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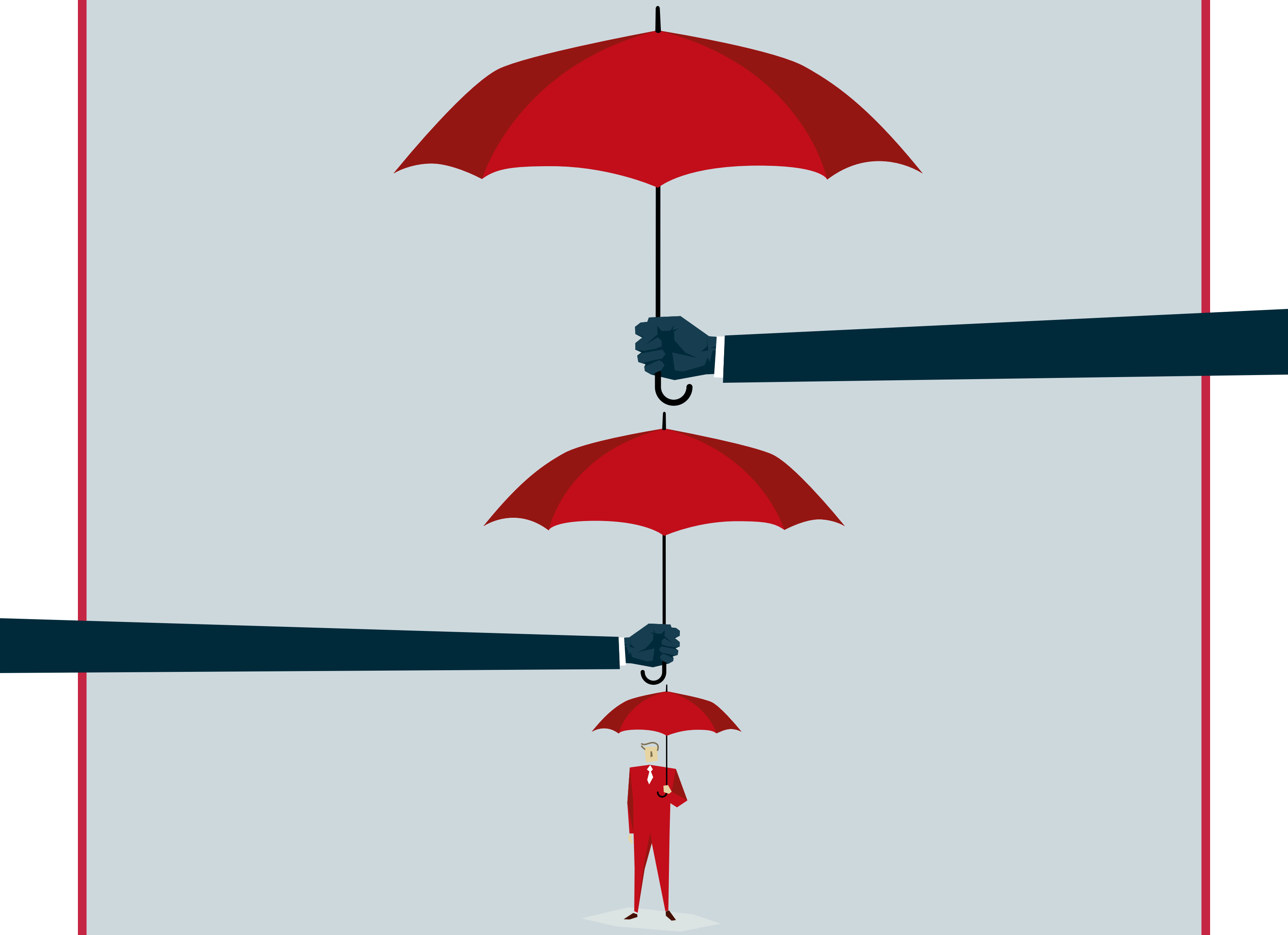

Corporate insolvencies: how to help your clients

AI in the world of financial crime

Prepare for Making Tax Digital for Income Tax and embrace new technology

HMRC's Spring 2025 tax update

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Editorial Information
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How can you help a struggling business?

Angela Partington Editor, IA

No one would be surprised to learn that many businesses are finding life difficult at the moment. In her article 'Coping with corporate insolvencies' (see page 20), Chelsea Williams reveals that 45,416 companies were in critical financial distress in the first quarter of 2025 (over 5,000 more than the same period last year). As she explains, the cost of doing business has surged exponentially in response to a spike in labour costs fuelled by tax rises, consistently high inflation, rising energy bills and a downturn in consumer spending.

