

Finance Directors Update Course

September 2025

Now, for tomorrow





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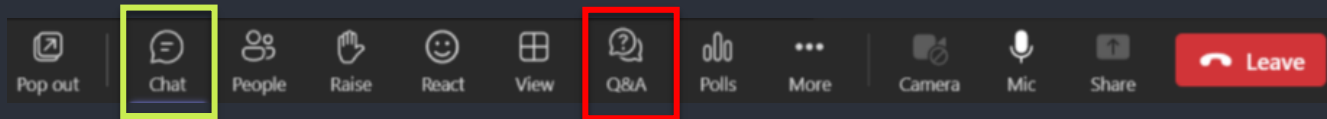
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A copy of the slides have been sent to you this morning, and are available to download from our website, via the QR code here, or via the link in the **Chat**, where you will also find other useful information.

Please use the **Q&A** to ask any questions. We will do our best to answer them during the webinar or will raise it on your behalf during the Q&A at the end – so don't go away!

Any outstanding questions (not asked anonymously) will be responded to directly.

Please keep your microphone muted & camera off.





Feedback & CPD Certificates

This is a CPD Course and provides 3 hours of relevant CPD.

Please use our feedback form to request your CPD certificate for attending. Certificates will be sent out by the end of October, once your attendance has been verified.

We appreciate all feedback, which helps us to plan future events to ensure they meet your needs.

The recording from today's webinar will also be available in the next couple of weeks.

www.surveymonkey.co.uk/r/FDupdateSep25

Our Speakers



Chris Danes
Tax Partner &
Chairperson



Professor Joe Nellis
Economic Adviser to
MHA



Beverley Scott
Corporate Tax
Partner



Jonathan Dowding
Tax
Director



Alison Horner
VAT & Indirect Tax
Partner



Andrew Thurston
Customs Duty &
Indirect Tax
Consultant



Richard Maitland
Employment Tax
Partner



James Smith
Head of Global Mobility



Neil Parsons
Head of Financial
Reporting Advisory
and Company Law



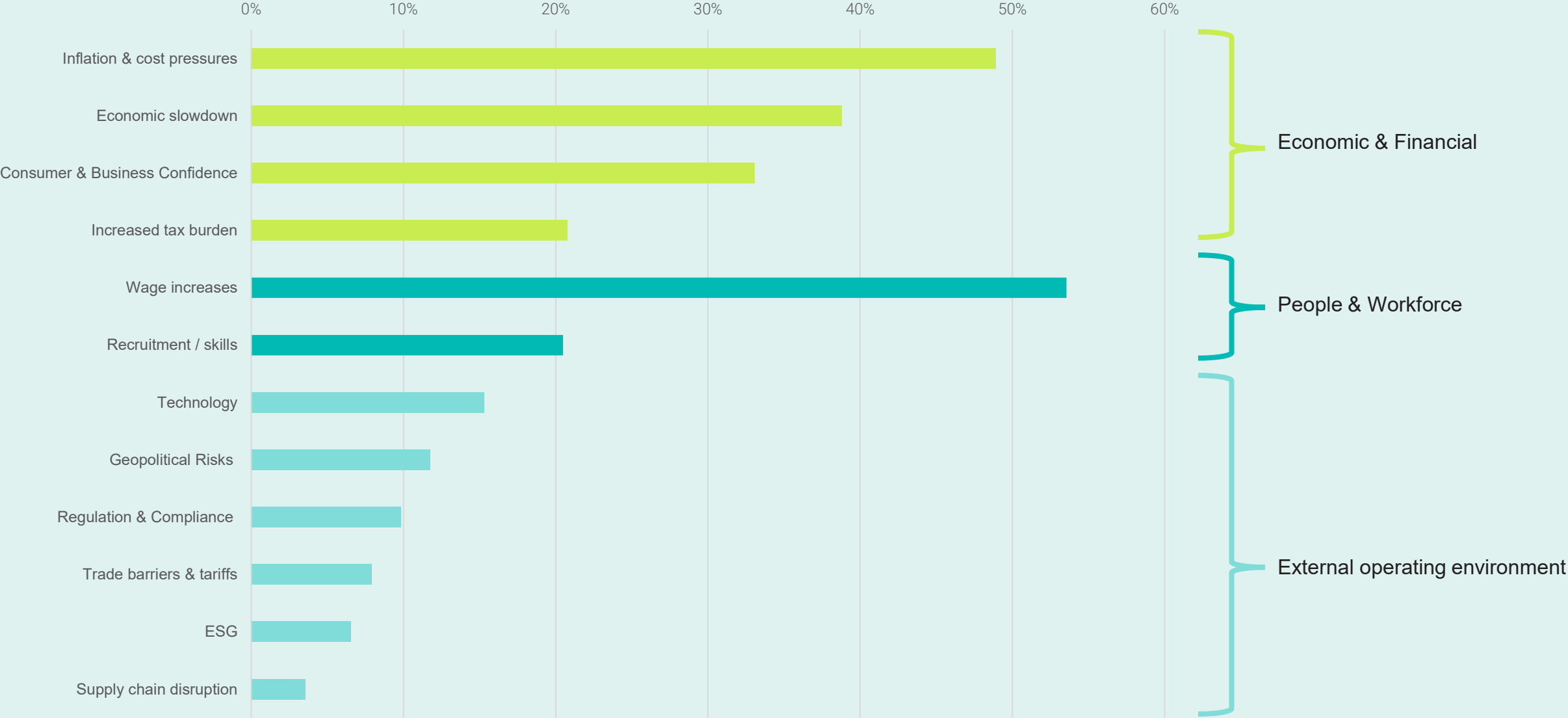
Bronwen de Abreu
Audit Data &
Analytics Director

Agenda

08.30 – 08.40	Chris Danes, Partner	Welcome & Introduction
08.40 – 09.10	Professor Joe Nellis, Economic Adviser	Economic update Economic update on the UK's competitiveness, assessing key strengths and challenges, and comparing performance with other established global economies.
09.10 – 09.50	Beverley Scott, Tax Partner & Jonathan Dowding, Tax Director	Corporate & International Tax Insight into key developments in corporate and international tax, including debt financing strategies, Pillar 2 implementation, implications of a potential US–UK trade deal, and evolving EU tax reforms.
09.50 – 10.00	Comfort Break	
10.00 – 10.30	Alison Horner, VAT Partner & Andrew Thurston, Customs Duty & Indirect Tax Consultant	VAT, Customs & Tariffs Update on VAT, customs, and tariffs, covering the impact of US trade policies such as the Trump-era tariffs, post-Brexit tax traps, and practical implications for cross-border trade and supply chain management.
10.30 – 10.45	Richard Maitland, Employment Tax Partner	Employment Tax update Update on employment tax, highlighting changes in reporting requirements for employee benefits, key upcoming deadlines, and practical guidance for ensuring compliance.
10.45 – 11.10	James Smith, Global Mobility Partner	Global Mobility Overview of global mobility, covering trends in remote working and international hires, key compliance obligations, and common pitfalls for employers to avoid.
11.10 – 11.20	Comfort Break	
11.20 – 12.00	Neil Parsons, Financial Reporting Director & Bronwen de Abreu, Audit Data & Analytics Director	Audit, Accounts and Financial Reporting Standards update Update on audit, accounts, and financial reporting standards, including the latest developments in FRS and UK GAAP, along with insights from modern audit tools and analytics that can uncover hidden risks, enhance reporting accuracy, and deliver actionable insights and inform business decisions..
12.00 – 12.30	Full panel	Panel Discussion & Q&A

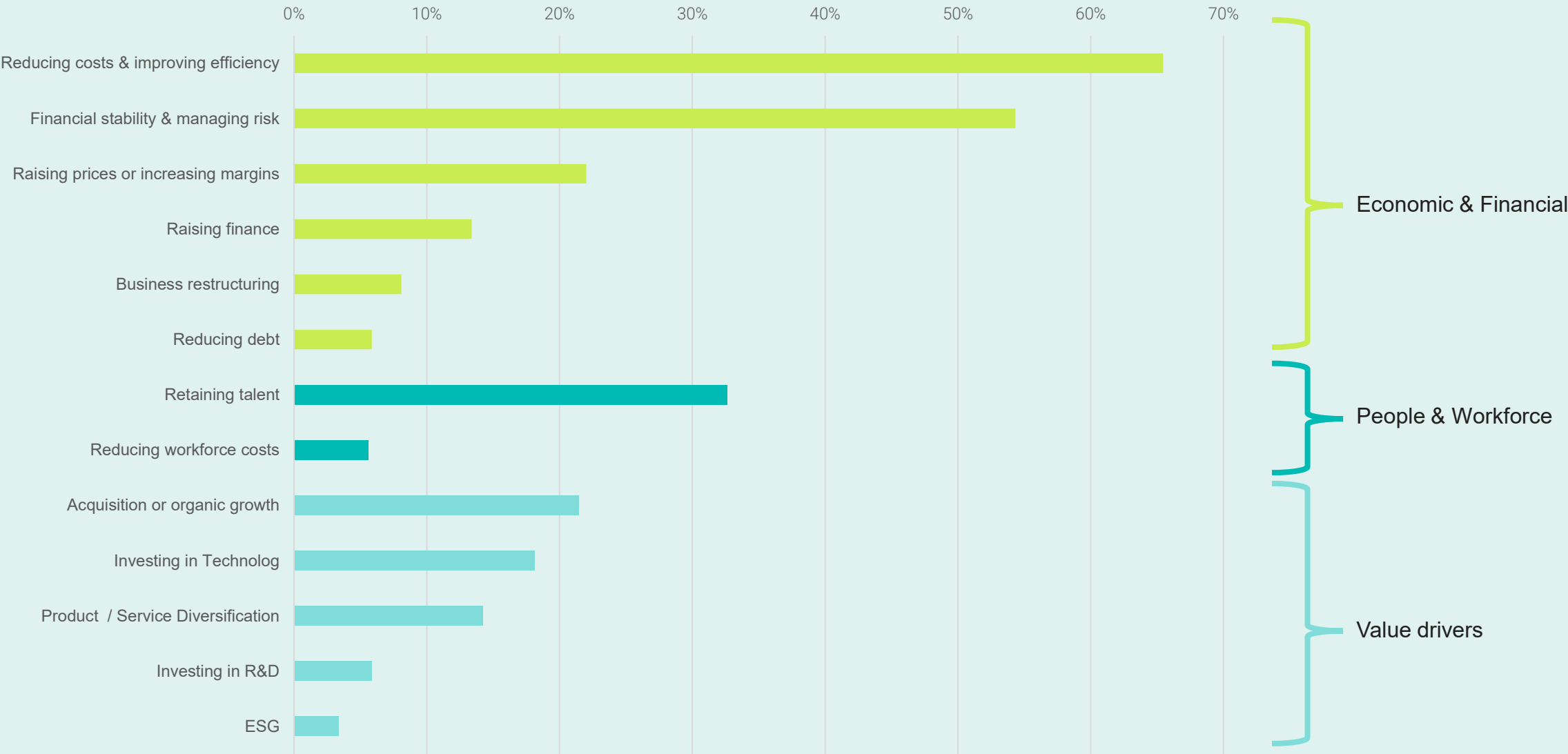
Poll Results - Challenges

February 2025 – Top 3 challenges for businesses over the next 12 months



Poll Results - Priorities

February 2025 – Top 3 priorities for businesses over the next 12 months



Economic Update



Professor Joe Nellis CBE
Economic Adviser to MHA



“

**“Prediction is very
difficult, especially
if it's about the
future.”**

Neils Bohr, Nobel Laureate

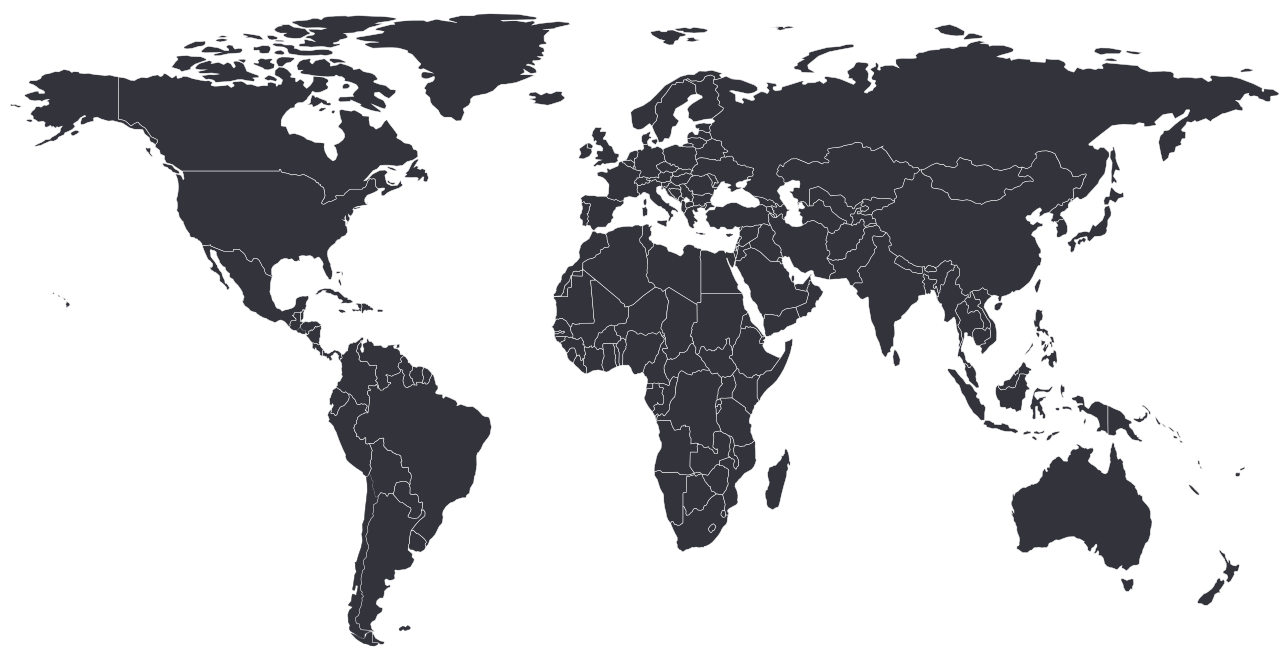
Global Economy Update

- The global economy is navigating a complex landscape!
- Heightened trade tensions have negatively impacted growth
- Business caution and cost-cutting in response to economic uncertainties
- Inflation is proving to be more persistent than expected
- Central banks adopting a cautious approach to monetary policy
- Developing countries facing a mounting debt crisis



Growth projections by region

Real GDP growth, per change



World

2024	3.3
2025	3.0
2026	3.1

United States

2024	2.8
2025	1.9
2026	2.0

Euro area

2024	0.9
2025	1.0
2026	1.2

Middle East and Central Asia

2024	2.4
2025	3.4
2026	3.5

Emerging and Developing Asia

2024	5.3
2025	5.1
2026	4.7

Latin America and the Caribbean

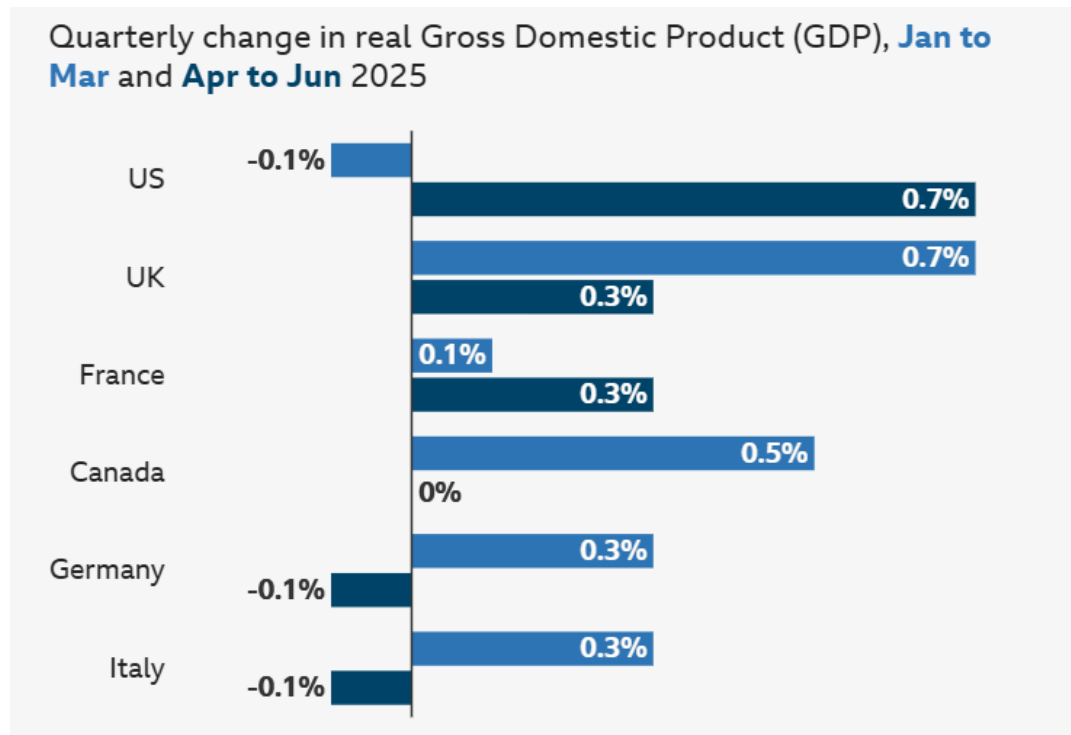
2024	2.4
2025	2.2
2026	2.4

Sub-Saharan Africa

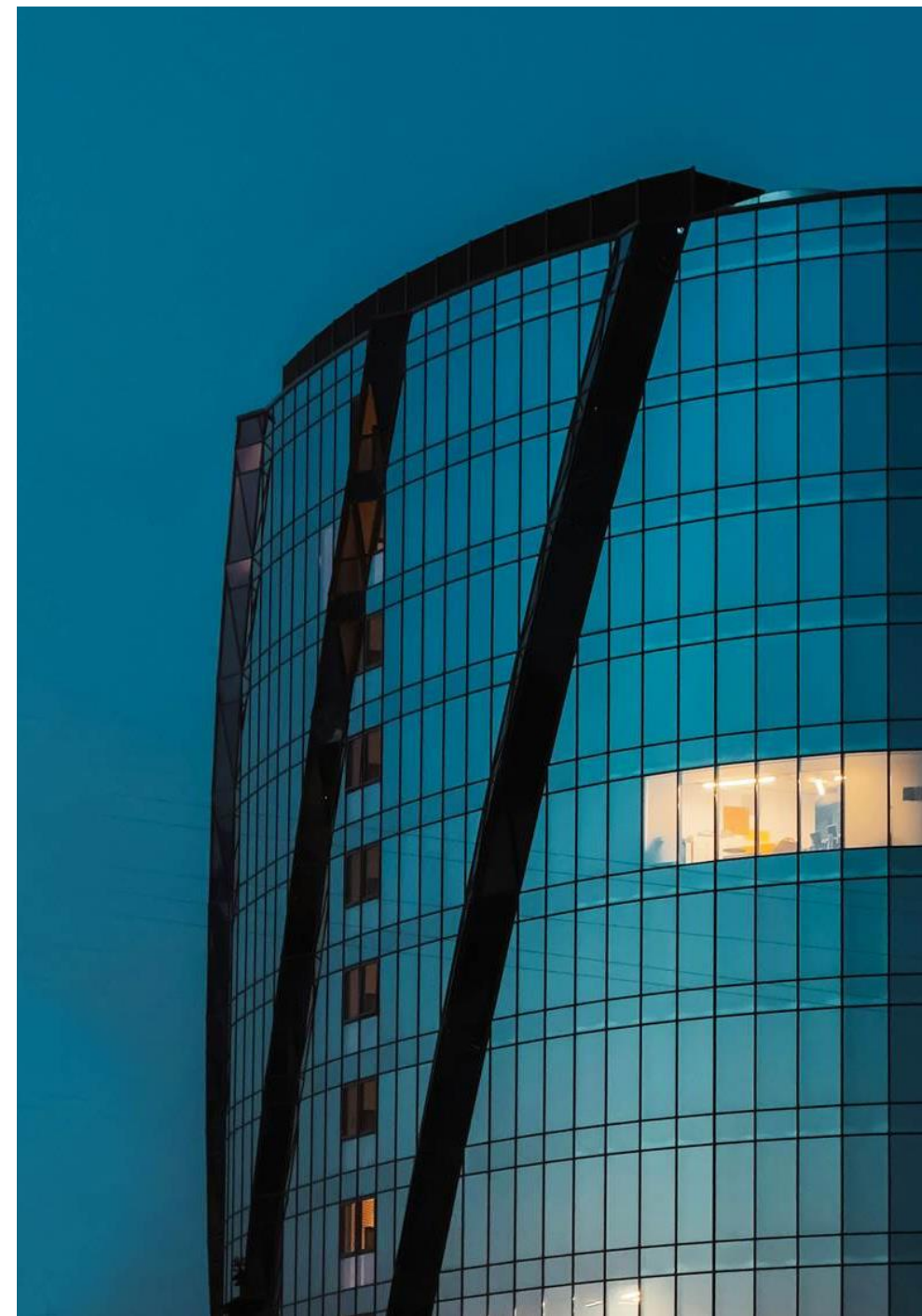
2024	4.0
2025	4.0
2026	4.3

Source: IMF, World Economic Outlook Update, July 2025.

International Growth Comparisons



Source: ONS, OCED



Changing 'Spheres of Influence'

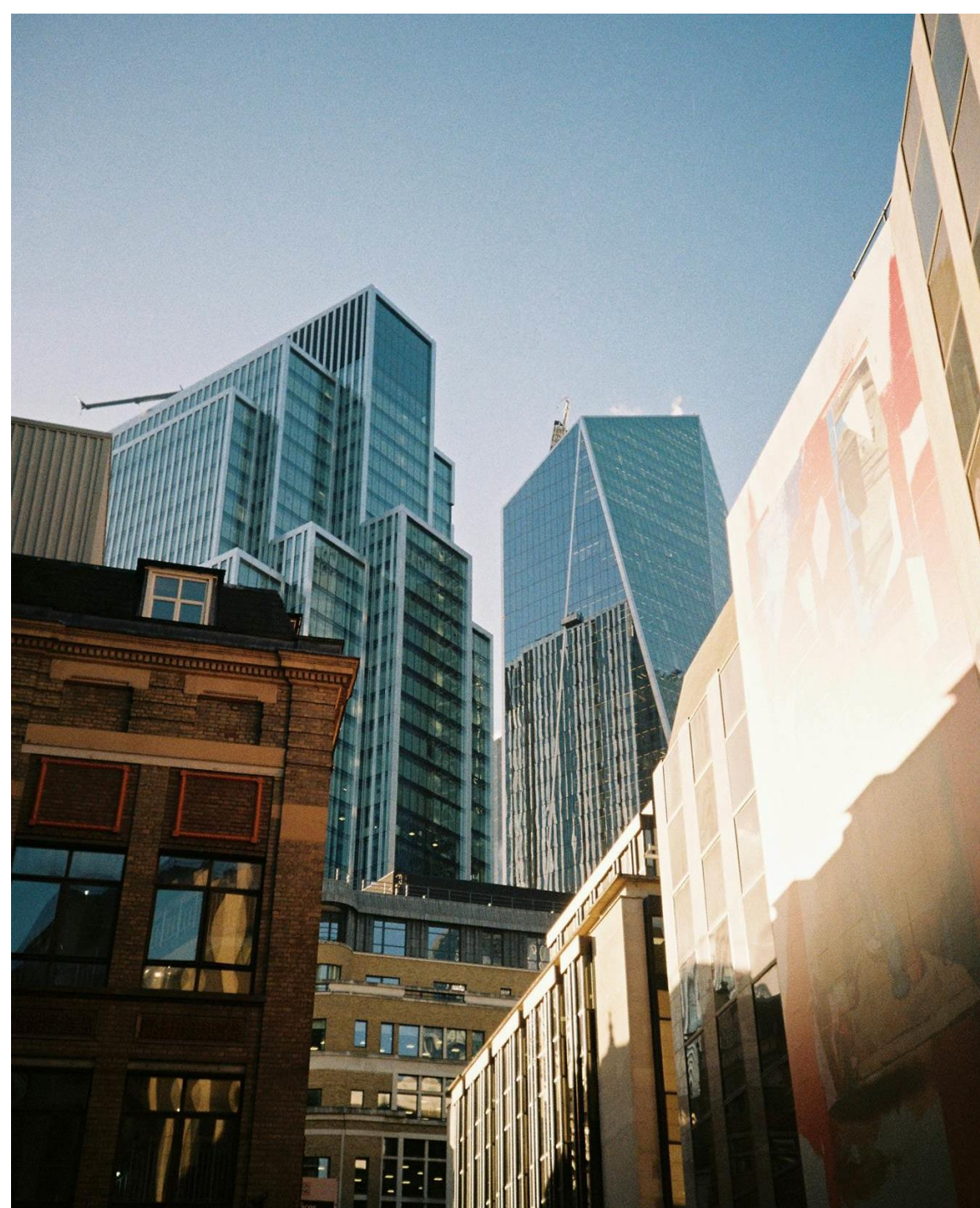


Future implications:

Balance of power?

