Certain conditions apply, so the audited entity's directors should check these before pursuing this approach.

COMPANIES HOUSE UPDATES

Companies House has issued several updates to help keep you informed of changes to its services and to help you understand the impact to you and your clients.

3-month extension to accounts filing deadline during coronavirus outbreak

As of 25 March 2020, businesses can apply for a 3-month extension for filing their accounts. All companies on the Companies House register must submit their accounts and reports each year. Under normal circumstances, the late filing of these accounts triggers an automatic penalty.

Companies will have to apply for the 3-month extension to be granted under the agreed measures. Those citing issues around COVID-19 will be automatically and immediately granted an extension.

Applications can be made through a fast-tracked online system on the Companies House website which will take just 15 minutes to complete.
The government is also in close consultation with company representative bodies, legal practitioners and others, to look at solutions for the impact COVID-19 may have on companies' ability to hold Annual General Meetings and updated guidance on this matter will be published in due course.

Appeal a late filing penalty online and payment options for late filing penalties

When a company files after the accounts filing deadline, a late filing penalty will be automatically applied. The Registrar has put in place extended measures to help companies that have been issued with late filing notices but are not able to prevent a notice being issued.

COVID-19 will be treated as an exceptional circumstance, but a company will still need to formally appeal against the late filing notice in order for the appeal to be considered. Appeals will be treated on a case-by-case basis and the Registrar cannot guarantee all appeals will be upheld. Appeals for late filing penalties can now be made online.

If a late filing penalty occurred on or after 30 March 2020, you may be able to pay your late filing penalty online – a link to the online service will be found on the penalty notice.

If the penalty occurred before 30 March 2020, there are multiple penalties, a part paid penalty or a penalty under an instalment plan, payment should be made by BACS instead. Refer to information on late filing penalties on HMRC's website.

Suspension of document ordering services

Due to the impact of COVID-19, Companies House is currently unable to offer the document ordering service for older documents not shown on the filing history of Companies House Direct or DVD-ROM/ archived documents/ hard files orders.

Repurchase of shares (SH03) and Schemes of Arrangement

HMRC has introduced an electronic service to temporarily replace its usual Stamp Duty process.

Your SH03 form is normally sent to HMRC for stamping if the purchase is above the duty payable threshold. You will still need to send your form to HMRC which will issue your company with a letter instead of stamping the form.

Companies House will accept and register an unstamped SH03 form if it is accompanied by the letter from HMRC confirming that the correct duty has been paid.

Companies House will also accept and register court orders sanctioning Schemes of Arrangement which are accompanied either by the letter from HMRC confirming that the correct duty has been paid, or a letter from HMRC confirming that no duty is payable.

See further information about Schemes of Arrangement.

Restricting the disclosure of information – online applications
Due to the impact of COVID-19, all paper applications covering sections 243, 790ZF and 790ZG of the Companies Act 2006 are suspended.

To help Companies House protect your details as quickly as possible, you must apply online to protect your details from being disclosed on the Companies House public register.

For more information, see their guidance on restricting the disclosure of your information.

Electronic filing and payment update

Most documents can be filed electronically using the existing online services. If you need to file a document on this list, please use the online services to expedite the processing of information.

You can:

- file your accounts
- file your confirmation statement
- make changes to your company
- close your company
- For the small number of filings that do not currently have an online service Companies House is urgently working on a service to upload your documents and make a payment where necessary. This will only be available for documents that do not already have an online service. Companies House will provide an update as soon as this solution is available.

Royal Mail

Companies House will no longer receive post from Royal Mail on a Wednesday as the delivery office will be closed. This does not affect DX post or the Companies House mailbox. Updates will be provided over the coming weeks.

For updates and changes to services, please check the Companies House website.

EDITORIAL BOARD

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