Her advice is to ensure that the company's financial foundations are robust and that the overheads must remain proportionate to the business. If company liabilities outweigh company assets on the balance sheet, this is a sign of gradually deteriorating financial health. The company director must work in conjunction with their accountant or financial adviser to track the health of their business.

If necessary, referring the director to a licensed insolvency practitioner can provide access to corporate insolvency and restructuring support. Rescue options may be available, including company restructuring, a company voluntary arrangement, company administration or business finance.

One of the most pressing concerns when businesses are in financial trouble, though, is that company directors may not realise that there is a problem until it is too late. In his article on page 18, Marco Piacquadio considers how to identify the early warning signs of financial distress, and how you can help your clients to respond constructively.

You can identify the pressure points and changes that can provide much needed assistance. However, you need a strong and ongoing working relationship with your client to build up the necessary levels of trust to tackle any concerns while they are still manageable.

There are some more reassuring things to bear in mind, though. Henry Wyard explores how artificial intelligence can help accountants to become aware of financial crime, and the role that AI can play in tackling it (see page 22). AI tools are already being used by many businesses for a diverse set of different processes across financial crime and compliance practices - and a survey has shown that 85% of respondents believe their leadership has at least an intermediate understanding of AI's risks and opportunities for anti-financial crime.

Meanwhile, Kate Hayward quotes from a survey of accountants and bookkeepers, revealing that more than two in five (42%) practices cite adopting new tools or software as one of the most significant changes in their practice in the past year. With significant changes ahead due to Making Tax Digital for Income Tax, this is certainly a trend we all should be enouraging.

Contributors to this issue

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SUSTAINABILITY

Global surge in sustainability assurance

In a landmark joint report, the American Institute of CPAs (AICPA) and the International Federation of Accountants (IFAC) have revealed that nearly three-quarters of the world's largest companies obtained independent assurance on their sustainability disclosures in 2023, underscoring the growing importance of credible environmental, social and governance (ESG) reporting.

The report, which analysed sustainability reporting practices among the top 1,000 global companies, found that 74% of firms engaged third-party assurance providers to validate their ESG data. Over 60% of companies relied on professional audit firms, highlighting the expanding role of accountants in the sustainability space.

'Auditors have extensive education requirements, adhere to strict independence rules and possess a deep and holistic view of an organisation's business, processes and risk profile,' said Susan Coffey, the CEO of public accounting for AICPA and CIMA. 'That makes them ideal candidates to perform sustainability assurance engagements, and we're seeing many boards and audit committees endorsing that view as corporate reporting matures.'

The type of assurance provided varied widely. While limited assurance (a high-level review) remained the most common, the report found a gradual increase in demand for reasonable assurance, which involves a more in-depth audit-like process. This shift suggests that companies are beginning to treat sustainability disclosures with the same seriousness as financial statements.

The AICPA and IFAC emphasised the need for continued investment in education and training to equip accountants with the tools to meet these new challenges. They also called for greater alignment between sustainability and financial reporting frameworks to ensure consistency and comparability.

ANNUAL REPORTS

FRC review on digital reporting

The Financial Reporting Council (FRC) has published its annual review of structured digital reporting, highlighting key areas for improvement in how UK listed companies present their digital annual reports.

The report, 'Structured digital reporting – 2024/25 insights', reveals that while basic errors identified in previous years have been resolved, companies still face challenges with more complex aspects of digital reporting.

Digital Annual Reports, which use the structured iXBRL format, have become a critical component of the UK reporting environment for listed companies since 2021, with hundreds of companies now required to report digitally by the FCA.

The FRC review analysed digital reports from FCA-listed companies across the market using tools developed as part of the CODEx project. The analysis also included detailed assessments of 25 annual reports filed to the FCA's National Storage Mechanism during 2024.

The report provides guidance for companies to address persistent challenges, including inappropriate use of custom tags, misapplication of tags from irrelevant accounting standards, and design issues affecting the usability of digital reports.

'Digital reporting plays an essential role in enabling efficient access to company data, supporting investment decisions and improving market effectiveness,' said Mark Babington, Executive Director of Regulatory Standards at the FRC. 'While we're pleased to see progress in many areas, our review shows there should be greater focus on specific aspects to ensure digital reports provide maximum value to investors and other stakeholders.'

DIGITALISATION

EU adopts VAT in the Digital Age

The VAT in the Digital Age (ViDA) package has been adopted following reconsultation of the European Parliament and will be rolled out progressively until January 2035.