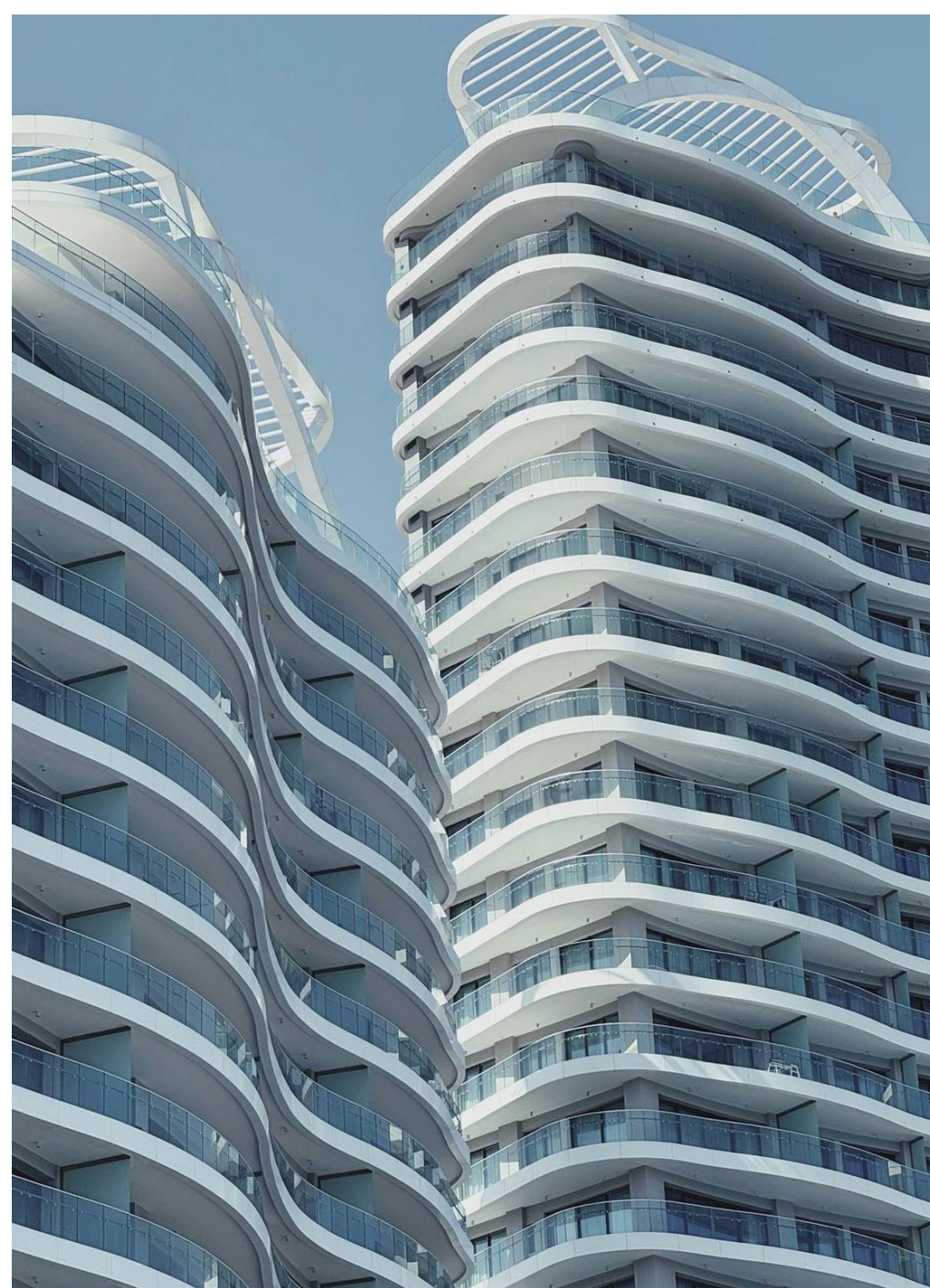
Trade relationships?

The UK economy

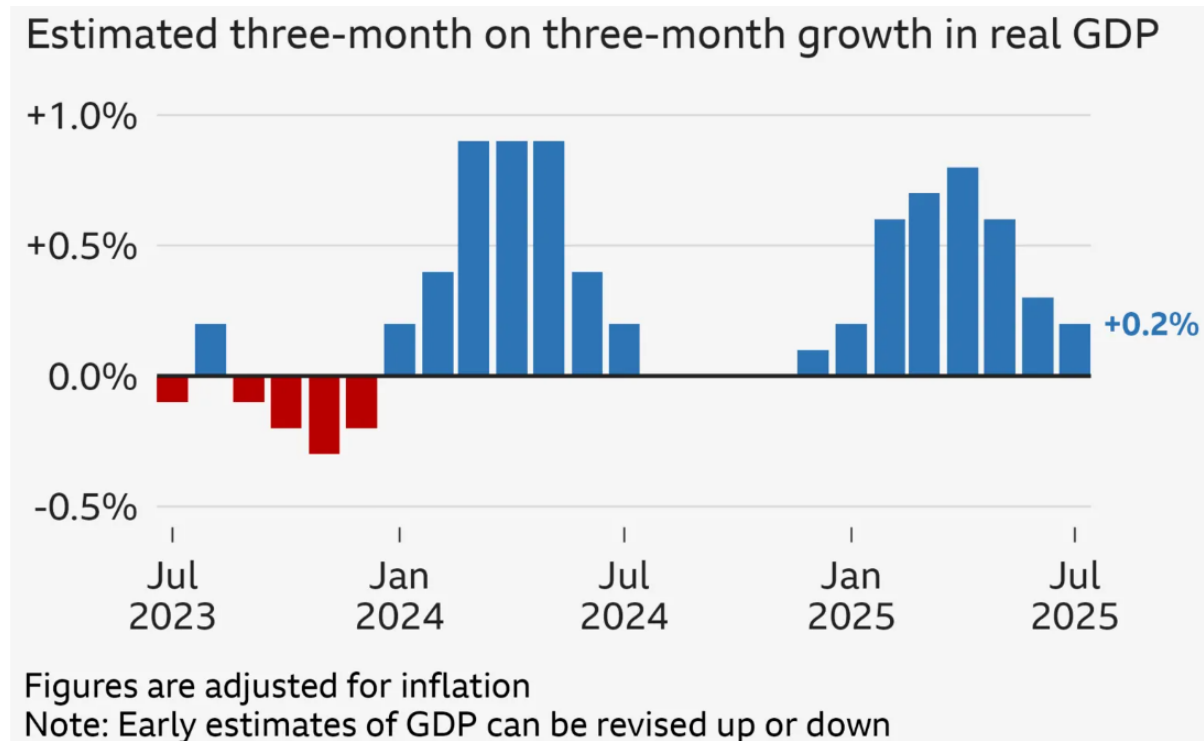


State of the UK Economy

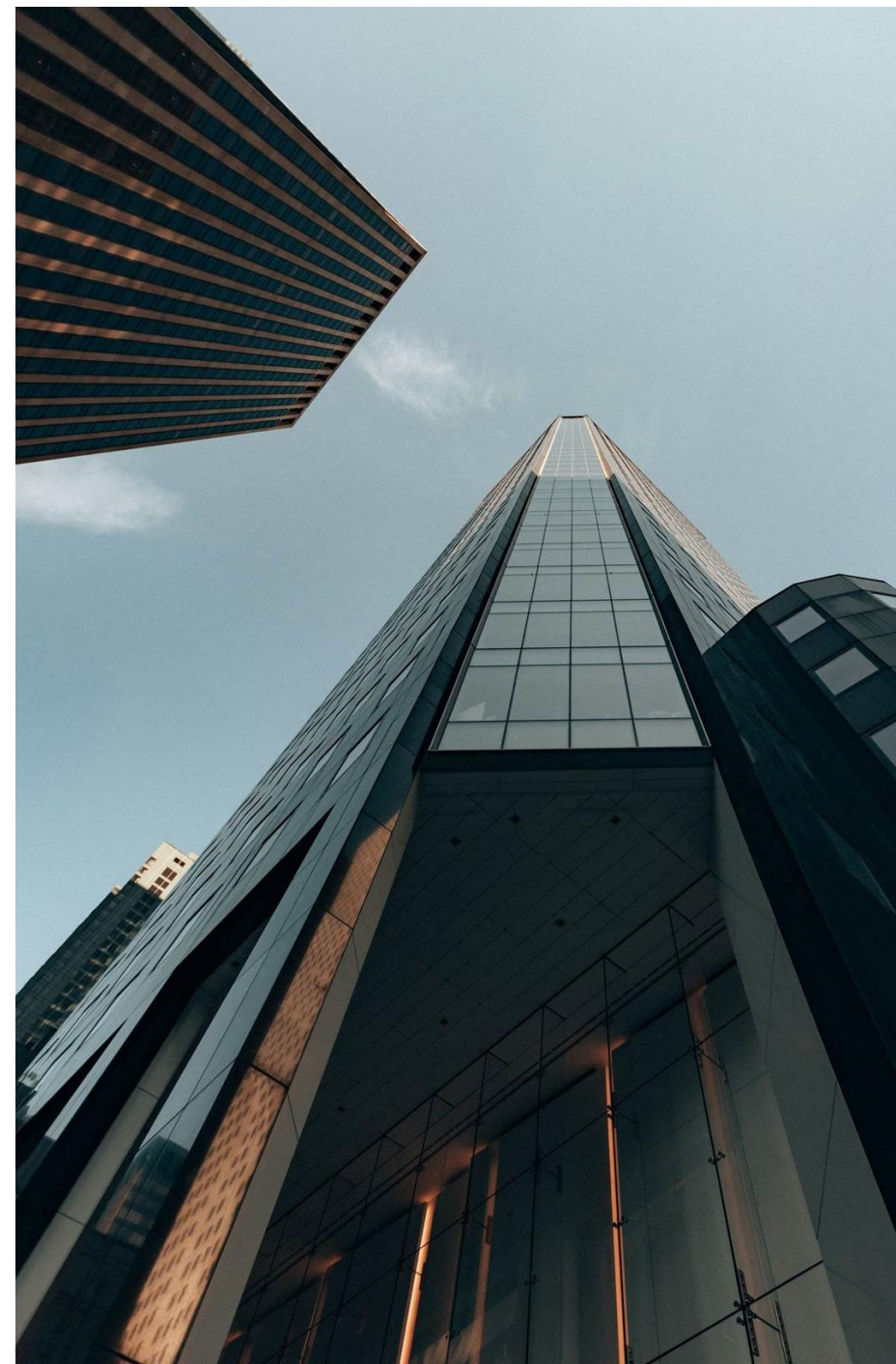
- GDP growth of 0.7% in Q1 - followed by 0.3% in Q2
- July figures indicate economic growth is slowing down
- **Inflation concerns persist**
 - Inflation rate 3.8% in July
 - Higher domestic bills, higher business taxes and a hike in minimum wages
- Consumer and business confidence remains fragile
- Public sector spending expanding, year after year....
 - **Mainly due to escalating welfare, healthcare and pension costs**
- The Chancellor under pressure to relax her fiscal rules
 - **Tax increases, spending cuts or more borrowing in 26 November Budget?**



UK Economy Growth

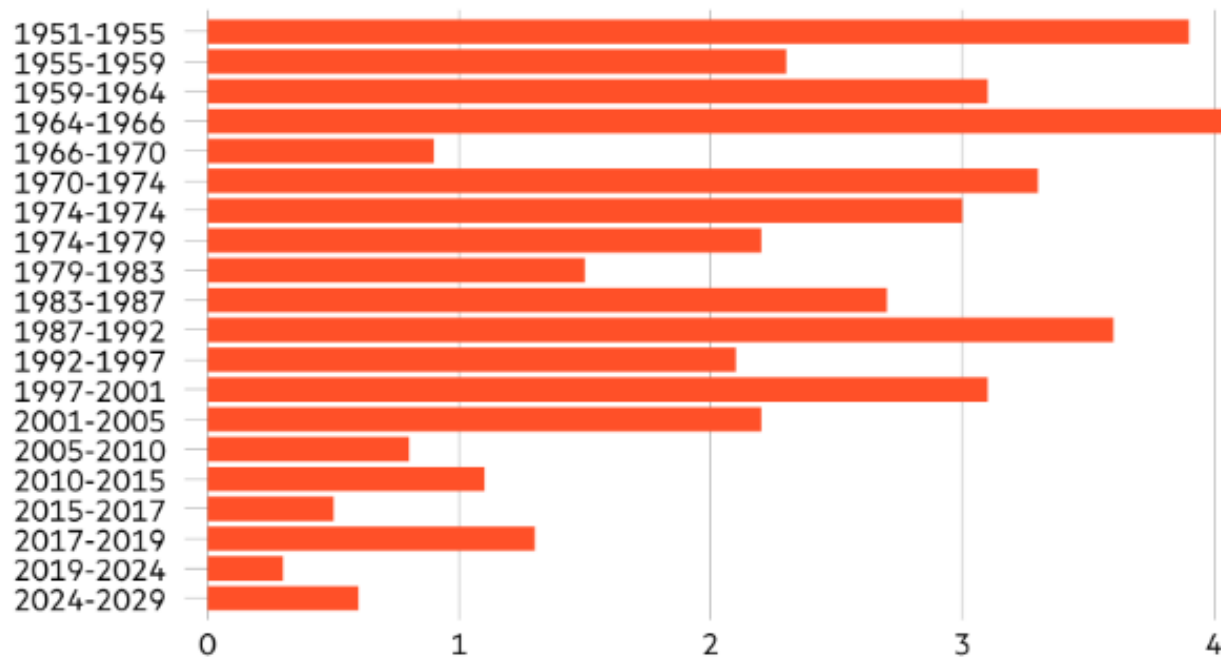


Source: ONS



UK Economic Growth by Parliament

Average annual growth in real household disposable income per capita, by parliament (%)



Source: Institute of Fiscal Studies, April 2025

UK Government Borrowing Costs

10-year government bond yields

Implications for:

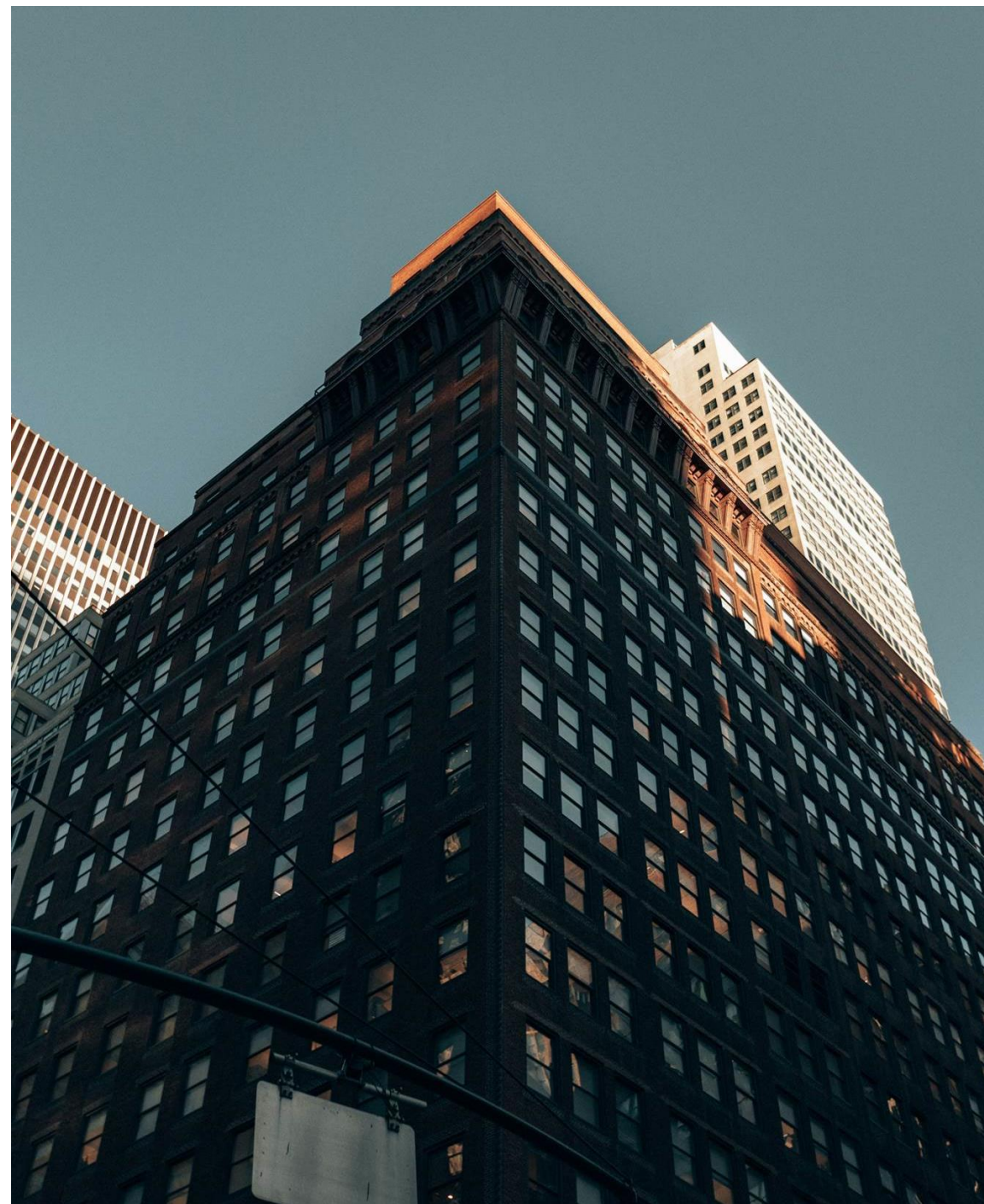
- Government finances?
- Business loans?
- Mortgage costs?



Source: Trading Economics

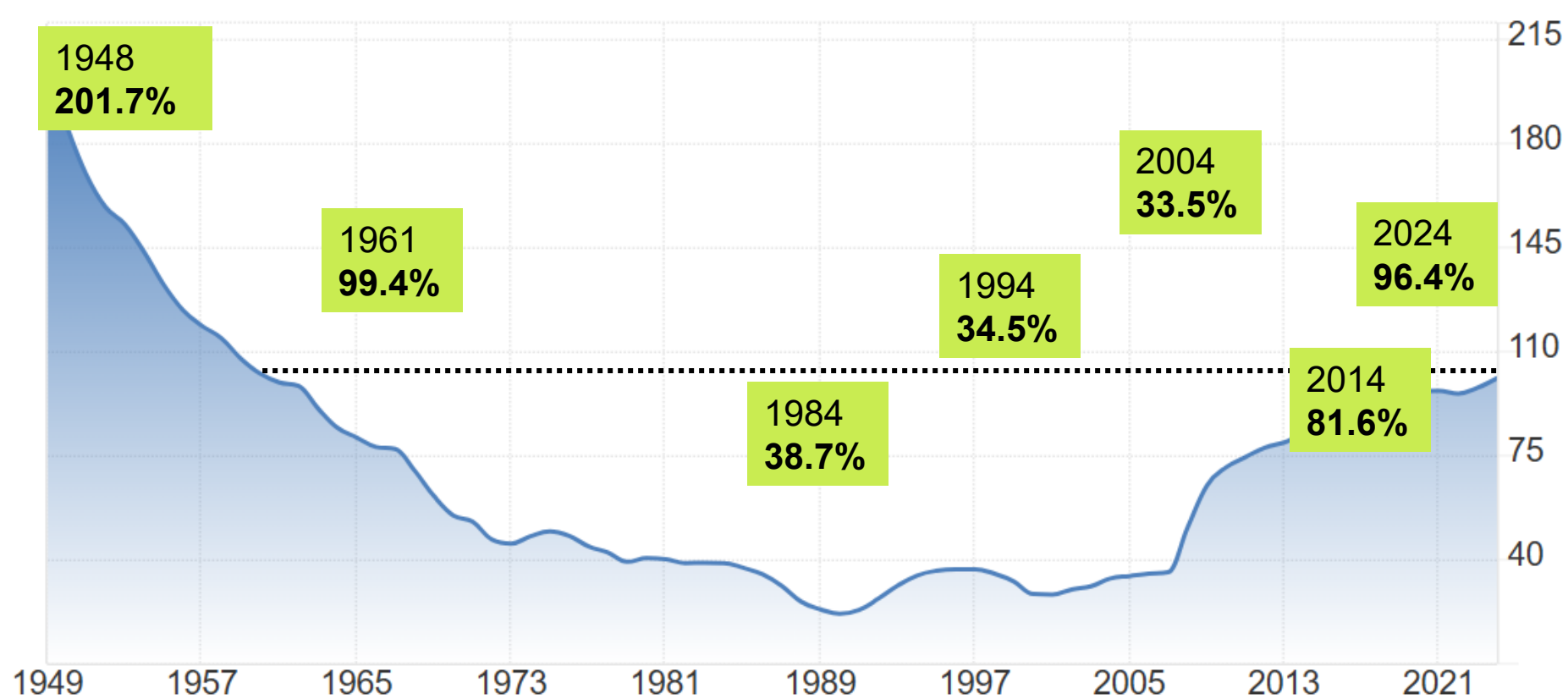
UK Government Finances

- National debt (% GDP) could almost **TREBLE** over next 50 years
- Based on independent OBR research
- Three main reasons:
 - **An ageing population**
 - **Climate change**
 - **Rising geopolitical tensions**
- Risks of war, disease, cyber-conflict and trade tensions could push debt burden even higher!
- 'Unsustainable path' without
 - **Extra tax revenues, and/or...**
 - **a return to high and sustained productivity levels**



