haysmacintyre

eNews
4 JUNE 2024

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

IFRS 19 issued by IASB

The International Accounting Standard Board (IASB) has issued IFRS 19 Subsidiaries without Public Accountability: Disclosures which permits reduced disclosures to be made in the financial statements of subsidiaries which do not have public accountability. The objective of IFRS 19 is to reduce the disclosures necessary and to enable subsidiaries to keep one set of accounting records, whereas before, subsidiaries might be reporting under IFRS, IFRS for SMEs or the national accounting standard, such as FRS 102. Although IFRS 19 is available for immediate use internationally, it is not yet endorsed by the UK Endorsement Board.

£20m stolen in deepfake call

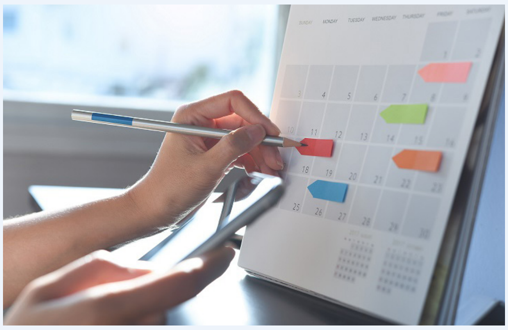
The UK engineering company, Arup, has confirmed that it was the victim earlier this year of a deepfake video call where a worker in Hong Kong was tricked into transferring HK$200 million (£20m) to fraudsters. The video call involved fake voices and images of senior officers in Arup making requests to transfer money to various bank accounts. This is a worrying development in the use of AI and is a timely reminder of the need to keep payment protocols up to date and fit for purpose in an increasingly sophisticated digital world.

Size matters when it comes to marshmallows

In April 2024, HMRC lost its appeal at the Upper Tribunal against an earlier First Tier Tribunal (FTT) decision that Innovative Bites' Mega Marshmallows were not a confectionary item and should be zero rated for VAT. However, HMRC is now taking the case to the Court of Appeal. Whilst HMRC accepted that small marshmallows were zero rated as a cooking ingredient, it claimed the large ones were standard rated as confectionary, like normal sized marshmallows. The case, which has considered the method of eating, product positioning in Tescos and Waitrose and the marketing, illustrates the complexity of categorizing product for VAT purposes. Please consult Dougie Todd, Partner and Co-Head of VAT, for assistance.

R&D compliance activity

Over the last 18 months HMRC has undertaken a 'volume compliance' approach into R&D claims in response to a significant increase in R&D claims, which more than doubled from 2015/16 to 2020/21, and an increase in "abuse and boundary-pushing". The Chartered Institute of Taxation has been making representations to HMRC since July 2023 and met with HMRC in April 2024 to focus on working together with the objectives of reducing non-compliance in the R&D tax relief regime, whilst minimising 'collateral damage'. If you receive an enquiry from HMRC and require assistance, please contact Danielle Ford, Partner and Head of Tax Disputes and Resolutions.



Getting in early

HMRC has announced that almost 300,000 self-assessment tax returns were filed in the first week of the new tax year, with 70,000 filing on 6 April. Filing early can assist with your tax planning and cashflow management. Please contact Katharine Arthur, Partner and Head of Private Client, for assistance with your personal tax affairs.

Errors with capital allowances

HMRC has issued updated guidance on the common errors made in capital allowance claims based on areas where it has seen a particular risk of inaccuracy. The guidance stresses the need to fully check the facts of the transaction so that reasonable care can be demonstrated if a claim is made. It also covers, inter alia: making the right type of claim; the rules on when expenditure occurs; the apportionment of claims; leased and hire purchase assets; contributions received and assets in residential properties.

Time's up please

A publican has lost his case at the FTT regarding a late appeal against £700,000 of penalties raised by HMRC for unpaid tax, on the grounds that he thought the Government and HMRC had shut down through the pandemic! The appellant had failed to account for corporation tax on the sale of a pub in 2012 and the subsequent sale of the car park in 2015. He had also failed to account for the VAT on the car parking fees. Although the appellant claimed appeals would be made, dormant accounts had been filed and phone calls made to HMRC, this could not be evidenced. Unsurprisingly, the FTT dismissed the appeal in full citing a clear conflict of evidence.

And finally... waiting since just after Magna Carta

A report from the National Audit Office (NAO) has found that taxpayers spent the equivalent of 798 years in 2022-23 waiting to speak to HMRC, more than double the time in 2019-20. HMRC also answered 22% fewer calls in 2022-23 compared to 2019-20 which the NAO attributed to more complex queries, chasing for updates and increased sickness by HMRC staff. The NAO estimated that 72% of the calls received were caused by failings, such as HMRC processing errors or delays, taxpayers chasing progress and taxpayer errors. Although HMRC has been trying to deflect queries to online guidance, the NAO found that when it tested HMRC's digital assistant, half of the tax queries it sampled required the help of an adviser.

haysmacintyre
10 Queen Street Place
London
EC4R 1AG

T 020 7969 5500
F 020 7969 5600
E marketing@haysmacintyre.com

www.haysmacintyre.com
@haysmacintyre

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haysmacintyre, 10 Queen Street Place, London EC4R 1AG
Tel: +44 (0) 20 7969 5500

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