By embracing and promoting digitalisation, this package makes the EU's VAT system more business-friendly and more resilient to fraud. The new rules also mark the first step to address the challenges raised by the development of the platform economy and helps level the playing field between online and traditional short-term accommodation and transport services.

The new system introduces uniform real-time digital reporting for VAT purposes based on e-invoicing for cross-border transactions, which will provide member states with the valuable information they need to step up the fight against VAT fraud. E-invoicing will also accelerate business transformation in the digital age by streamlining operations, ensuring compliance and security, enabling data-driven decision making, and supporting scalability for future growth and innovation.

Upon entry into force, member states will be able to introduce mandatory e-invoicing under specific conditions, and improvements will be made to the import one-stop-shop (IOSS) framework for improved controls.

From 1 January 2027, minor legislative clarifications will impact users of the one-stop shop (OSS) and IOSS schemes. From 1 July 2028, platforms in short-term accommodation rental and passenger transport must comply with new deemed supplier measures, while the Single VAT Registration reforms and mandatory reverse charge for non-identified suppliers will start.

Digital reporting requirements will affect cross-border B2B transactions from 1 July 2030. By 1 January 2035, member states with a domestic digital real-time transaction reporting obligation must align their systems with the EU standards, marking the final phase of this comprehensive ViDA package.

AIA NEWS

EDUCATION

AIA Council endorses growth in the global education network

AIA held its latest Council meeting in April to review strategic progress and reaffirm its commitment to global professional education and regulatory oversight.

AIA is governed by a Council of members, responsible for ensuring we deliver the objectives outlined in our Constitution. The Council also decides on AIA's strategic objectives, monitors our performance in relation to them and oversees our annual budget. It consists of members who are elected at the AGM and draws on a wide range of experiences and backgrounds. Encompassing key jurisdictions around the world, it represents all our members and reflects AIA's global nature. The Council is supported and advised in its work by a number of committees.

A key highlight of the regular meeting was the continued expansion of AIA's international education network. The Council welcomed the approval of new study providers, including ELF College in the United Kingdom and Eduskills Global Venture Ltd in Bangladesh, both of which are preparing to launch AIA programmes in 2025. The Council also discussed details of progress with additional institutions in India, Cyprus and Malaysia, as AIA seeks to further enhance accessibility to its qualifications worldwide.

AIA remains committed to acting in the public interest and strengthening confidence in the accountancy profession through transparent, accountable governance, and the delivery of world-class qualifications.

CONFERENCE

AIA champions SMPs at EFAA International Conference

AIA President Shahram Moallemi and AIA representatives engaged with key partners at the European Federation of Accountants and Auditors for SMEs (EFAA) International Conference in Marseille, themed 'The role of SMPs in helping the competitiveness of the European private and public sectors'.

In an introductory message, International Federation of Accountants (IFAC) President Jean Bouquot outlined how SMPs, acting as trusted partners and advisers, support the competitiveness of private and public sectors.

Bringing together thought leaders, policymakers and professionals from across Europe, the conference explored how SMPs can drive innovation, efficiency, and sustainability.

Key highlights from the conference included:

- insightful discussions on SME competitiveness and the evolving role of SMPs in a rapidly changing economic landscape;
- valuable sessions on expanding service offerings, including sustainability reporting and intellectual property support;
- a panel on AI and digital transformation, featuring real-world applications that are reshaping the accounting profession; and
- a roundtable on international accountancy networks, emphasising collaboration and automation for global competitiveness.

AIA Council member George Josephakis and AIA Greece Management Committee member Dimitris Dimitriou, CEO of CPA Kudos, provided an explanation of outcomes from a survey of SMPs related to expanding service offerings in the context of sustainability and assurance.

A new publication has also been released, which AIA will provide to members, focusing on how SMPs can build capacity to support SMEs in sustainability reporting and assurance (see tinyurl.com/3kum93ys).

In addition, the event agreed EFAA's priorities for the coming year, including the production of additional guidance for SMPs on artificial intelligence, practice transformation and sustainability.

AIA President Shahram Moallemi said: 'This conference was a fantastic opportunity to connect with fellow EFAA professional bodies, exchange ideas on the vital role of SMPs, and explore how we can better support accountants. By offering practical guidance and insights grounded in the real-world work of SMPs, AIA is ensuring its members' voices are heard by policymakers, and we are working on their behalf, every step of the way.'

AWARDS

AIA Vice President wins at PQ Awards 2025

AIA is proud to announce that Wildstar Films has won Accountancy Team of the Year at the prestigious PQ Magazine Awards 2025.