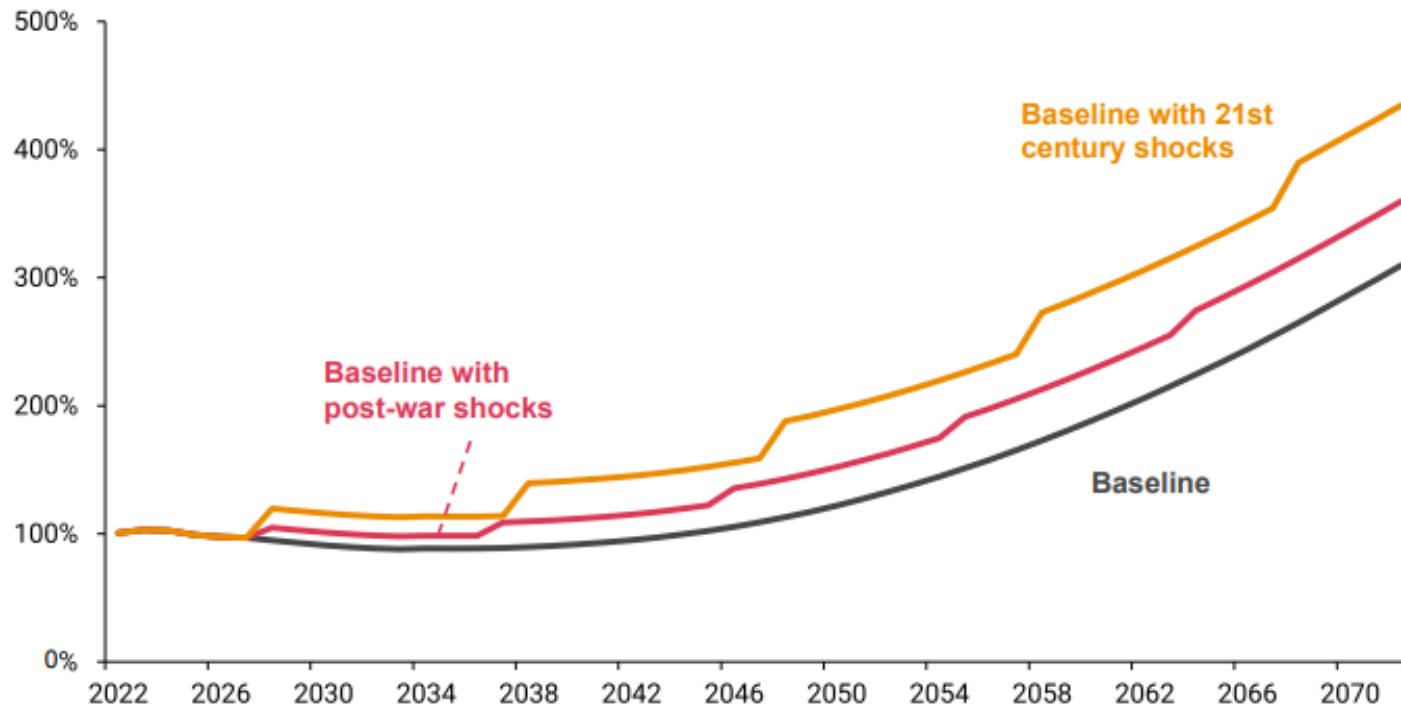
UK Government Finances

Public sector net debt as % of GDP



Source: Office for National Statistics, OBR

Long-term Projections for Public Sector Debt (% of GDP)

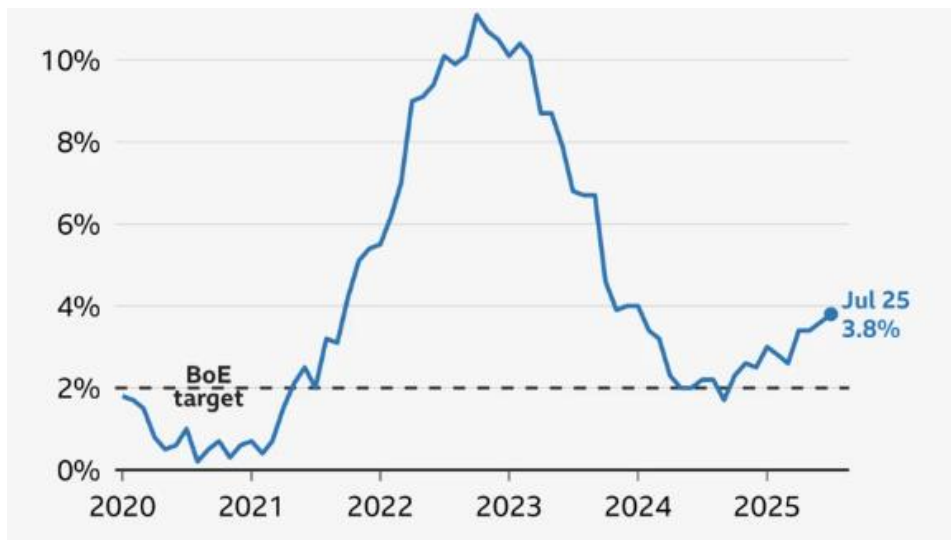


**Mainly due to
spending pressures
linked to an ageing
population**

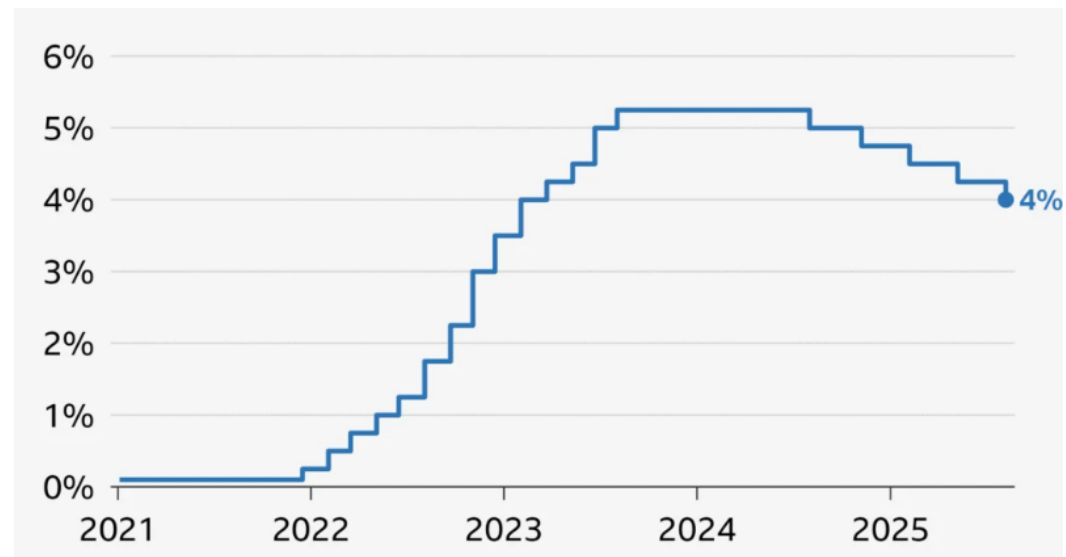
Inflation & Monetary Policy

Outlook for inflation and interest rates?

Inflation



Interest Rates



Source: ONS & Bank of England

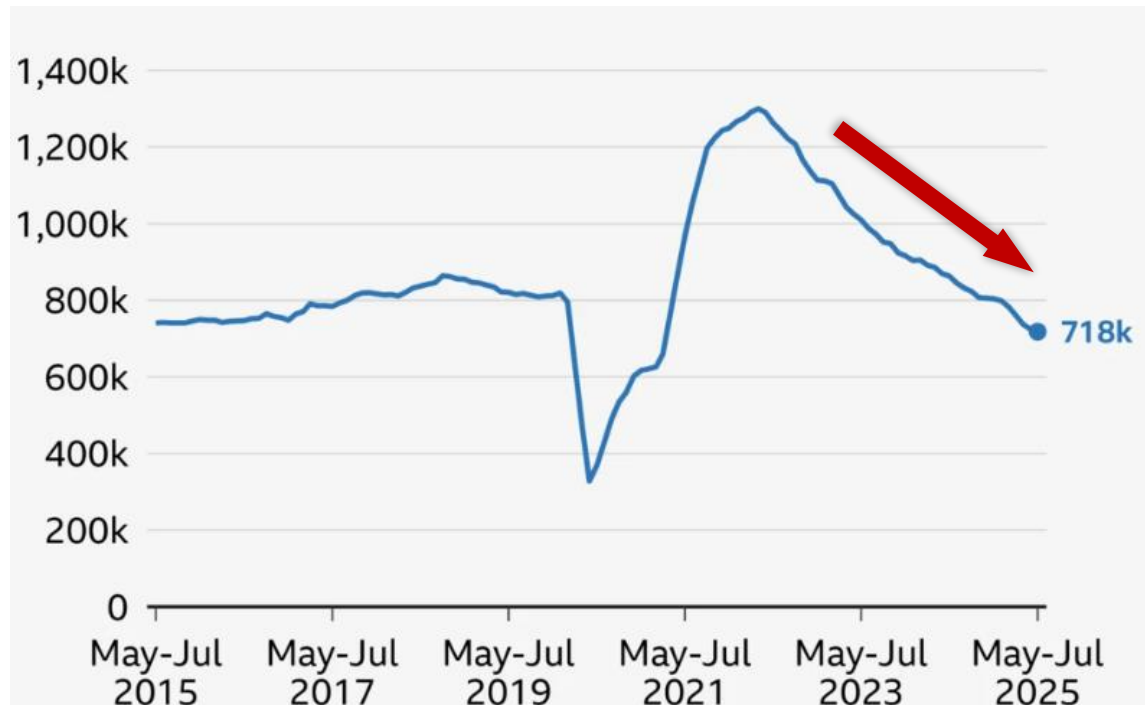
UK Labour Market

- Unemployment rate has been edging up (4.7% in April-June)
- **9.2 million people aged 16-64 classified as 'economically inactive'**
 - **With 30% (2.76 million) categorized as 'long-term sick'**
- Number of employees on payrolls levelling off



UK Job Vacancies

Job vacancies have been steadily falling for 3 years



Source: ONS

UK Economy Outlook - Summary...

- **Sluggish growth outlook**
- Concern regarding **'sticky' inflation** pressures
- But Bank of England still likely to **cut** interest rates further in 2025
- **Fiscal constraints** – limiting capacity to respond to economic shocks
- **Ongoing trade disruptions** – impacting growth & investment
- **Labour market challenges** – key shortages remain in some sectors



UK Economy Outlook - Summary...

Outlook for the UK Economy critically dependent on:



1

Unfolding the fiscal
tightrope



2

Restoring credibility



3

Unlocking policy
reforms

The next year or two could define whether the UK can break out of a sluggish state and enjoy stronger, sustainable growth.

Major Challenges for the UK

**Sustainable
Growth**

**Growth in capital
stock & improving
productivity**

**An effective
industrial &
services
strategy**

**Long-term
implications
of an ageing
population**

**Application of
AI to business
& government
practices**

**Trade with:
EU
USA
RoW**

**Limited growth
in working-age
population**

**Green Energy
Transition**

Corporate & International Tax



Beverley Scott
Corporate Tax
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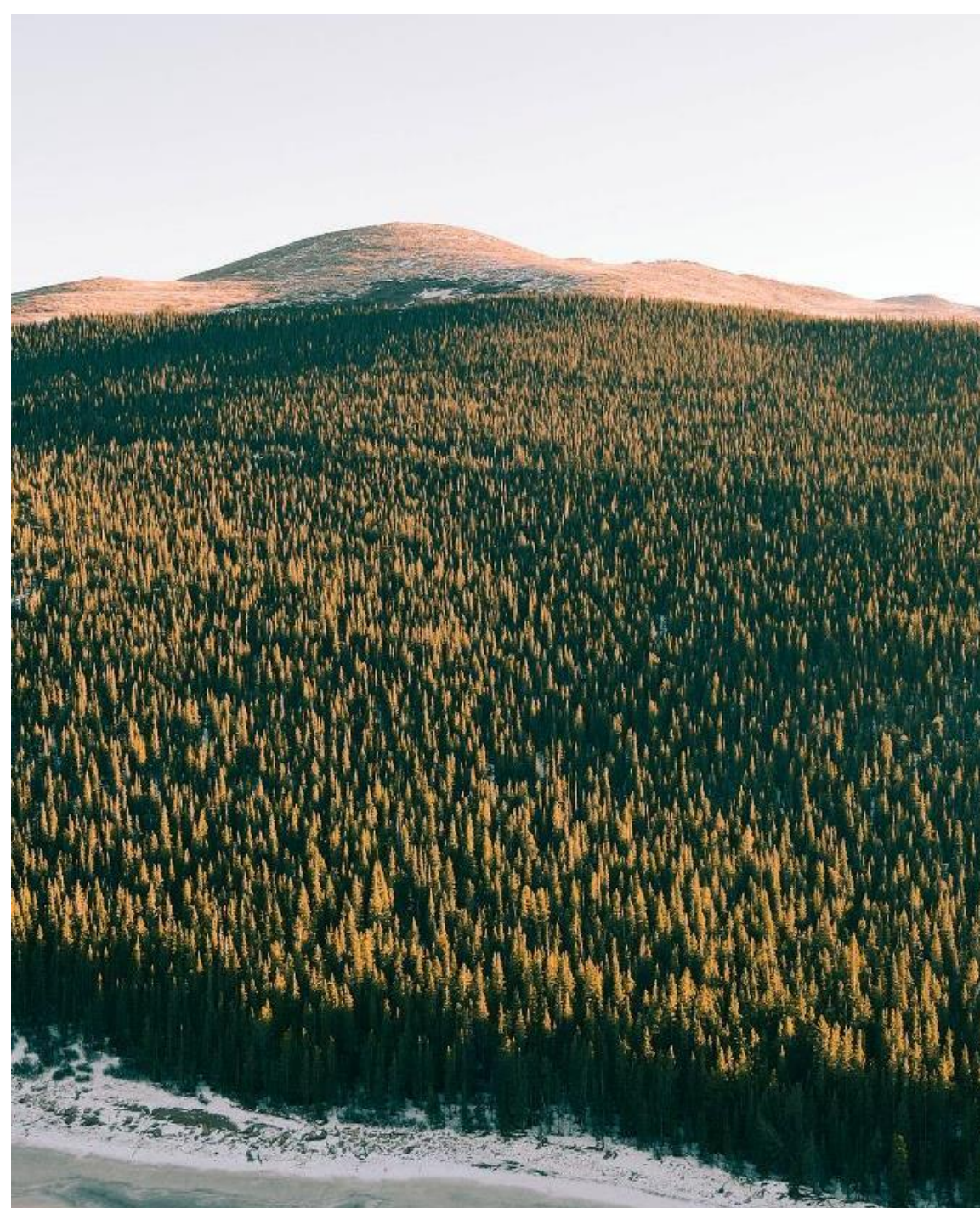


Jonathan Dowding
Tax
Director

jonathan.dowding@mha.co.uk

The corporate tax landscape

- 1 Developments from the corporate tax roadmap
- 2 Budget predictions
- 3 International tax developments
- 4 HMRC hot topics
- 5 Case study





An update on the Corporate Tax Roadmap

We expect to hear shortly on transfer pricing following the conclusion of two key consultations:

- 1 Transfer pricing scope and documentation (closed 7 July 2025)
- 2 Reform of transfer pricing, permanent establishment and Diverted Profits Tax (closed 7 July 2025)

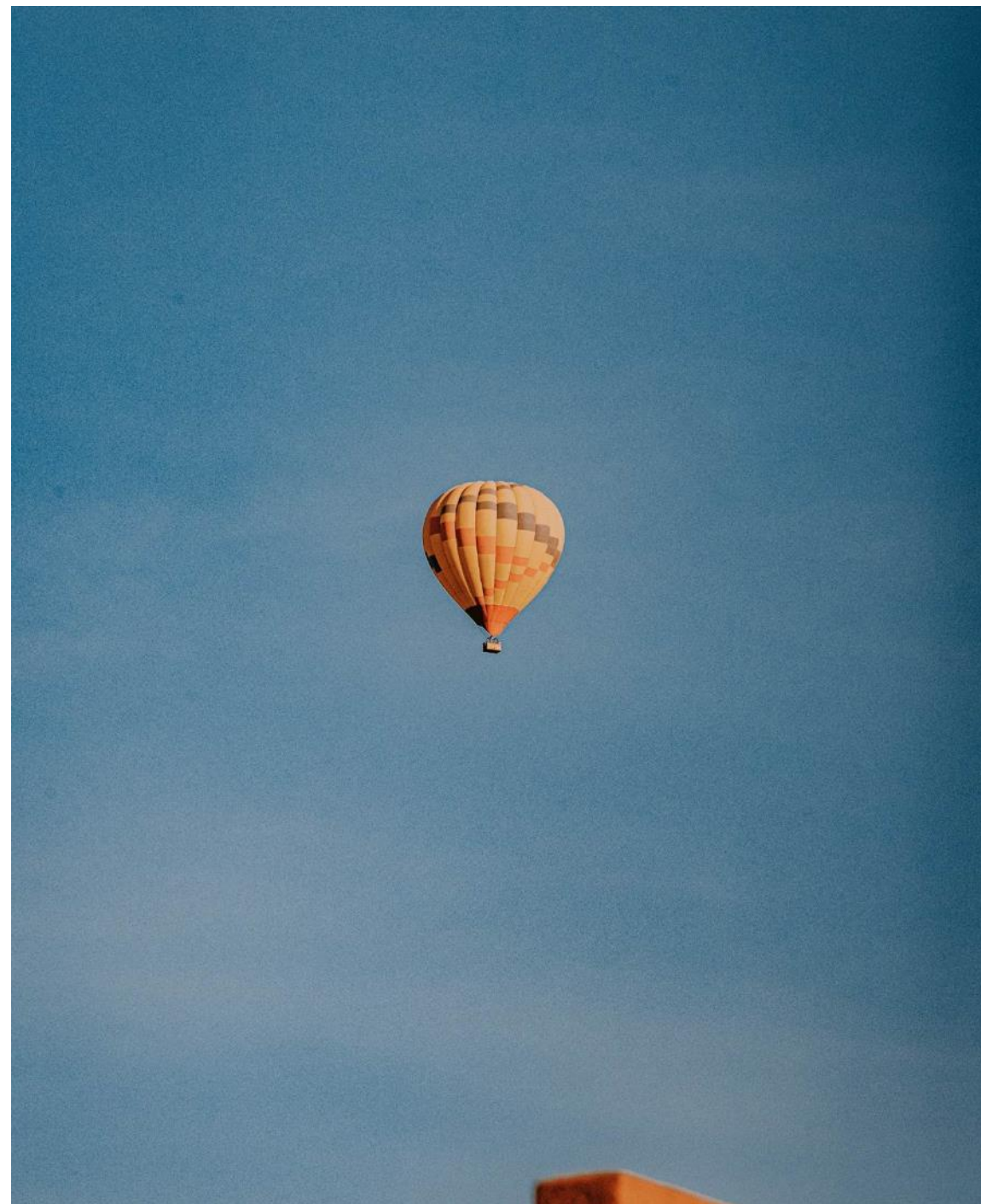
“Will medium sized enterprises be brought within the scope of transfer pricing rules?”

Budget predictions

Corporate Tax Roadmap + Industrial Strategy = Stability?

- 1 Rates frozen for the duration of the parliament
- 2 Permanent full expensing
- 3 Retention of key reliefs (R&D, patent box, SSE)

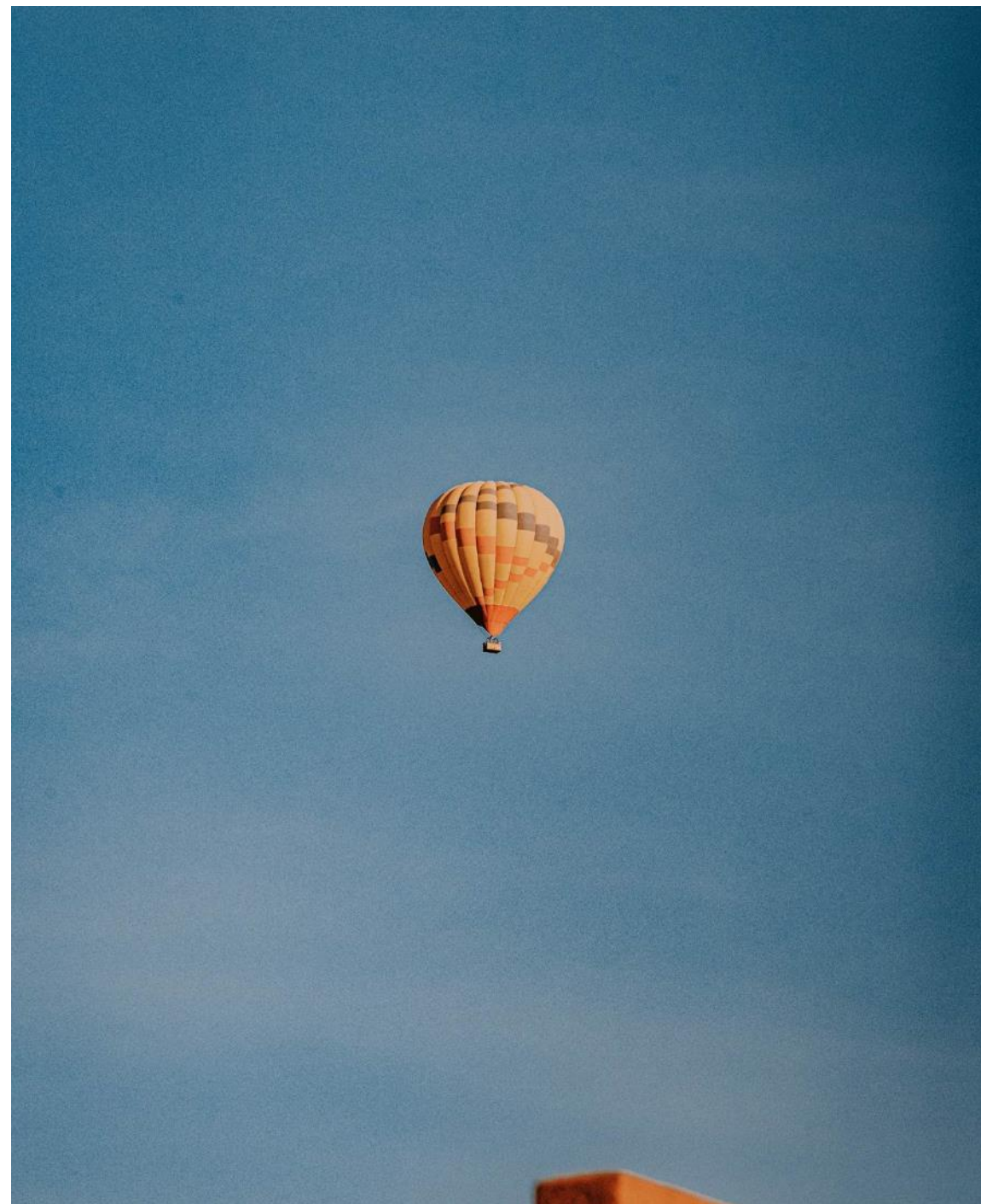
- ? Support for sectors not mentioned in the Industrial Strategy e.g. construction
- ? More detail on how the 'Strategic Pillars' will be achieved
- ? Greater cohesion with respect to net-zero



The international landscape

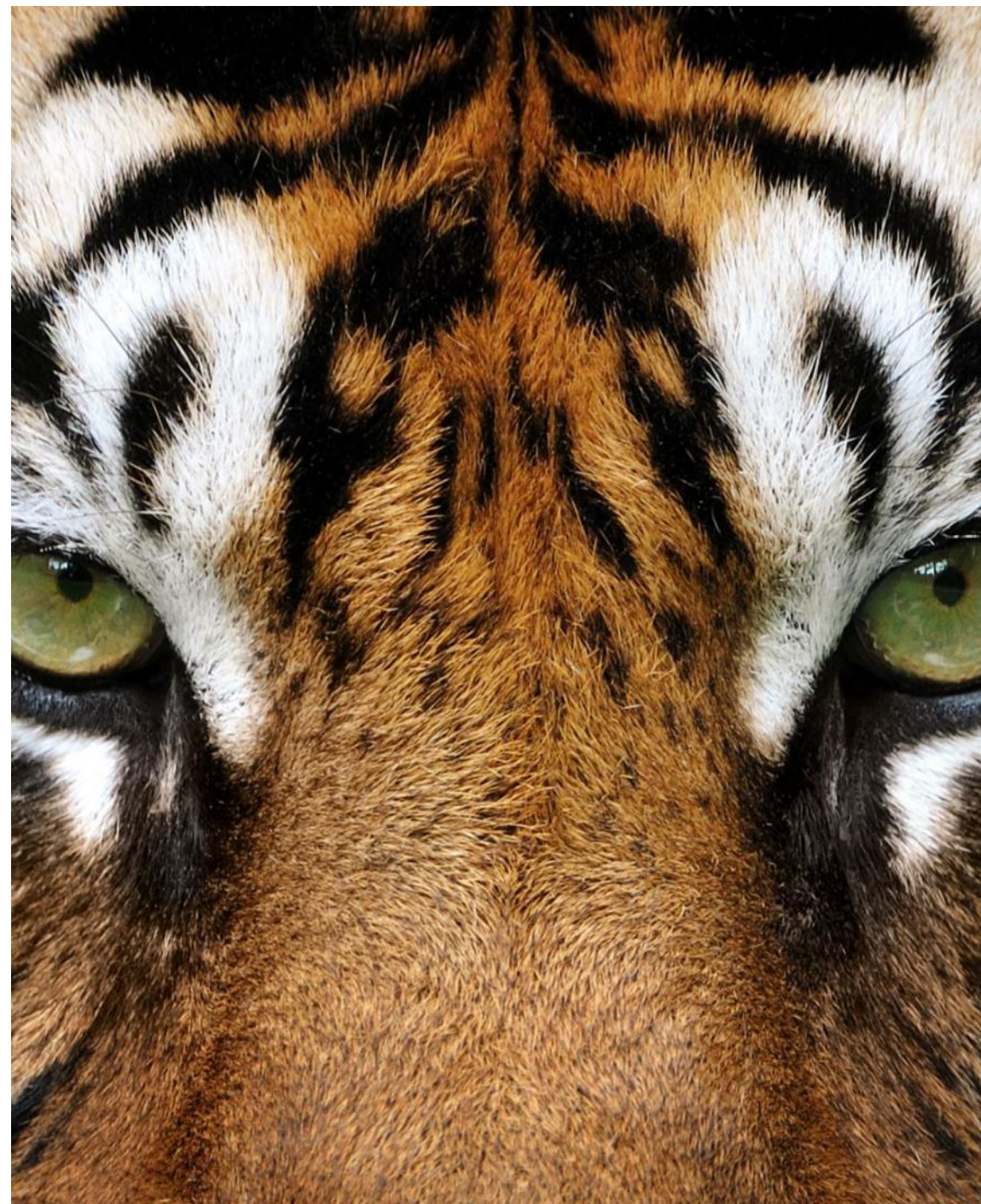
Corporate Tax Roadmap + Industrial Strategy = Stability?

- 1** Pillar 2 – agreement in principle between the G7 and the US, though not alignment
- 2** US tariffs and ongoing uncertainty
- 3** EU Directives and updates



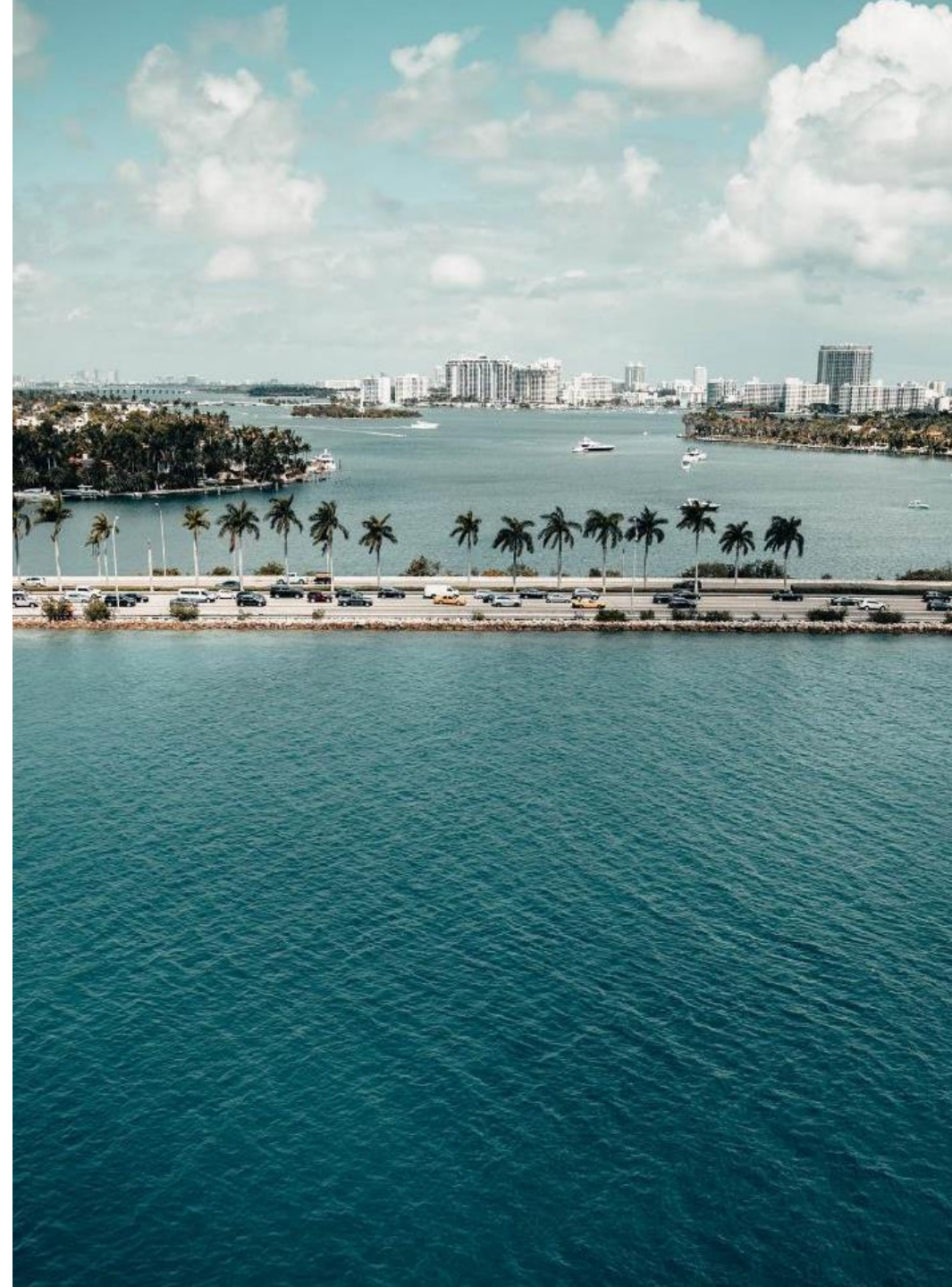
HMRC Areas of Focus

- 1 ***“HMRC has charged the first company ever under landmark powers introduced eight years ago to crack down on corporate tax evasion.”***
 - Bureau of Investigative Journalism)
 - **The ‘Paper Tiger’ now has teeth!**
- 2 HMRC appear to be making increased use of AI:
 - Areas like CbCR, TP, CIR remain ripe for the application of AI
 - For 2027-28 there will be standing requirements for third-party data holders (financial institutions, merchants and payment facilitators) report data to HMRC
- 3 HMRC has enjoyed considerable success in the past few years in pursuing cases concerning the deductibility of interest
 - This is an area of focus for HMRC and coincides with interest rates reducing potentially making debt funding more affordable/attractive



Implications:

- 1 Clear commercial rationale required for intra-group lending at both the transaction and structural level
- 2 Courts are prepared to enforce the 'unallowable purpose test' and take their own view (a concession is not required)
- 3 The test is annual so arrangements must be reviewed regularly
- 4 Who is the ultimate decision maker? Must be a genuine commercial transaction for the company.



A photograph of two women sitting at a table outdoors, looking at a document together. One woman is smiling and pointing at the document, while the other is looking on. They are in a casual setting with greenery in the background.

Case Study 1 – Group Refinance

- 1 Tidying up current intra-group balances
- 2 Interest deductibility

Circus Ltd (Circus) is a UK headquartered multi-national group (MNE) with operations across Europe.

Circus is currently in negotiation with lenders to refinance the group's debt to obtain more favourable interest rates.

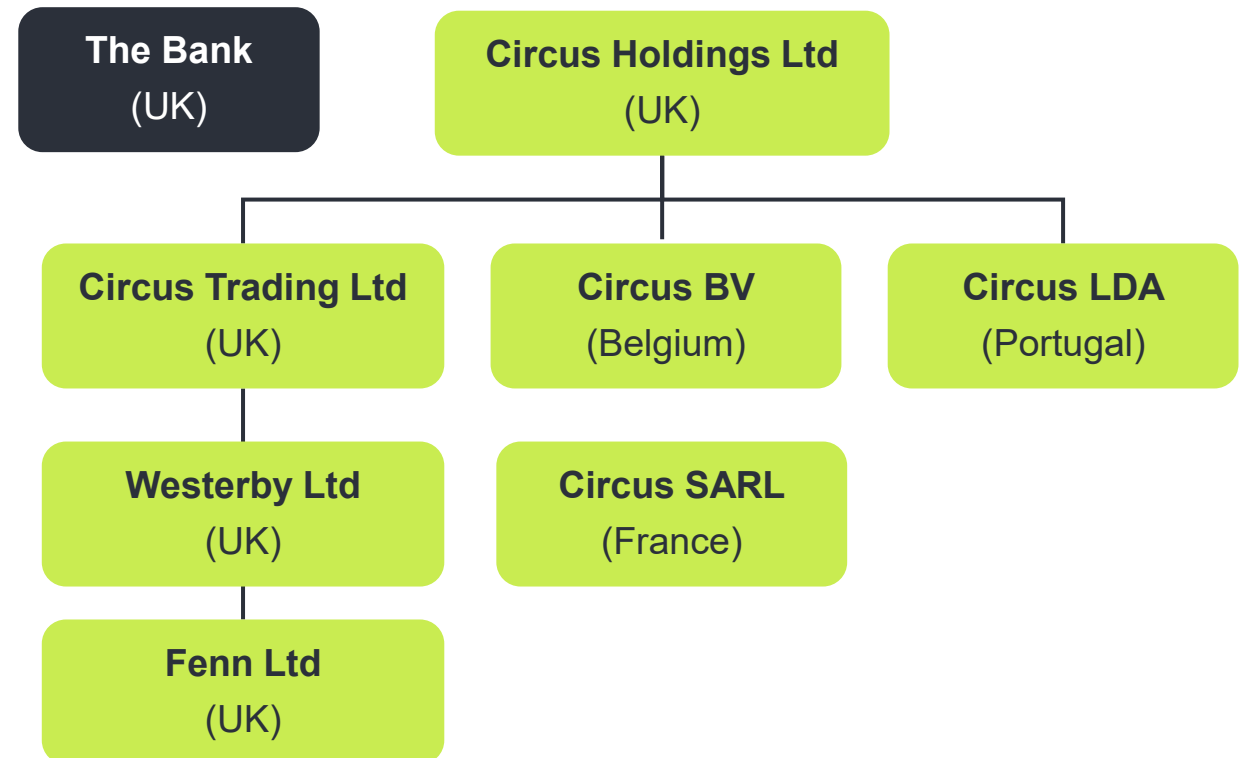
The Circus Group – Intra-group Balances

At present Circus Holdings Ltd onward lends external debt to

- 1 Circus LDA (Portugal)
- 2 Circus BV (Belgium)
- 3 Circus Trading Ltd (UK)
- 4 Fenn Ltd (UK)

Prior to the re-financing Circus wishes to tidy up the intra-group position by

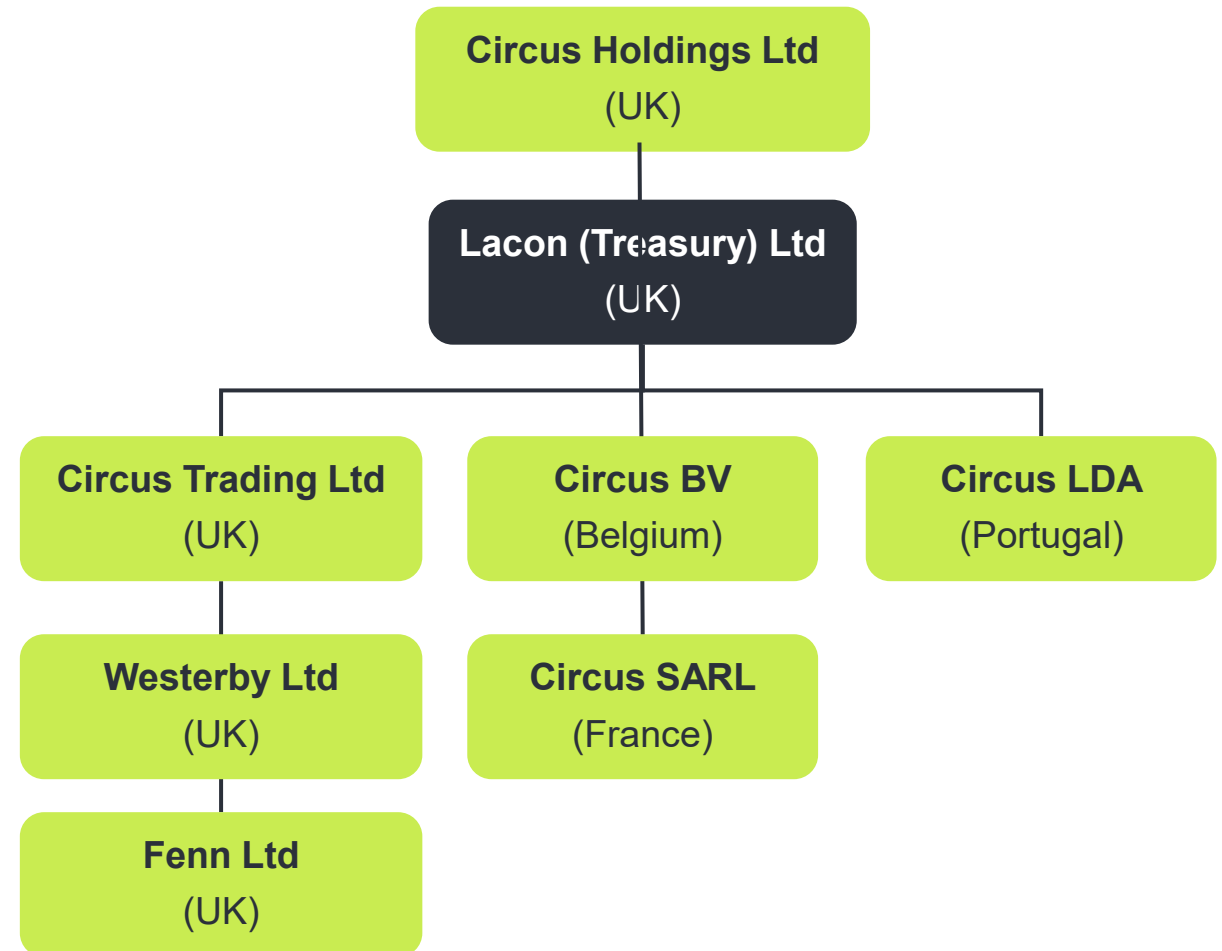
- 1 Repaying or writing off existing debt; or
- 2 Transferring outstanding balances to a newly incorporated treasury company



The Circus Group – Insert a Treasury Company

Circus also wishes to ring fence its external borrowing by inserting a group treasury company which it calls Lacon (Treasury) Ltd.

Lacon will be set up as a newly incorporated UK entity and could be inserted directly into the structure via a share-for-share exchange



Tidying up – UK to UK

Repayment of debt principal

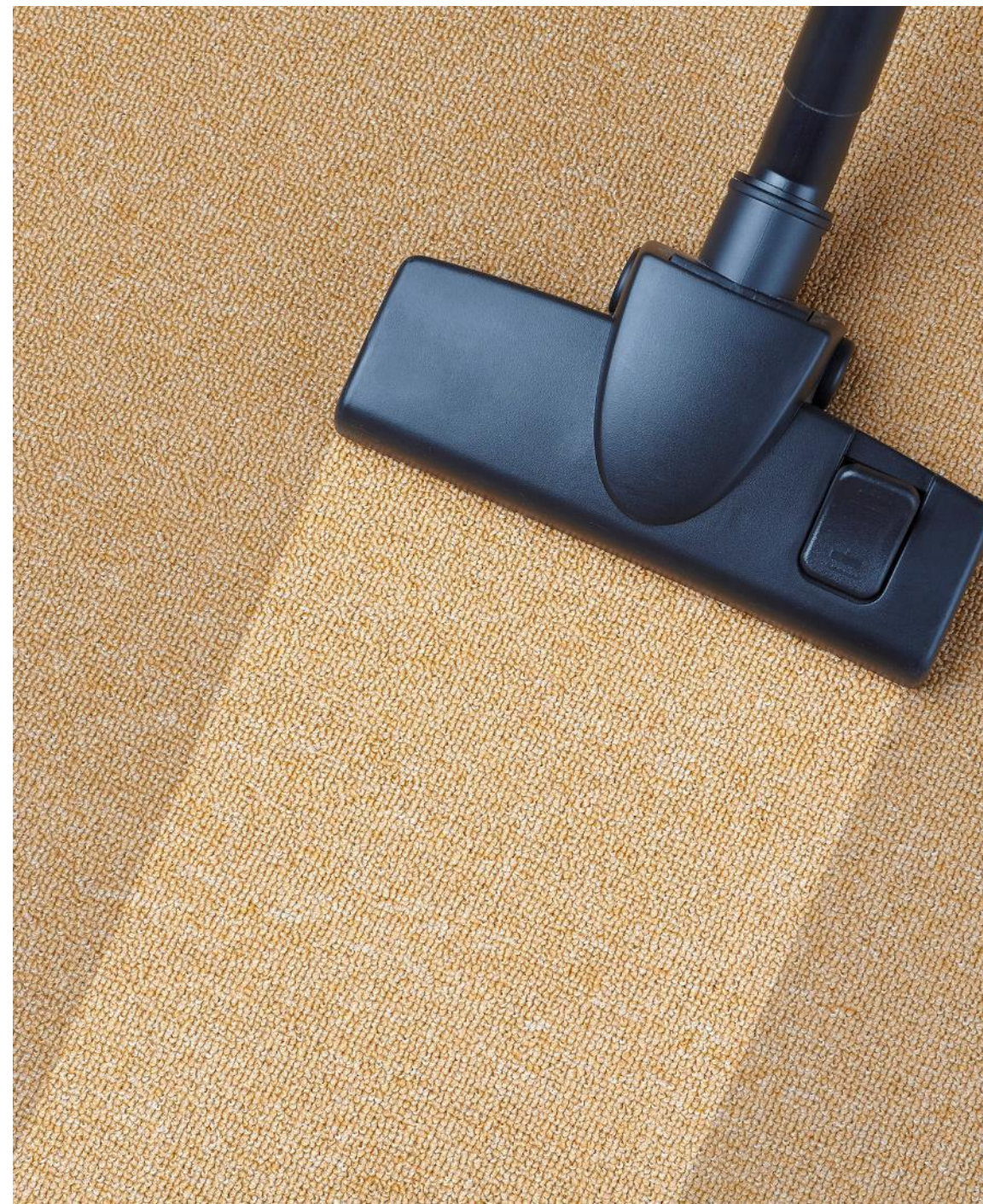
- 1 Should give rise to no taxable credits or allowable debits (though potentially FX?).

Assignment to Treasury company

- 1 If the loans fall within the Loan Relationship Rules (Part 5 CTA 2009) and the companies form part of a 'loan relationship group' (broadly 75% relationship), assignment of the debt should be possible on a tax neutral basis.
- 2 Any interest outstanding will remain payable to Circus.

Write-off

- 1 If the loans fall within the Loan Relationship Rules and the companies are connected (broadly >50% common control), a loan write-off should not give rise to any taxable credits or allowable debits.



Tidying up – UK to Overseas

Repayment

- 1 Should give rise to no taxable credits in the UK (though potential FX results depending on functional currency and denomination of loans).

Write-off

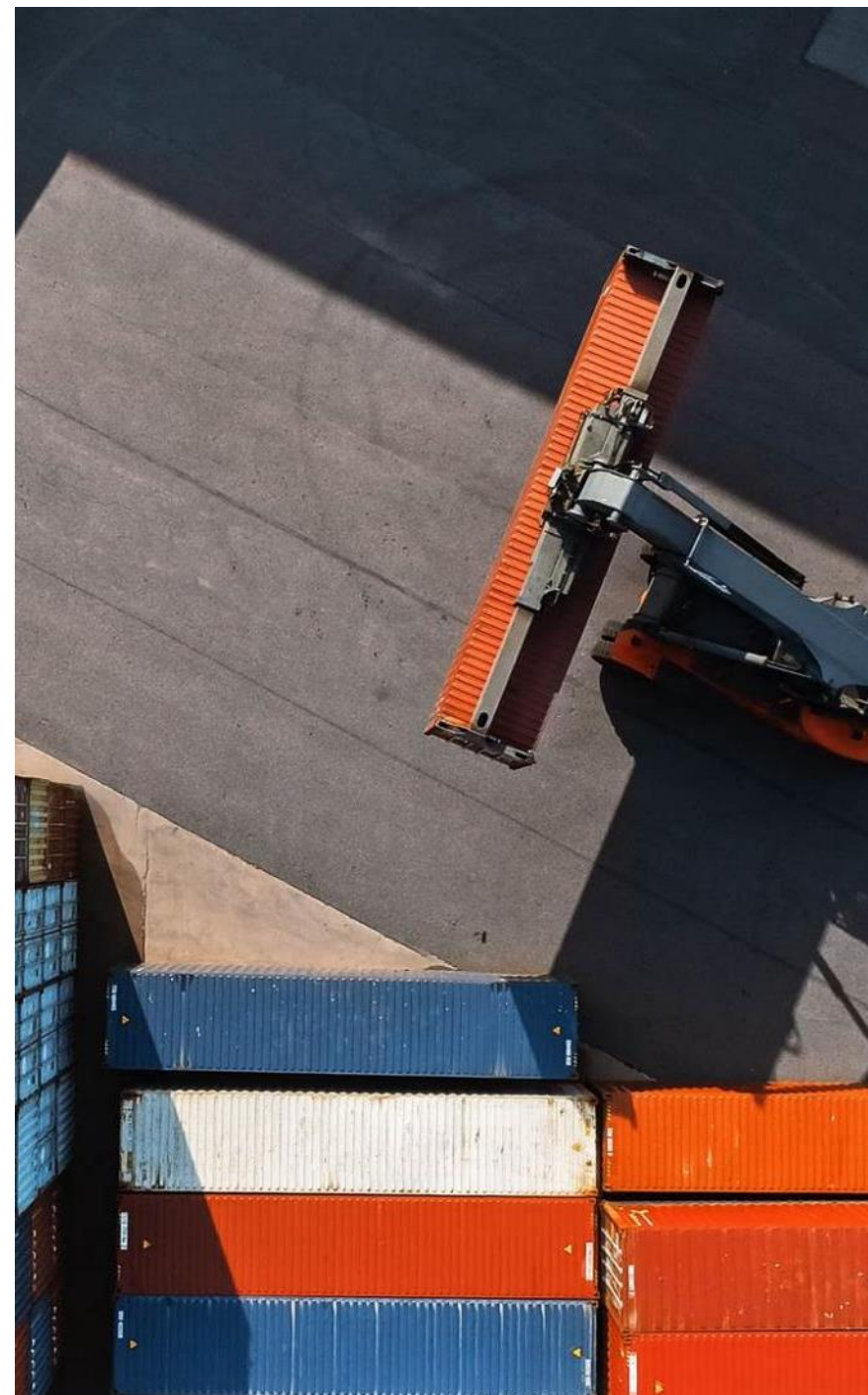
- 1 Circus Holdings unable to claim a debit in the UK on a write off a loan with a connected party.
- 2 Depending on local rules, the write-off of connected party debt could however still result in a taxable credit in the overseas jurisdiction.
- 3 N.B. Other potential overseas complexities to consider (overseas transfer / stamp taxes, hidden distributions etc.).

WHT

- 1 WHT not generally levied on impairment of debt, though capitalisation of accrued interest can result in WHT.

Other points to consider re overseas entities

- 1 Hybrid entities or instruments – potentially complex scenarios requiring more detailed analysis.



The Circus Group – Lending Down

Lacon lends downstream to its UK, Belgium, France and Portugal subsidiaries.

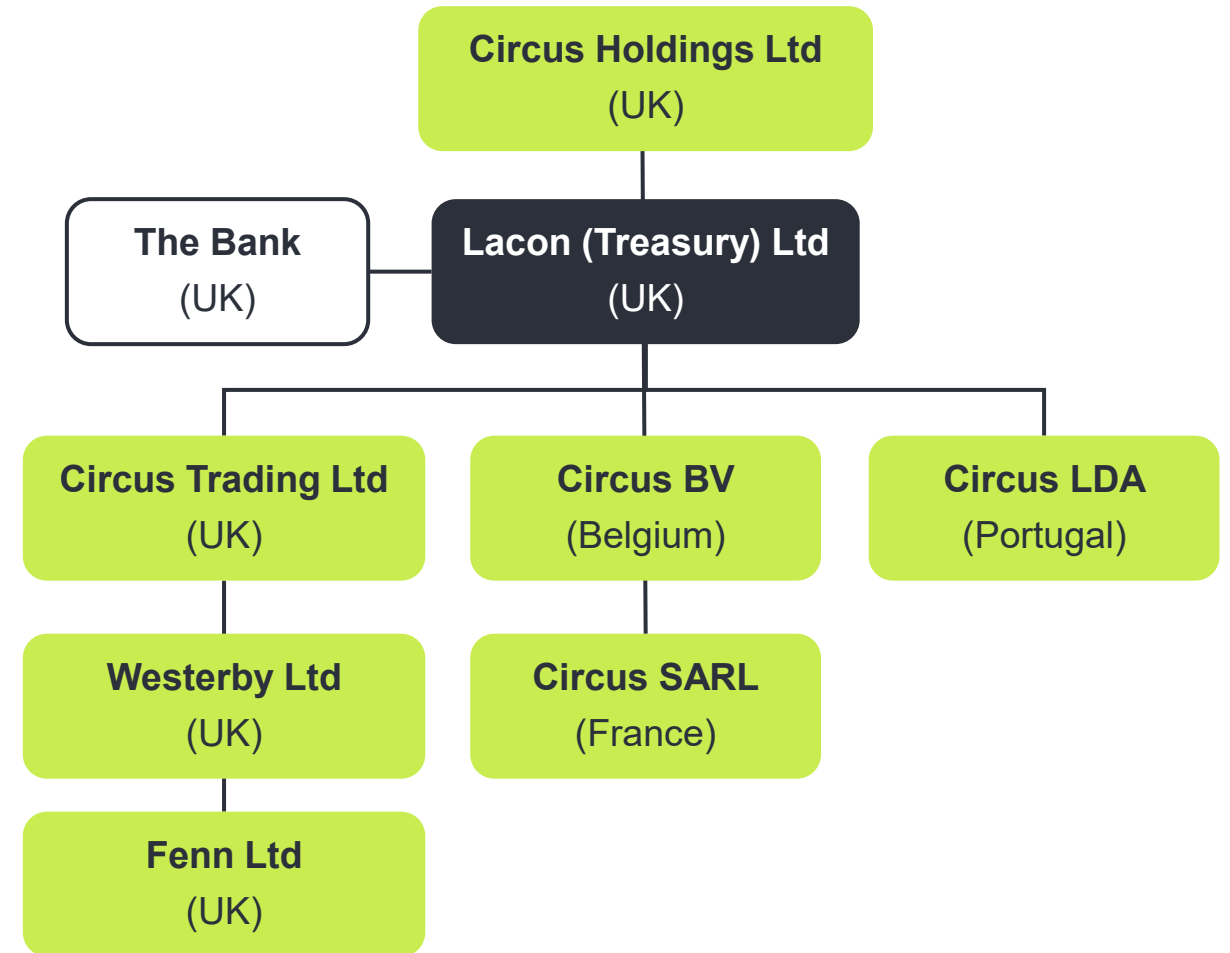
Deductibility of interest and WHT impact must be assessed

UK Subsidiaries

- 1 Consider unallowable purpose first!
- 2 Transfer pricing rules require interest to be calculated using arm's length rates.
- 3 Thin capitalisation rules restrict the level of debt in a company to a level that could reasonably be sustained by an independent entity.
- 4 Corporate Interest Restriction (CIR) may further restrict interest deductions in year to 30% EBITDA or £2m de minimis.

Overseas Subsidiaries

- 1 Consider similar (and additional) overseas rules in each of the relevant jurisdictions.



An aerial photograph of a rugged coastline. The foreground is dominated by a vast, textured expanse of turquoise water, which appears to be a shallow reef flat or lagoon. The water's surface is marked by numerous small, dark, irregular shapes, possibly coral or rocks. In the upper half of the image, a series of jagged, dark rock formations protrude from the water. These rocks are covered in a dense layer of coral and other marine life, displaying a rich palette of colors including deep reds, purples, oranges, and yellows. The overall scene conveys a sense of natural beauty and tranquility.

Break

We will resume shortly

VAT, Customs & Tariffs



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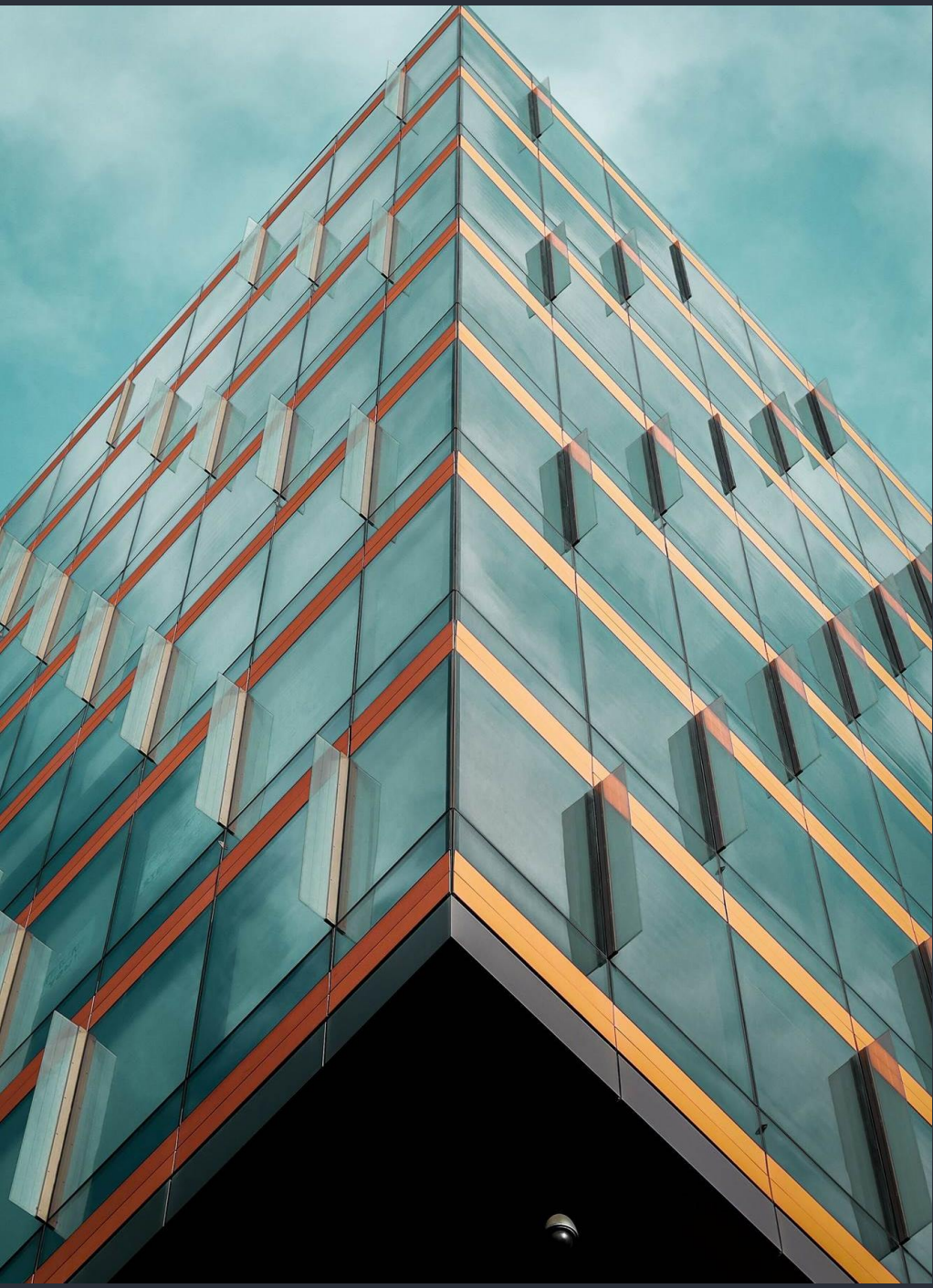
Trump Tariffs

Liberation Day Tariffs

- 1 US Federal Court of Appeal determined use of IEEPA to invoke tariffs is incorrect. Next step - Supreme Court of Appeal.
- 2 IEEPA tariffs (Liberation Day), are currently in place until 14 October 2025 with probable extension.
- 3 Duty Reclaim is not automatic. A Post Summary Correction (PSC) must be submitted within 180 days of import.
- 4 Current 10% Tariff on Chinese goods has been extended until 10 November 2025.
- 5 Pharmaceuticals subject to tariffs (EU = 15%) from 1st September.

De minimis waiver

- 1 Waiver on US customs duties for consignments of \$800 or less removed on 30th August 2025.
- 2 Royal Mail have introduced a system to assist UK businesses exporting parcels (e.g. B2C) to US customers.
- 3 UK exporters must ensure they review the impact of any US tariffs on such consignments as they are likely to impact US sales.



Trump Tariffs

Latest Section 232 Tariff investigations

A number of investigations have been initiated in last 6 months:

- 1 August 2025 – 50-day investigation on imports of furniture.
- 2 Steel and Aluminium – additional 407 steel and aluminium products added to list subject to **25%** tariffs on 18 August 2025.
- 3 Copper (all forms & derivatives) – introduction of **50%** tariff on 1 August 2025.
- 4 Timber and Lumber – Investigation in process since March 2025.
- 5 Semiconductors & Semiconductor Manufacturing Equipment – Investigation ongoing but recent announcement suggests **100%** tariff unless companies invest in U.S. production
- 6 Unmanned Aircraft Systems (UAS or drones) & parts/components – ongoing investigation since July 2025.

Delivered Duty Paid (DDP) Incoterm

DDP	
Deliver Duty Paid	
Transfer of Risk	At Named Place
Export Packaging	Seller
Loading Charges	Seller
Delivery to Port	Seller
Export Duty, Taxes & Security Clearance	Seller
Origin Port Charges	Seller
Loading on Carriage	Seller
Freight Charges	Seller
Insurance	
Destination Terminal Charges	Seller
Customs Clearance	Seller
Customs Duties	Seller
Delivery to Destination	Seller

Common issues

Export sales under DDP place the seller as the importer. Creates potential VAT obligations in the receiving country.

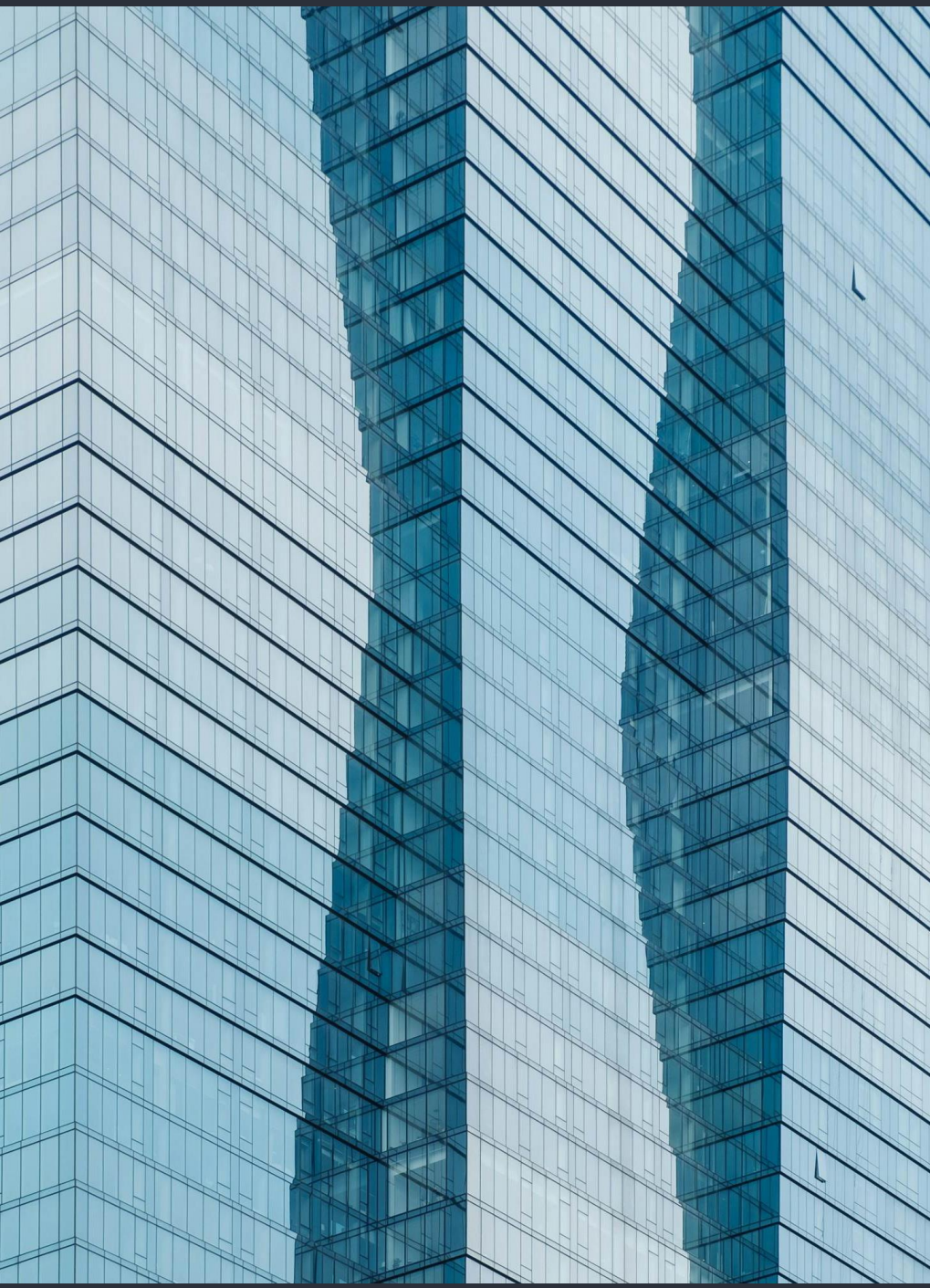
Still a misunderstanding of the DDP Incoterm.

It is commonplace for agents to declare the buyer creating a VAT risk.

UK buyers may be subject to hidden VAT risk due to use of PVA.

Action

- 1 Review contracts to confirm if DDP Incoterms are used.
- 2 For exports under DDP, confirm overseas VAT obligations and risk.
- 3 Register for VAT.
- 4 Try and arrange declaration amendments – often difficult.
- 5 For imports under DDP, check if company is declared as importer.
- 6 Inform supplier of obligations.
- 7 Arrange for EORI amendment/VAT return adjustment.



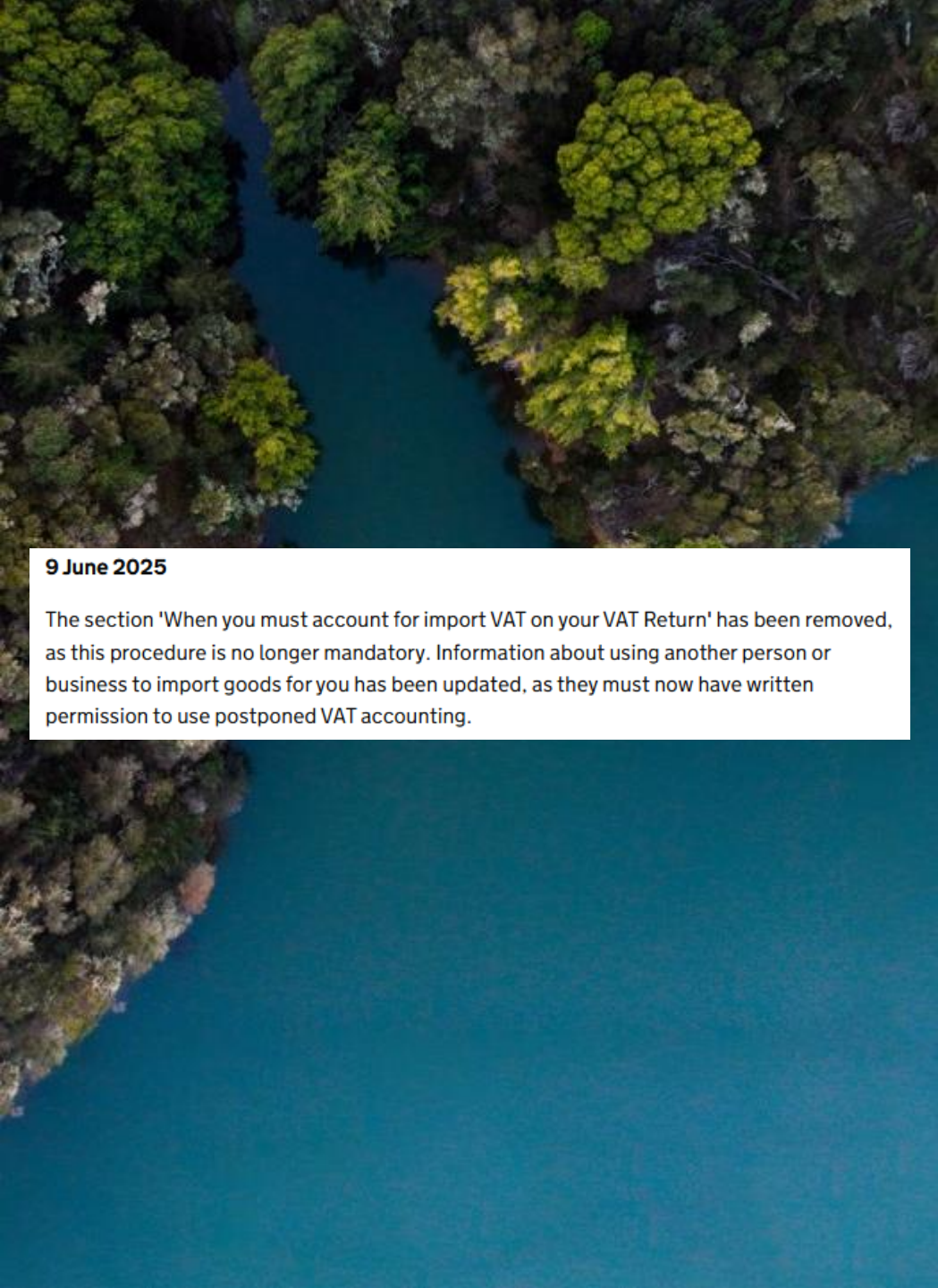
Ownership and Import VAT

Issues

- 1 Imports of goods not subject to a sale can cause an import VAT risk (e.g. DDP, repairs, contract manufacturing)
- 2 Current HMRC guidance states;
- 3 *“Import VAT may only be claimed by the owner of the goods who would be entitled to reclaim the import VAT either in accordance with s24 VATA 1994 (if registered for VAT in the UK) or under part XXI of the VAT Regulations 1995 (SI 1995/2518) if they are not registered for VAT in the UK, provided they satisfy the legislative conditions”*
- 4 Input tax cannot be recovered by a business who is not the owner at time of importation.
- 5 The above was confirmed during the Piramal Healthcare UK Ltd case in 2023.
- 6 HMRC are auditing this issue. VAT assessments are being raised.

Action required

- 1 Check if company is declared as importer.
- 2 Calculate VAT Return adjustment and submit to HMRC.
- 3 Notify supplier of requirement to register for UK VAT.



9 June 2025

The section 'When you must account for import VAT on your VAT Return' has been removed, as this procedure is no longer mandatory. Information about using another person or business to import goods for you has been updated, as they must now have written permission to use postponed VAT accounting.

Postponed Import VAT

Issue

Guidance updated on 9 June 2025.

Written instruction must be provided to the customs agent.

HMRC are reviewing evidence and disallowing PVA where evidence not retained by importer or customs agent.

Results in Customs Assessment for import VAT (up to 3 years).

Significant cashflow impact.

Action

Review records to confirm written instruction is held for all agents.

If instruction not in place, send new instruction.

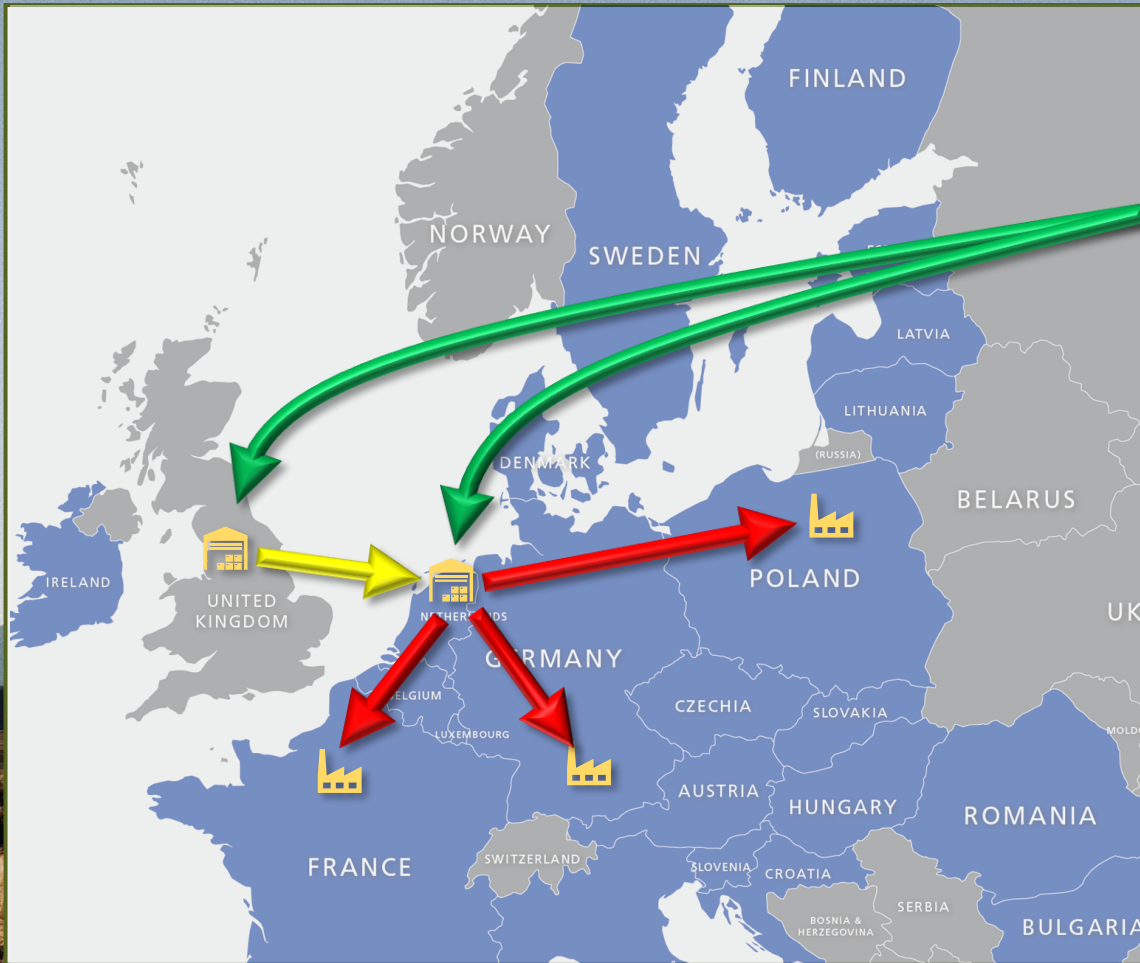
Post Brexit trading

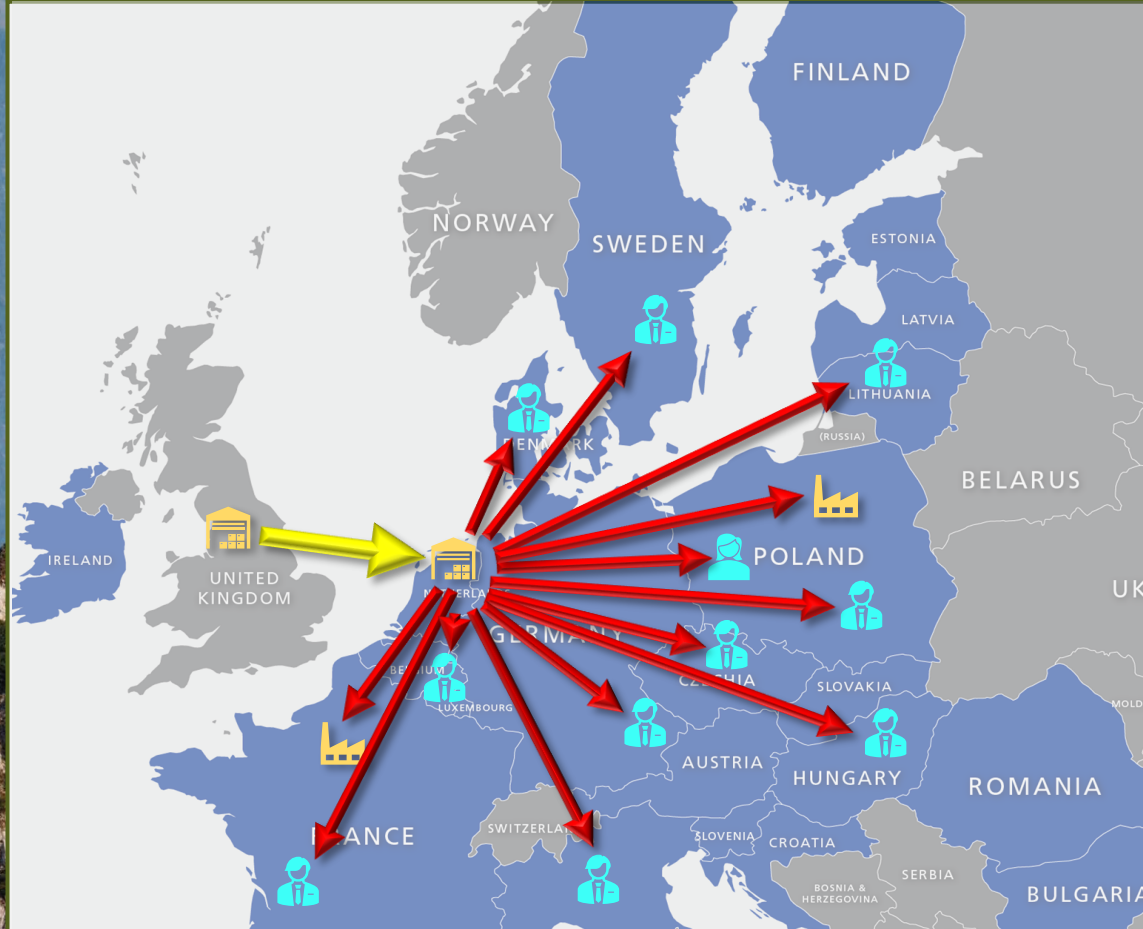
Scenario

- 1 UK company holding own stock in EU.
- 2 Pre-Brexit – only Intra-community sales.
- 3 Post-Brexit – exports from UK and imports into EU. Risk of double duty. Extra indirect tax compliance costs.

Options

- EU Hub Use a 3PL warehouse in one EU MS to store stock. Imports into one country – reduce customs compliance VAT simplified via EC Sales process (B2B) or OSS
- (B2C) Direct import into Hub minimises extra costs/risk
EU Entity not required.
- EU Entity Use of own warehouse or 3PL.
Hold stock in one EU MS to reduce VAT compliance.





Post Brexit trading

Scenario

- 1 UK company selling B2B under DDP Incoterm into EU.
- 2 Pre-Brexit – only Intra-community sales.
- 3 Post-Brexit – exports from UK and imports into EU.
Risk of double duty. Extra indirect tax compliance costs.

Options

Import into one EU MS

Arrange supply chain via one EU MS for customs clearance.

Limits the number of VAT registrations.

OSS required for B2C sales.

Limited Fiscal Representative...

Limited Fiscal Representation (LFR)

What is LFR?

Importers can bring goods into one EU member state and sell into another EU member state without paying VAT (Value Added Tax) at the time of import.

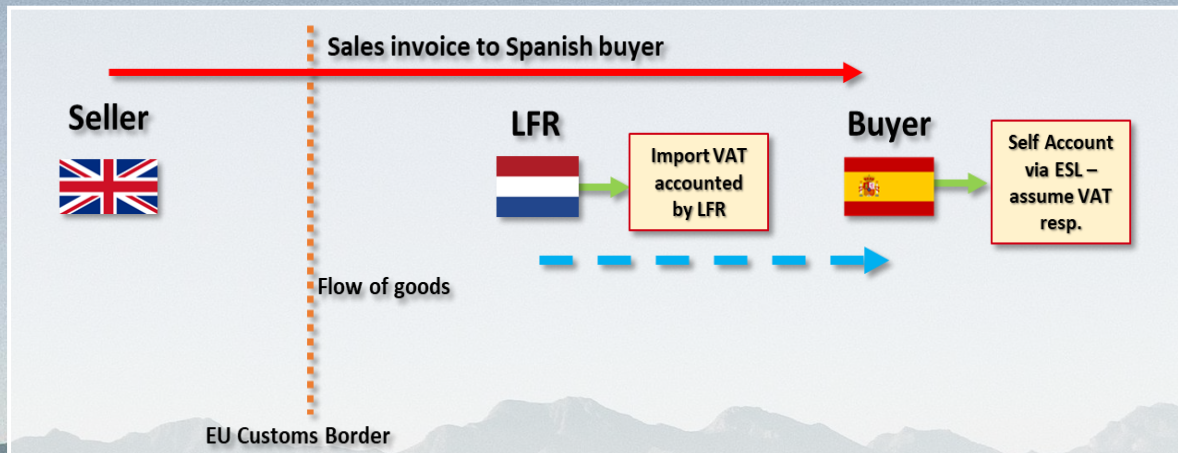
The LFR assumes responsibility for the import VAT and completion of the EU VAT returns.

The LFR and the EU buyer will both report the transaction to their respective tax authorities

Only applicable for B2B transactions.

Benefits

- 1 Avoids need for an EU VAT registration
- 2 LFR takes on responsibilities for Customs and VAT compliance
- 3 Aides cashflow





Windsor Framework

What has changed (since March 2025)

Simplified declaration process, known as the Internal Market Movement Information (IMMI), introduced as of 01/05/2025. It provides a:

- Simplified dataset
- Trader Goods Profile
- Entry in Declarant's records (EIDR) authorisation for UKIMS holders

01/05/25 - New data requirements for all parcels from GB to NI

- B2B – Declaration via CDS and possible payment of customs duties (at risk goods)
- B2C parcels – no customs declarations and no customs duty.

UKIMS obligatory for the 'importer' to waive EU customs duties under 'not at risk' declaration.

Issues

TGP not an efficient process. Still requires significant data to facilitate simplifications.

Must ensure satisfactory documentary evidence is retained – requires full understanding within business of requirements.

EU Updates – ViDA refresher

March 2025 adoption by EU for VAT in the Digital Age (“ViDA”).

The ViDA proposal is comprised of 3 pillars:



E-invoicing

2025 – Member states can introduce e-invoicing without needing approval

2026 – Belgium and France

2027 – Germany

July 2030 – e-invoices required for cross border B2B and B2G supplies. Invoice issued within 10 days. EN16931 standard.

Jan 2035 – harmonisation of domestic e-invoicing in all member states with direct reporting to tax authorities.

- Business wide project involving IT and procurement.
- Non-established businesses not immediately affected. Check status!

Platform Economy

Jan 2030 – Travel and accommodation sharing platforms become deemed supplier for VAT

Single VAT registration

Jan 2028 – One Stop Shop extended to include movement of own goods prior to B2C sale

E-Invoicing Consultation

Consultation launched on 13 Feb and due to last 12 weeks.

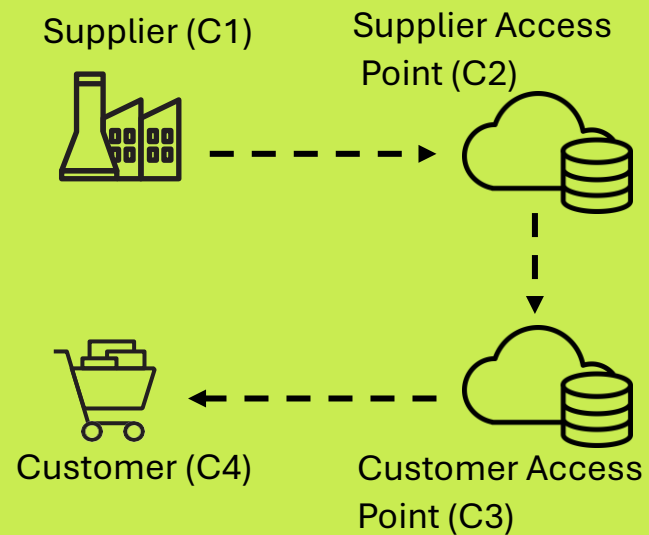
Proposal due November 2025.

Expect similar 2030 deadline for mandatory introduction.

Approximately 130 countries have adopted e-invoicing to combat VAT fraud and enhance revenue collection.

E-invoicing involves creating and processing invoices in a structured digital format allowing automatic reading by recipient systems. The consultation supports a decentralised 4-corner model.

A potential 5th Corner, HMRC, could be introduced later to facilitate real-time data sharing and pre-populated VAT returns.





Current UK developments

Prudential Case

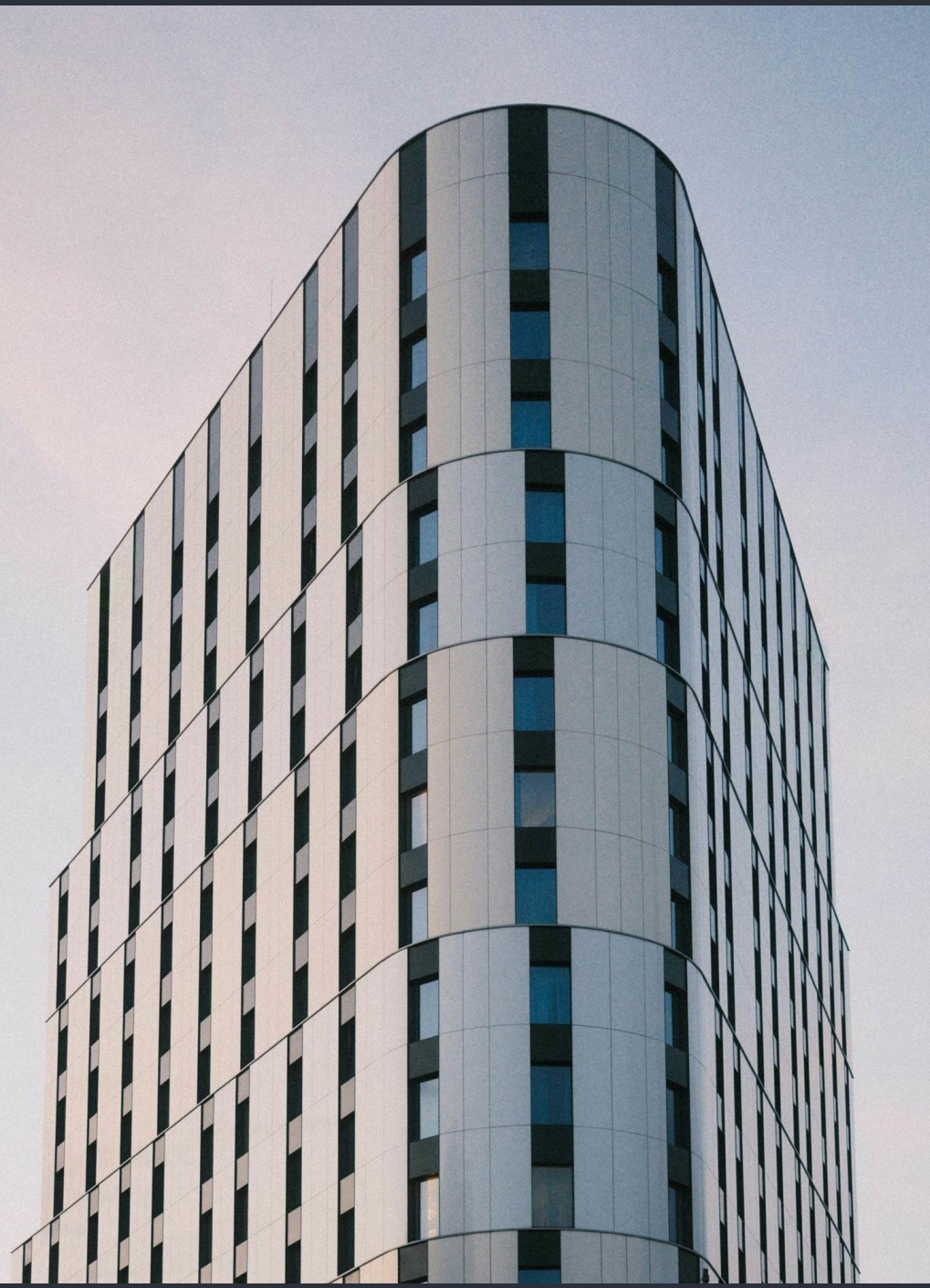
A recent decision at the UK Supreme Court has highlighted the importance of determining at the outset of a contractual relationship between members of the same VAT group, which party is liable to pay any VAT due.

Without appropriate protection, exempt or partially exempt recipients of services may be liable to pay VAT, which cannot be recovered if the payment occurs after members cease to form part of the same VAT group.

Contingent and milestone payments should be of particular focus. VAT group membership changes occur regularly and understanding who will be liable for any VAT due once membership has ceased should be on the radar of all VAT group members

Pension Fund Costs

HMRC Business brief confirmed Employers of Defined Benefit Schemes can recover VAT on the investment % of fees incurred. Previously 70% was allocated to investment activities.



Current UK developments

Error Corrections and change of emphasis.

Previously

- 1 Adjust on return for net errors less than £10k or £50k in some circumstances. No interest, no penalties.
- 2 Otherwise submit ECN, no penalties.

Now and revised emphasis

- 1 Can still correct on return but where a careless error is made HMRC must be told.
- 2 The problem with this revised guidance is that the taxpayer is having to self assess if they were careless. If they notify HMRC, they are practically inviting a penalty, and if they don't they risk it being treated as prompted where the penalty range is 15–30% .
- 3 What is careless?
- 4 Expectation? HMRC officers will scrutinise “corrections” made on returns and want to know why they were not disclosed and not careless.
- 5 The only safe route may be to not correct anything on the return and make written disclosure on all issues with a robust defence on why we believe reasonable care had been taken.



The Budget

- 1 VAT receipts 24/25 £171bn.
- 2 Environmental taxes £2.9bn
- 3 APD £4.1bn
- 4 2.5% increase in VAT may raise £21bn p.a.
- 5 VAT rates within EU

Ireland	23%
France	20%
Germany	19%
Netherlands	21%
Belgium	21%
Italy	22%

VAT fun fact of the week



HAT TAX (1784 – 1811)

In an effort to tax luxury, Britain introduced a levy on men's hats -believing that wealthy individuals owned multiple expensive hats, while the poor had only one cheap hat, if any. The more hats you had, the more tax you paid - making fashion a taxable indulgence.



PERFUME & POWDER TAX (from 1786)

Women weren't spared either. Just two years later, a tax was imposed on hair powder, perfumes, and cosmetics - turning beauty routines into taxable affairs. Elegance came at a price!

Employment Tax



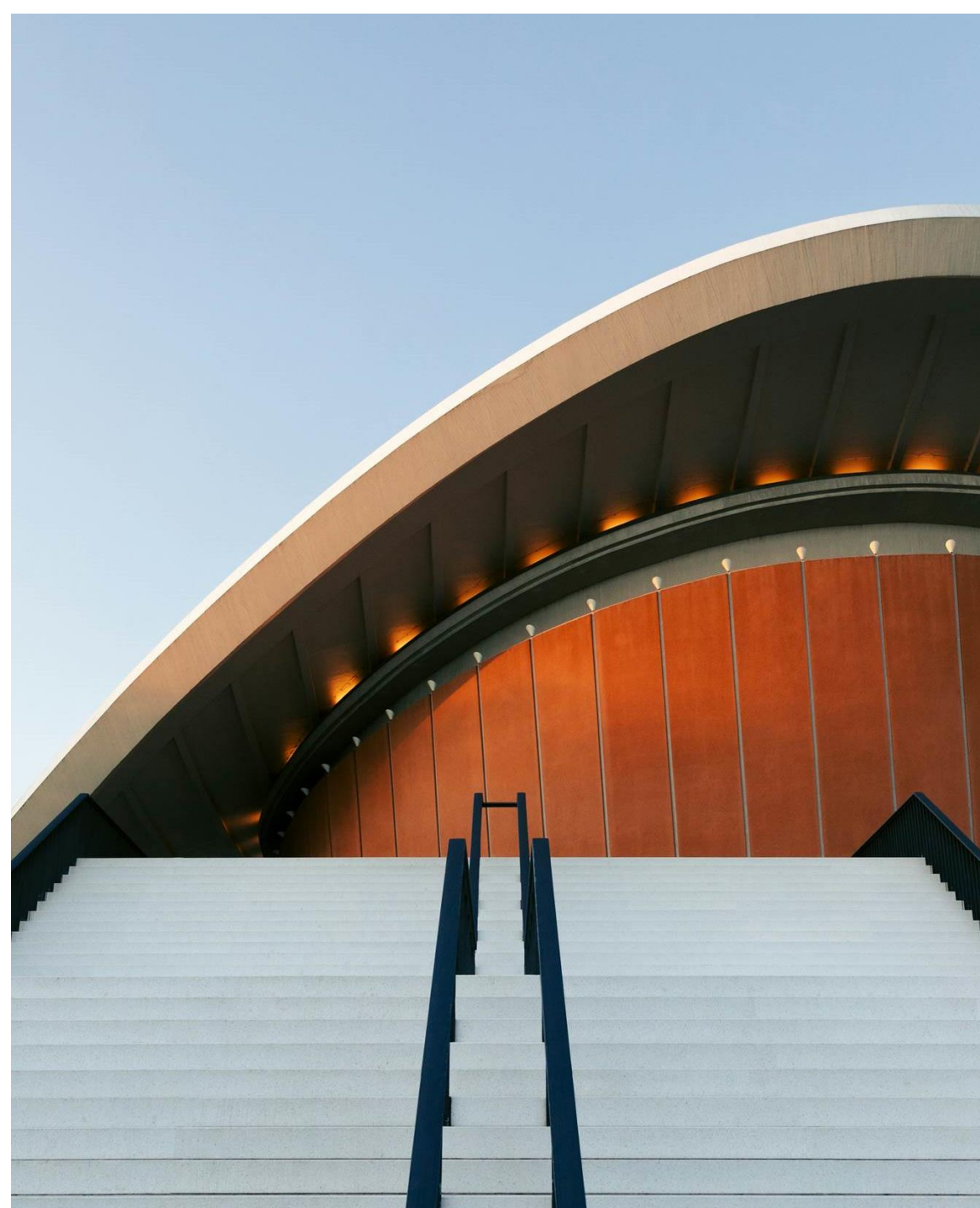
Richard Maitland

Employment Tax
Partner

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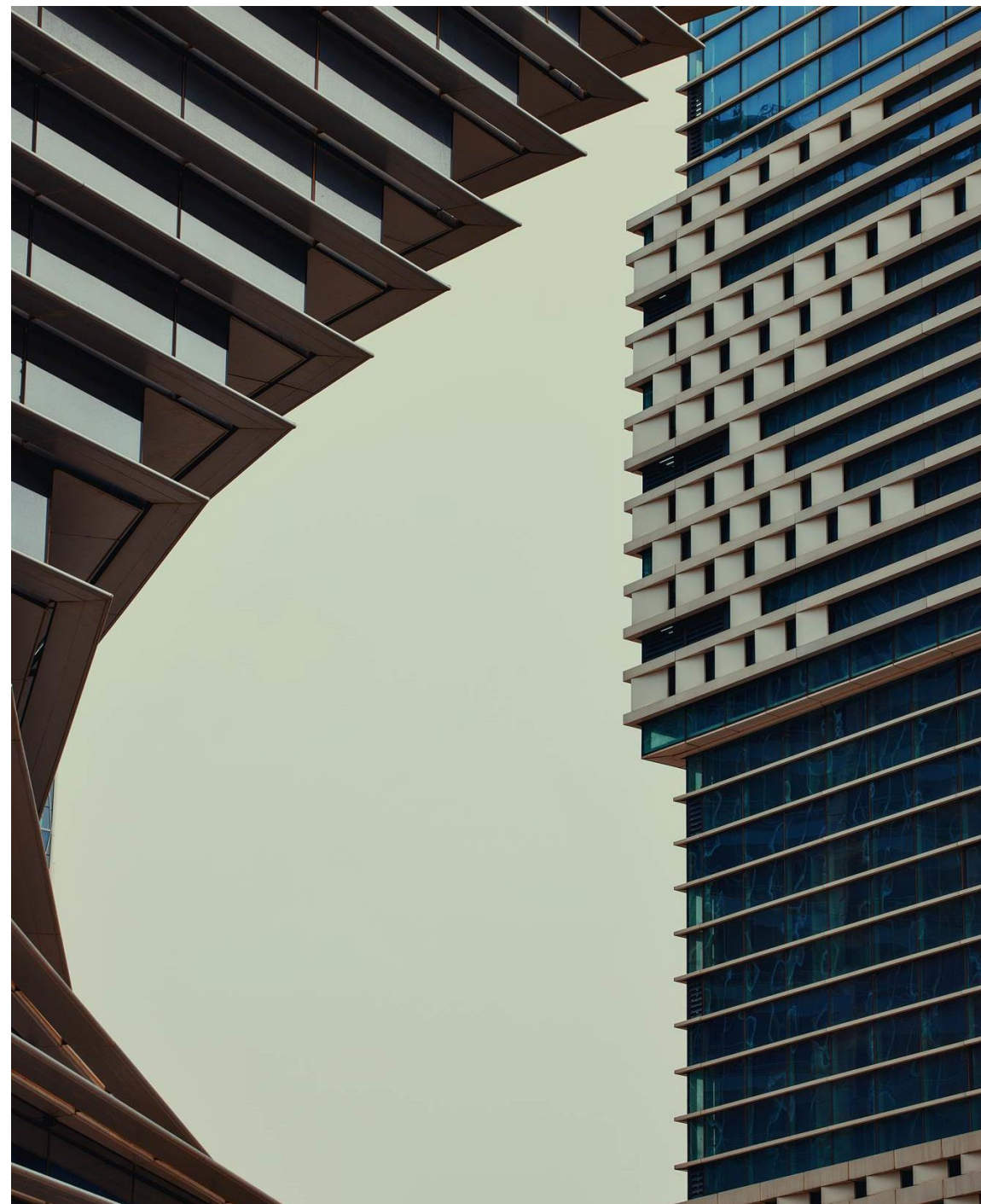
Employment tax compliance - ongoing and future challenges

- PAYE Settlement Agreement (PSA)
- Mandatory payrolling of benefits – now April 2027
- 'Tackling non-compliance in the umbrella company market' - April 2026
- Company cars
 - 'Advisory electric rate'
 - ECOS changes



Employment tax compliance – key areas of HMRC focus

- Coronavirus Job Retention Scheme (CJRS) / 'furlough scheme'
- Off-payroll working
 - 'IR35' - intermediaries
 - Agency workers
 - Self-employed 'sole traders'
- Construction Industry Scheme (CIS)
- National Living Wage / National Minimum Wage



Global Mobility



James Smith
Head of Global Mobility

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Key Trends in Global Mobility

- No significant return to traditional international assignments
- Continued recovery in business travel with longer and more regular trips
- Growth in global commuters, hybrid and remote working structures
- Continuation of alternative 'employment' structures (Employers of Record, consultancy models)
- Rise in corporate consciousness and regulatory compliance



Current Risk Landscape

Hidden mobility - tracking traditional long-term assignments was easy compared to understanding where business travellers, hybrid and remote workers are.

Immigration – protectionist immigration strategies.

Geopolitical stability - conflicts, trade policies, and changes in governments create uncertainty

Data – authorities and businesses have more data than ever



Global Remote Working and International Hires

- Disguised employment (think IR35 in the UK)
- Local employment contract vs UK employment contract
- Risk in the creation of a permanent establishment
- Local payroll setup – income tax and social security requirements



Common Pitfalls and Misconceptions

Treaty provisions

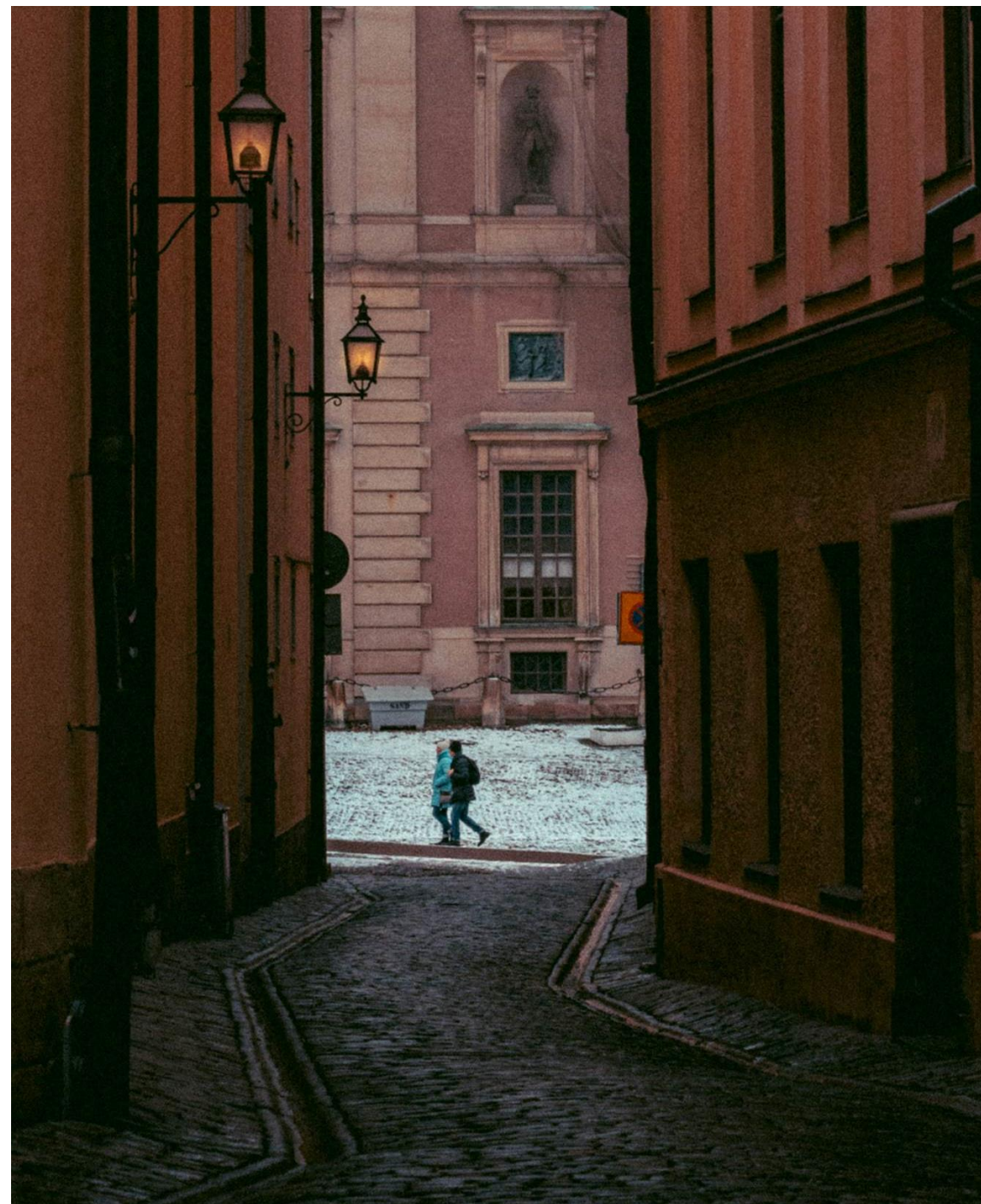
"My employees never go to a location for more than 183 days – its fine"

Local entity requirements

"We have no entity in that location, we don't have to do anything"

Employee vs employer obligation

"My employee can manage their own tax – there is nothing for us to do"



An aerial photograph of a rugged coastline. The water is a deep turquoise color, with dark, jagged rocks visible beneath the surface. The shoreline is composed of large, dark, and light-colored rocks, some of which are partially submerged. The overall scene is a mix of natural textures and colors, from the deep blue of the water to the dark, almost black, rocks.

Break

We will resume shortly

Audit, Accounts & Financial Reporting Standards



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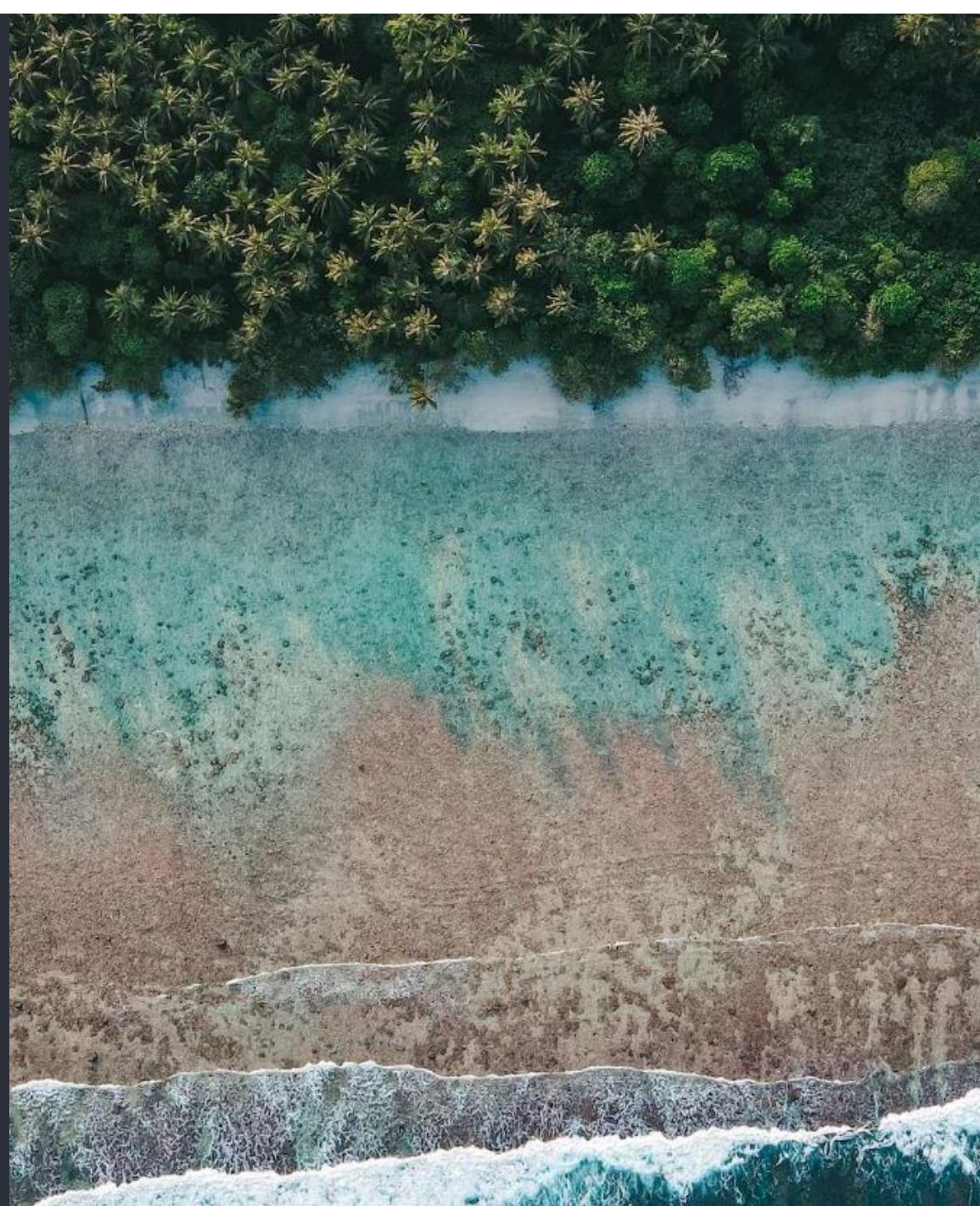


Bronwen de Abreu
Audit Data &
Analytics Director

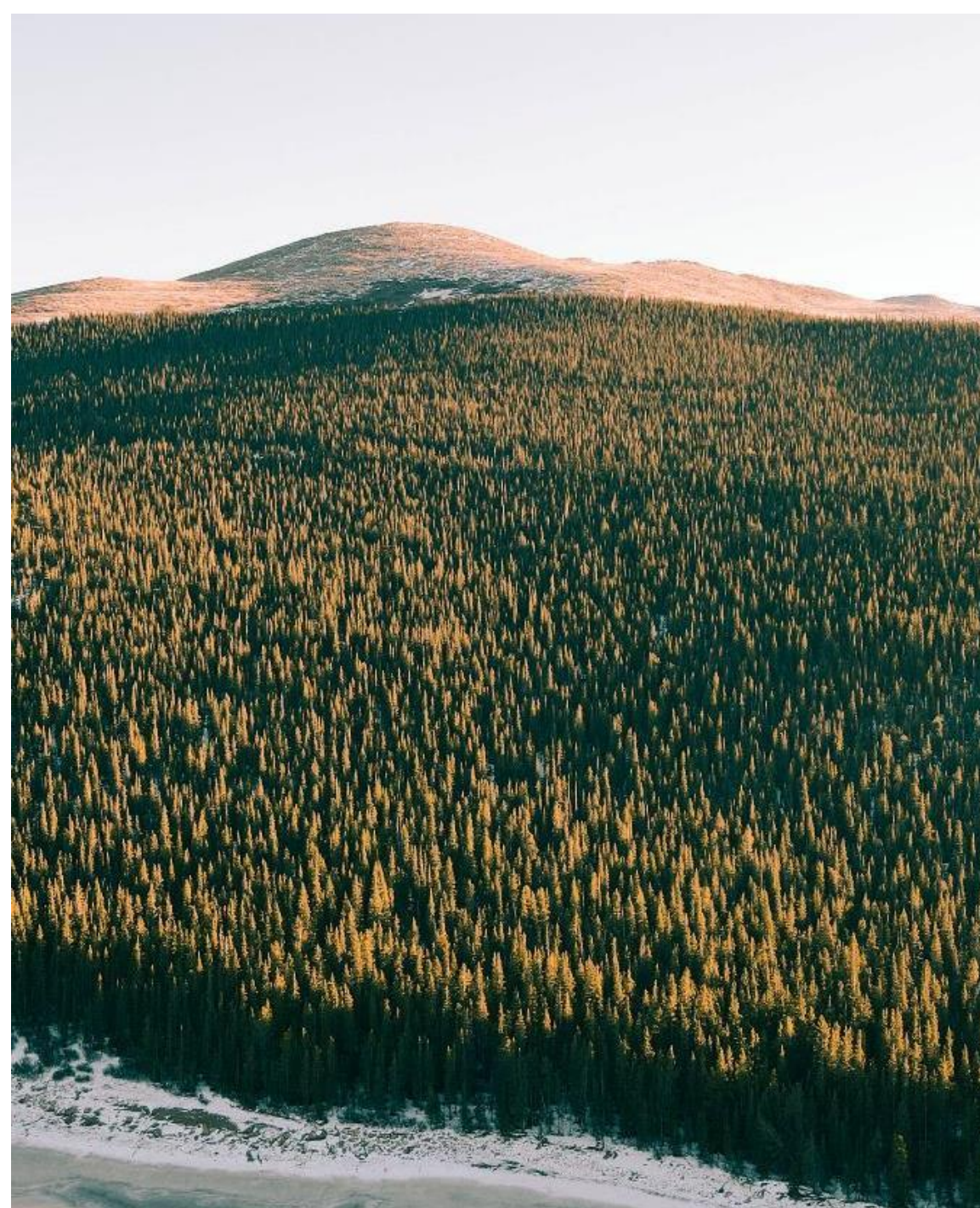
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What we're talking about today

1. Financial Reporting & Company Law updates
2. Implementing AI in FR and audit reporting
3. Preparing for your audit in the digital era
4. Why expert oversight remains essential
5. Q&A



Financial Reporting & Company Law updates



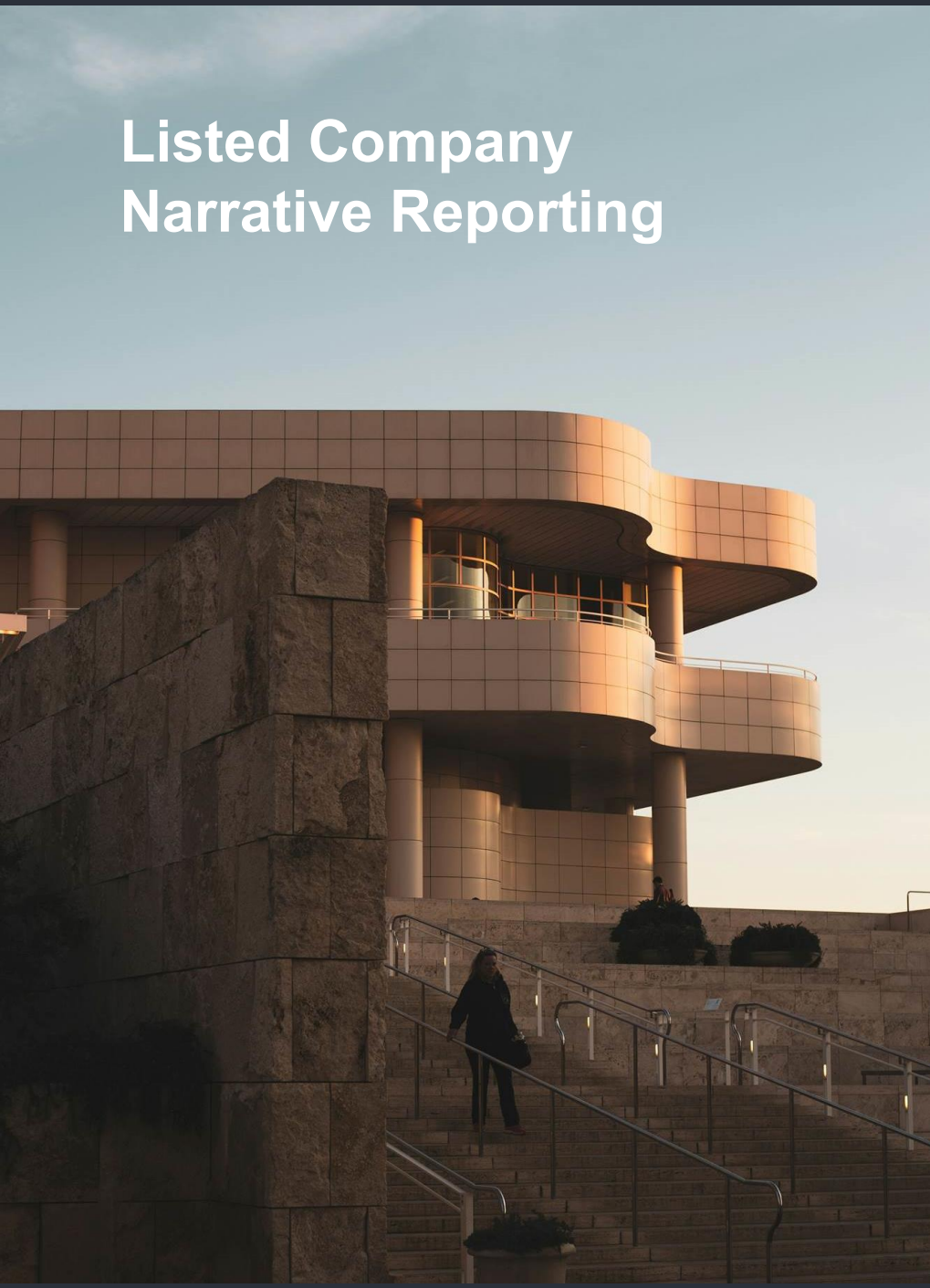


Listed Company Narrative Reporting

Revised QCA Corporate Governance Code

Quoted Companies Alliance (QCA) Code - There is a new 2023 QCA code applying for periods commencing on or after 1 April 2024, with a transition period of 12 months, and will be particularly relevant for AIM companies as, according to the QCA, over 90% of them use it. Some of the main updates relate to:

- **Stakeholders** (including environmental and social issues and climate change): the QCA has acknowledged the demands of investors and stakeholders in respect of environmental and social matters throughout their amends to the 2023 Code.
- **Succession planning**: the amendments to Principle 8 require companies to consider contingency planning for key staff absences.
- **Workforce**: updates to Principle 4 require companies to take into account wider stakeholder interests, including its workforce.
- **Board representation**: the 2023 Code includes a lot more detail on board effectiveness, although this mostly reflects information that was in the guidance section of the 2018 Code (updates to Principles 6).
- **Remuneration**: a new Principle 9 has been included in the new Code which largely mirrors the previous QCA's remuneration committee guidance.



Listed Company Narrative Reporting

Revised UK Corporate Governance Code

In January 2024, The 2018 Corporate Governance Code (the Code) was updated following a limited consultation which concentrated on a limited number of changes. However, in relation to risk and internal control, the Code now includes an annual declaration by the board on the effectiveness of material controls as at the balance sheet date (in Provision 29).

The revised Code will apply for periods beginning on or **after 1 January 2025**, with the exception of the most high-profile change, the board declaration on the effectiveness of internal control, which becomes effective for periods beginning on **or after 1 January 2026**.

Other updates to the Code include:

- The addition of a new principle (Principle C) requiring governance reporting to focus on outcomes
- Changes to wording of the responsibilities and reporting requirements for audit committees which cross refers to the Audit Committees and the External Audit: Minimum Standard (Provisions 25 and 26).



International Financial Reporting Standards

Summary of Recent IFRS Standards and Changes

Periods on or after 1 January 2024

- Amendments to IFRS 16 – Lease liability in a sale and leaseback transaction
- Amendments to IAS 1 – Classification of Liabilities as current or non-current
- Amendments to IAS 1 – Non-current liabilities with covenants
- Amendments to IAS 7 and IFRS 7 – Supplier finance arrangements

Periods on or after 1 January 2025

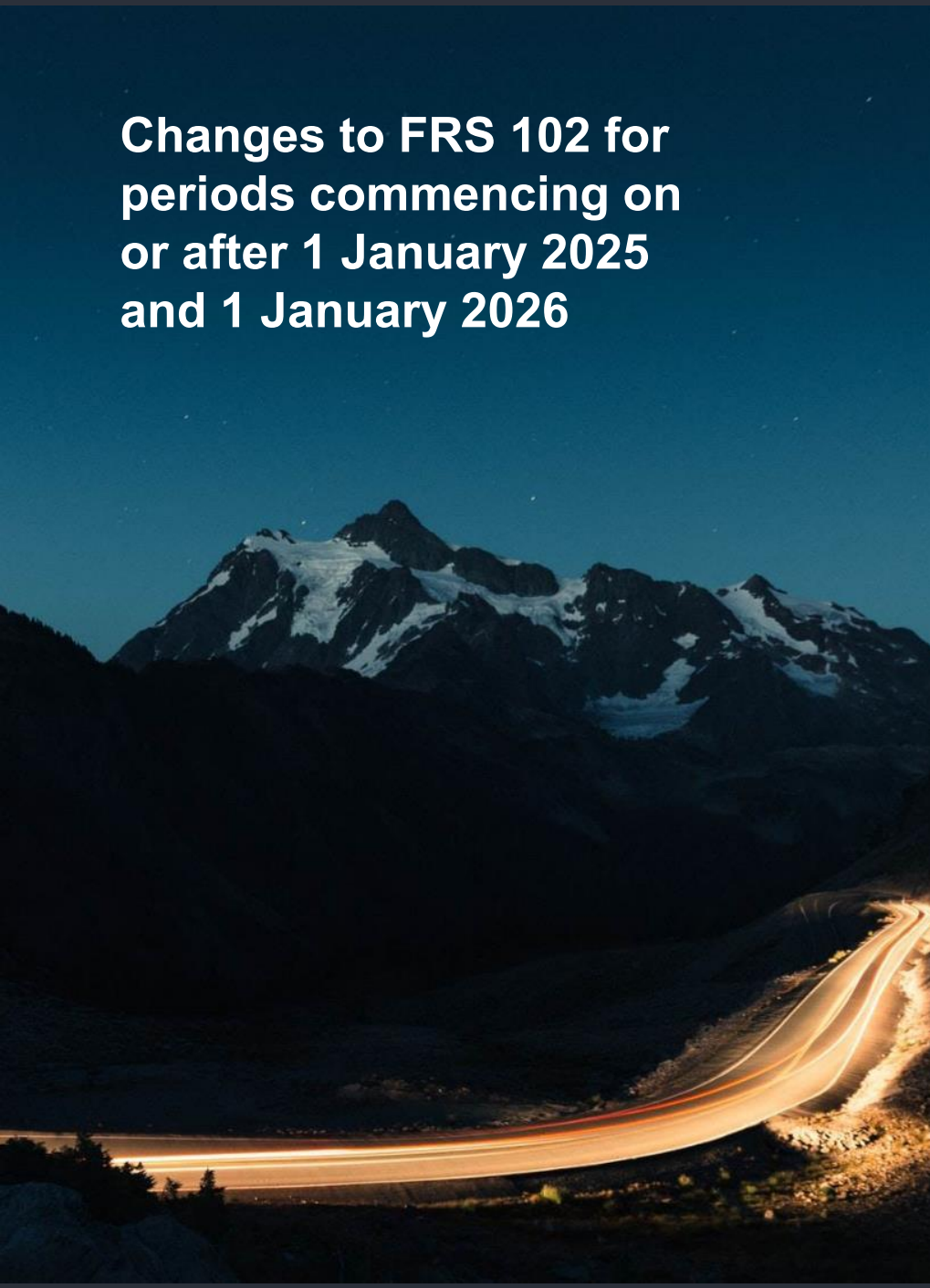
- Amendments to IAS 21 – Lack of Exchangeability

Periods on or after 1 January 2026

- Amendments to classification and measurement requirements for financial instruments (Amendments to IFRS 9 and IFRS 7)
- Contracts referencing Nature dependent Electricity (Amendments to IFRS 9 and IFRS 7)

Periods on or after 1 January 2027

- Presentation and Disclosure in Financial Statements (IFRS 18)
- Subsidiaries without Public Accountability: Disclosures (IFRS 19)



Changes to FRS 102 for periods commencing on or after 1 January 2025 and 1 January 2026

Forthcoming Changes to FRS 102

On 27 March 2024, the FRC issued amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other FRSS – Periodic Review 2024. The effective date for most amendments is periods beginning on or after 1 January 2026*, with early adoption permitted.

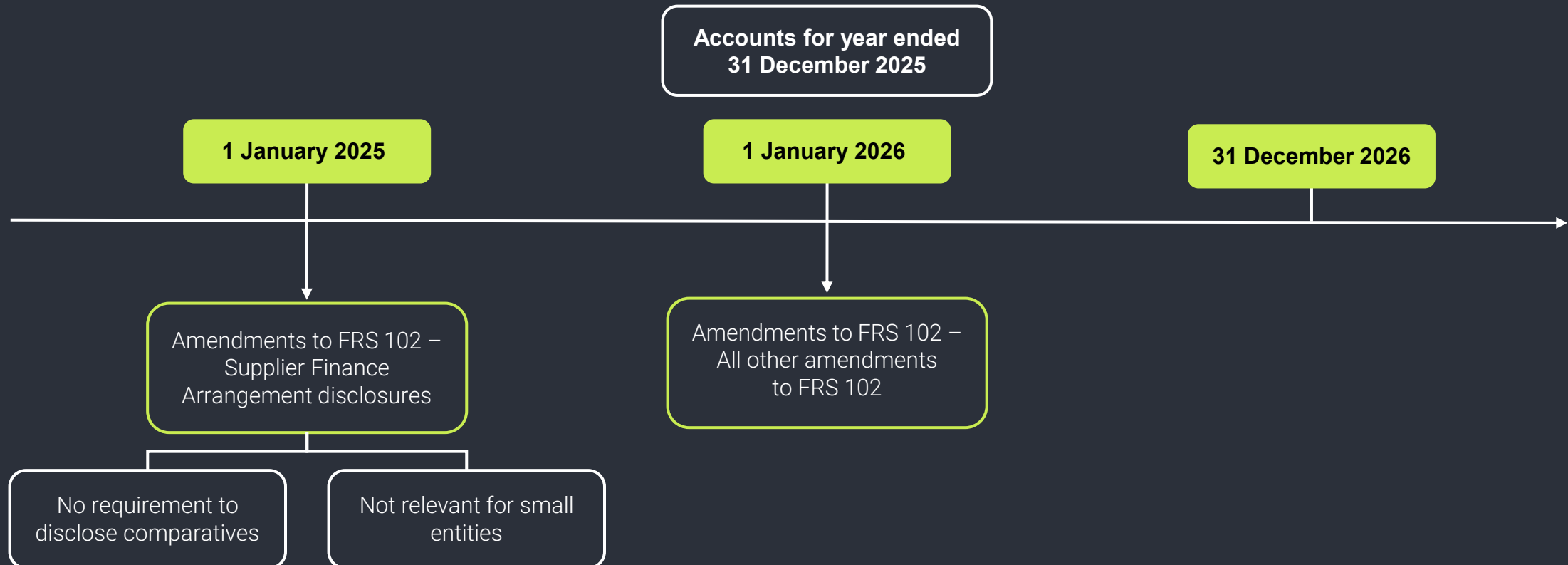
These amendments seek to provide greater consistency and alignment to international accounting standards including:

- A new model for revenue recognition, aligned to IFRS 15: Revenue from Contracts with Customers, but with some simplifications;
- On balance sheet lease accounting for lessees, aligned to IFRS 16: Leases, but with certain practical exemptions; and
- Other modifications to fair value measurement, uncertain tax positions, business combinations, and a revised Section 2 aligned with IASB's Conceptual Framework.

Don't forget amendments relating to supplier finance arrangements will be effective from 1 January 2025.

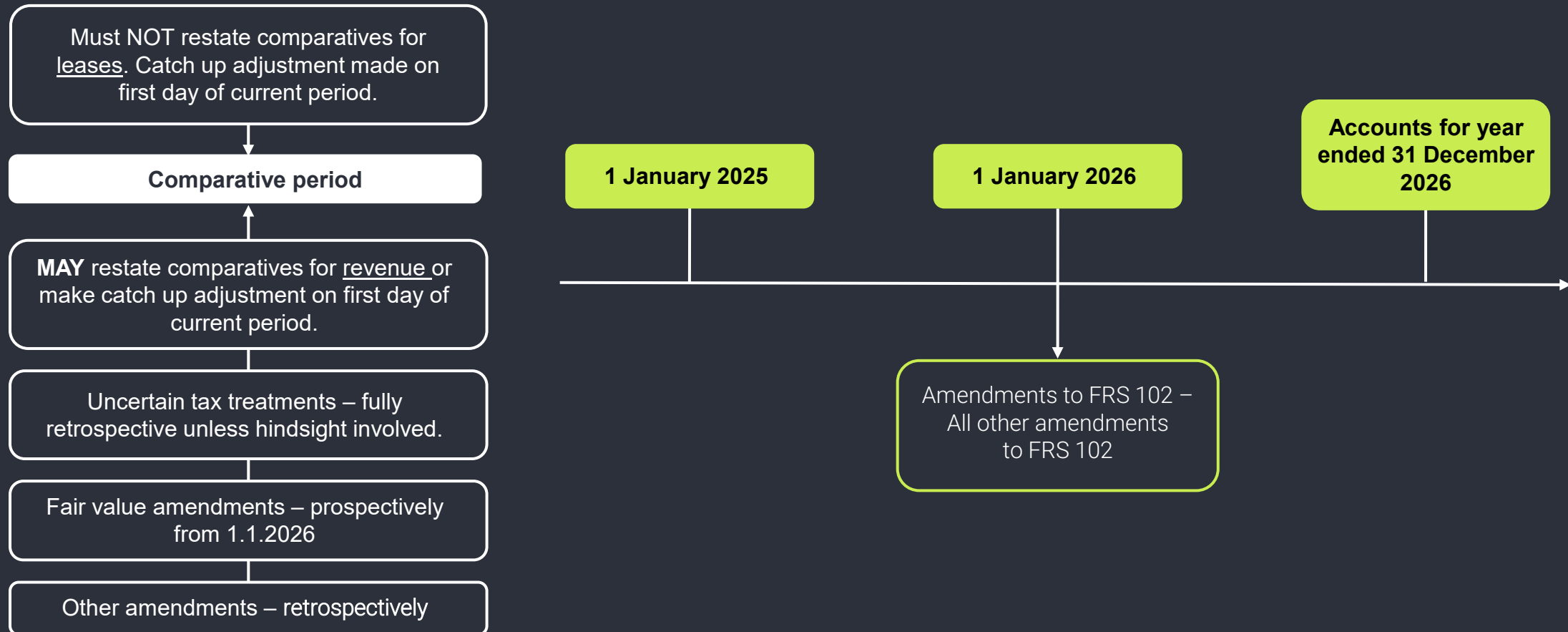
Changes to FRS 102 for periods commencing on or after 1 January 2025

Timeline for transitioning to amendments to FRS 102 (2025)



Changes to FRS 102 for periods commencing on or after 1 January 2026

Timeline for transitioning to amendments to FRS 102 (2026)



Companies Act 2006 high level changes

Reducing reporting burden

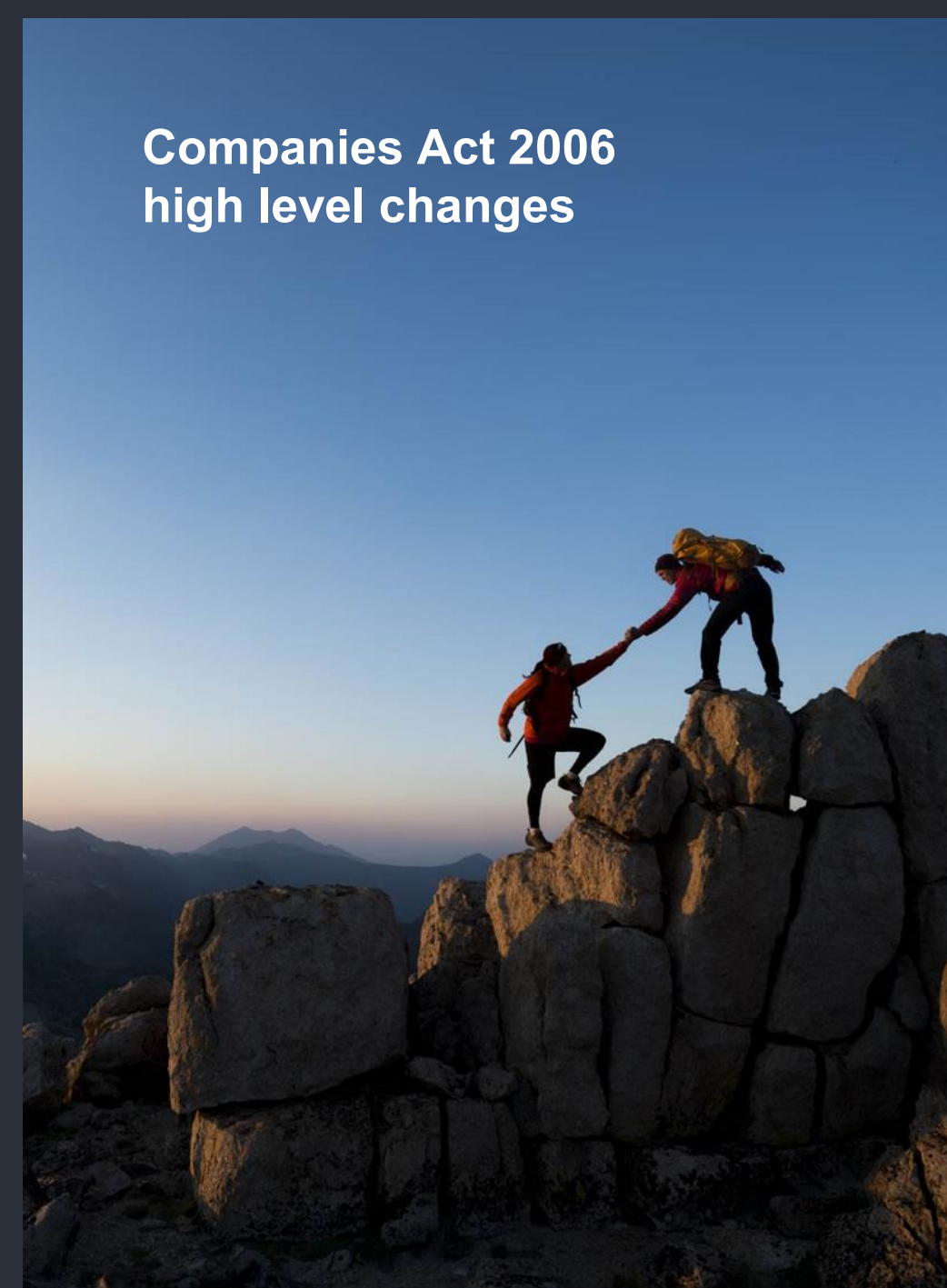
Periods on or after 6 April 2025

- Increases in size limits for companies and LLPs
- Simplifications to Directors' Report disclosures

Accounts filings from 1 April 2027

- Accounts must be filed using commercial software
- Micro-entities must file profit and loss account (as well as balance sheet)**
- Small companies must file Directors' Report and profit and loss account (as well as balance sheet)**

****NOTE:** It is unclear whether government will proceed with requiring small and micro-sized entities to file additional information. Government website says so but it is understood that there is continued debate, deliberation and challenge over this change.



The use of AI in financial reporting



Chat GPT example – Revenue recognition questions

Question

My company reports under FRS 102 and sells goods. What accounting policy should it disclose in its accounts?

Response

If your company sells goods and reports under **FRS 102**, it must disclose an accounting policy for **revenue recognition** that aligns with **Section 23 “Revenue”** of the FRS 102 standard.

 Required Accounting Policy Disclosure for Sales of Goods under FRS 102:

Your company should include a revenue recognition accounting policy that covers:

 Example Accounting Policy (Sales of Goods):

Revenue Recognition

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The **significant risks and rewards of ownership** have been transferred to the buyer;
- The company retains **neither continuing managerial involvement** to the degree usually associated with ownership, nor effective control over the goods sold;
- The amount of revenue can be **measured reliably**;
- It is **probable that the economic benefits** associated with the transaction will flow to the company; and
- The **costs incurred or to be incurred** in respect of the transaction can be measured reliably.

Revenue is measured at the **fair value of the consideration received or receivable**, net of discounts, rebates, and value added tax.

 Additional Notes:

- If your company offers **returns, rebates, volume discounts, or extended payment terms**, your policy should also mention how these are accounted for (e.g. adjustments to revenue or provision for returns).
- If **delivery terms** are important (e.g. FOB shipping point vs destination), this can also affect the timing of revenue recognition and should be mentioned if material.
- If your business sells **both goods and services**, you may need a separate policy for service income (FRS 102 Section 23 distinguishes the two).

Would you like help drafting a version tailored to your specific industry (e.g. retail, manufacturing, wholesale)?

1. Manufacturing
2. Shipped. Returns given no rebates.
3. Warranties

Perfect — thanks for the details. Here’s a tailored **FRS 102-compliant accounting policy** for a **manufacturing company** that:

- Sells goods (shipped to customers)
- Allows returns (but not rebates)
- Offers warranties

Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods supplied to external customers, excluding value added tax and net of returns.

Revenue from the sale of manufactured goods is recognised when all of the following conditions are met:

- The **significant risks and rewards of ownership** have been transferred to the buyer, which is typically upon **shipment** of the goods;
- The company retains **neither continuing managerial involvement nor effective control** over the goods;
- The amount of revenue can be **measured reliably**;
- It is **probable that economic benefits** will flow to the company; and
- The **costs incurred or to be incurred** in respect of the transaction can be measured reliably.

Where goods are subject to a **right of return**, revenue is recognised to the extent that it is probable that a significant reversal will not occur, and a **provision for expected returns** is recognised where appropriate.

Revenue is stated **net of any returns**. No rebates or volume discounts are offered.

The company offers **warranties** on certain products. Where the warranty provides a standard assurance that the product will function as intended, a **provision is recognised** for the expected costs of fulfilling these obligations. If the warranty includes an additional service component, a portion of the transaction price is allocated to that component and recognised **over the warranty period**.

 Optional Additions (depending on your situation):

If you ever offer **extended payment terms, installation services, or customer-specific customisations**, those would require tweaks to the policy (e.g. assessing whether separate performance obligations exist).

Let me know if you’d like a version of this in **Word format** or as part of a full set of accounting policies.

Chat GPT example – Revenue recognition questions

Comments

- Chat GPT did not ask what the accounting period was given that there are major changes to FRS 102 for periods on or after 1 January 2026 which would affect the construction and wording of the accounting policy
- Generally, the format offered is adequate and well written and might be considered human
- While Chat GPT asked more detailed questions on the type of entity, this did not change the output
- Regarding returns the accounting policy feels more like a retail accounting policy
- The use of the terminology “probable that there won’t be a reversal” is unusual wording for FRS 102 in its current form and feels like IFRS 15 of US GAAP
- Further questions about installation and customer-specific customisations had the feeling that Chat GPT was erring towards a software company.

Chat GPT example – Revenue recognition questions

Question

My company reports under FRS 102 what revenue disclosure information should be included in the accounts?

Response

Under FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland), the required disclosures around **revenue** depend on whether your company applies **Section 23 (Revenue)** in full, and whether it is qualifying as a **Small entity** under Section 1A.

... It's a breakdown:

📌 If preparing full FRS 102 accounts (not Section 1A small entities):

FRS 102 **Section 23.30** requires the following disclosures:

1. **Accounting policies for revenue recognition**
 - State the accounting policies adopted for the recognition of revenue, including the methods used to determine the stage of completion of transactions involving the rendering of services.
2. **Revenue by category**
 - Disclose the amount of revenue recognised in the period, **analysed by category of activity** (e.g., sale of goods, rendering of services, interest, royalties, dividends).

📌 If applying FRS 102 Section 1A (small entities):

- Disclosure requirements are reduced.
- Small entities must still provide disclosures necessary for the accounts to give a **true and fair view**.
- Typically, this means at least:
 - **Accounting policies on revenue recognition** (how and when revenue is recognised).
 - **Analysis of turnover by class of business and geographical market**, to the extent material (per Companies Act 2006, Schedule 1, paragraph 68).
 - Other revenue disclosures (like breakdowns and service contracts) are **encouraged but not strictly required** under Section 1A.

📌 Companies Act 2006 requirements (UK context):

In addition to FRS 102, the Companies Act requires disclosure of **turnover split**:

- **By class of business**, and
- **By geographical market**,
...where material and if turnover arises from more than one class or market' ↓

📌 Companies Act 2006 requirements (UK context):

In addition to FRS 102, the Companies Act requires disclosure of **turnover split**:

- **By class of business**, and
- **By geographical market**,
...where material and if turnover arises from more than one class or market.

✅ In summary:

- **Always disclose accounting policies for revenue recognition.**
- **Full FRS 102:** Also disclose revenue by category of activity, and relevant service contract information.
- **Small entities (Section 1A):** Minimum is revenue recognition policy + turnover analysis (by class/market if material), but additional disclosures may be needed for a true and fair view.

Do you want me to draft a **sample revenue disclosure note** (one for full FRS 102, and one simplified for Section 1A small entities)?

Chat GPT example – Revenue recognition questions

Comments

- Chat GPT did not ask what the accounting period was given that there are major changes to FRS 102 revenue disclosures for periods on or after 1 January 2026
- Full FRS 102 and Section 1A of FRS 102 was offered at the same time but unsure why Chat GPT didn't offer a more tailored solution based on a question based on the size of the company
- Chat GPT assumed this was a UK company
- Encouraging additional disclosures for small companies requires specific judgement as to whether they are needed to show a true and fair view
- The Companies Act 2006 offering did not seem to differentiate between the requirements of regulations relating to small companies and to medium and large-sized companies
- Chat GPT did not appreciate that Section 1A of FRS 102 sets out the legal requirements plus any other disclosures recommended to show a true and fair view
- Chat GPT did not align the Companies Act 2006 requirements to medium and large companies and did not consider any seriously prejudicial exemptions under law in relation to the analysis of turnover

Implementing AI in financial reporting

1

Start embracing technology

2

Know where it will have an impact

3

Shift your focus from being the doer to challenging, confirming, and documenting



Preparing for your audit in the digital era

1

Update your risk register to include AI

2

Strengthen review controls around any AI-assisted work

3

Empower your team, but hold them accountable for documenting the audit trail

Be prepared to be able to corroborate the output



Why expert oversight remains essential

1

AI results are plausible – but often aren't the truth/full truth

2

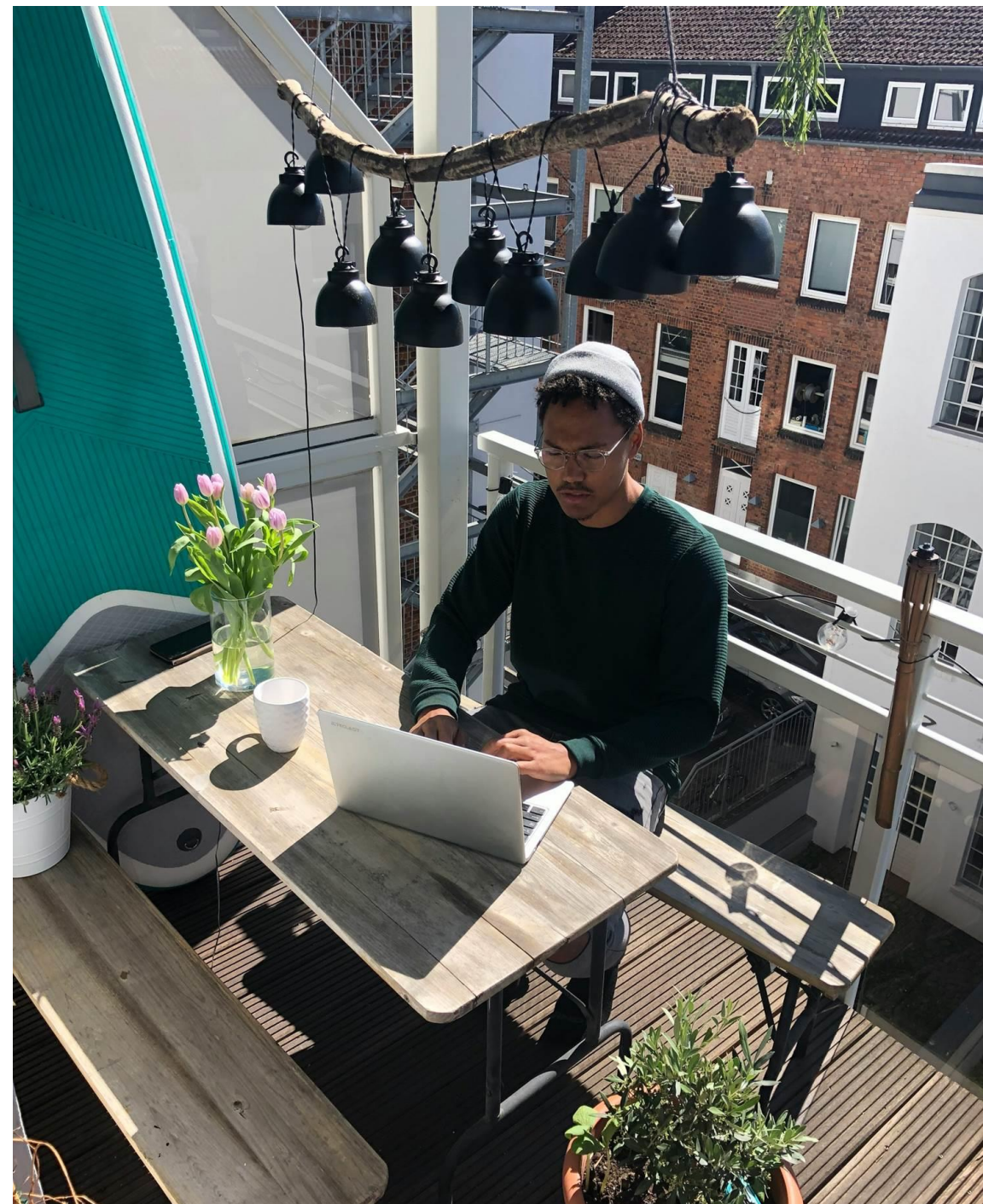
Human expertise matters (human in the loop)

3

Without expert oversight you open your business to risk

- misstatements
- weak disclosures
- over-reliance on a system that doesn't understand your business context

MHA is here to support you



The takeaway

1

Start experimenting with AI in a controlled way

2

Build it into your FR prep and risk register

3

Ensure review controls and documentation are strong

4

Recognise the continuing need for expert oversight

Working with MHA gives you assurance



Questions



Chris Danes
Tax Partner &
Chairperson



Beverley Scott
Corporate Tax
Partner



Jonathan Dowding
Tax
Director



Andrew Thurston
Customs Duty &
Indirect Tax
Consultant



Richard Maitland
Employment Tax
Partner



James Smith
Head of Global Mobility



Neil Parsons
Head of Financial
Reporting Advisory
and Company Law



Bronwen de Abreu
Audit Data &
Analytics Director

Save the date

FD Update Course – February 2026

Date: Thursday 12th February 2026
Time: 8.30am – 12.30pm
CPD: 3 hours

www.mha.co.uk/events