The win marks a significant moment for AIA, as Wildstar Films' Director of Finance and AIA Vice President Linda Richards leads the award-winning team. Their recognition is a testament to the exceptional standards of professionalism, collaboration and innovation championed by AIA members across the globe.

Held at Salsa Temple in London, the PQ Awards celebrated the finest in the accountancy profession, recognising those who go above and beyond to raise the bar in education, practice and impact. Wildstar Films stood out for its dynamic approach to finance within the creative industries, reflecting AIA's values of adaptability, integrity and excellence.

Linda Richards, AIA Vice President, commented: 'We are absolutely thrilled to receive this recognition. It reflects the hard work, talent and team spirit of everyone at Wildstar Films. As an AIA member, I'm incredibly proud to see how the principles we uphold as an organisation translate into real-world success and innovation. This award is not just for our team, but also for the broader AIA community that continues to inspire excellence in the profession.'

Philip Turnbull, AIA Chief Executive, added: 'Wildstar Films' success underscores the depth and breadth of talent within the AIA network. We are proud to support professionals who consistently demonstrate leadership and creativity in their fields. This award is a shining example of the global impact that AIA members are making in accountancy today.'

As a sponsor of the PQ Awards 2025, AIA was delighted to support an evening dedicated to honouring rising stars and established leaders alike. The ceremony also spotlighted several other AIA affiliated nominees, including ASM Chartered Accountants, AIA chief examiner Tracey Wilson and AIA examiner Jan Loughran, further highlighting the association's influential role in shaping the future of accountancy.

AIA was also pleased to sponsor of the Innovation in Accountancy award, which was won by AIA's sustainability partner, Net Zero Now. The award was collected by Neil Ross Russell and presented by AIA President Shahram Moallemi. AIA and Net Zero Now work together to support members on their sustainability journey, helping accountancy practices to measure, reduce and report their carbon emissions. AIA congratulates Neil and the whole team on this well-deserved recognition for their innovative work.

Congratulating the success, Shahram Moallemi said: 'Net Zero Now has been an outstanding partner in helping our members to take meaningful steps towards sustainability. This award is a well-earned recognition of their innovation and commitment to driving positive change in the profession.'

AIA remains committed to nurturing the highest standards in the profession, equipping members with the tools, knowledge and network needed to succeed in a rapidly evolving global economy.

CONFERENCE

AIA supports knowledge sharing at BAFA Annual Conference 2025

AIA was proud to sponsor and attend the British Accounting and Finance Association (BAFA) Annual Conference 2025 at Ulster University, Belfast. The event brought together leading academics, practitioners and researchers to discuss key developments in accounting and finance, providing a vital platform for collaboration and knowledge sharing.

AIA's sponsorship reinforced its commitment to academic excellence and professional development. In panel discussions and networking sessions, AIA representatives engaged with industry leaders and scholars to explore challenges and opportunities in the evolving financial landscape. Topics such as regulatory changes, sustainability in finance and the integration of technology in accounting were at the forefront of discussions.

The conference featured distinguished keynote speakers, including Professor Richard Macve (London School of Economics), Dr Meredith Tharapos (RMIT University), Professor Jonathan Berk (Stanford Graduate School of Business) and Professor Lisa Jack (University of Portsmouth). Their insights provided valuable perspectives on the need for continued research and adaptation.

Nicola Perry, AIA Chief Operating Officer, commented: 'AIA is proud to support BAFA in advancing research

and knowledge sharing. The conference provided an excellent opportunity for academics and professionals to exchange ideas, shape future developments and ensure the continued growth of the accounting and finance sector.'

AIA remains dedicated to fostering innovation and excellence within the profession, ensuring that accountants and finance professionals are well-equipped to meet the demands of an evolving global economy.

Mastering distance learning and online exams

How can you make the most of distance learning and achieve success in online exams? Here are some top tips!

As the accounting profession evolves, so does the approach to learning and assessment. Distance learning offers unparalleled flexibility, allowing students to pursue professional qualifications while balancing work and life commitments. However, success requires discipline, strategy and the right techniques.

Essential tips

Here are some essential tips to help you excel in your studies and perform at your best in online remote exams.

1. Create a structured study plan: When studying remotely, it's easy to lose track of time without the structure of in-person classes. Build a detailed study schedule that outlines your goals for each week. Break down the syllabus into manageable sections, allocating ample time for revision. Use digital tools like calendars or apps to keep track of deadlines and progress.

2. Set up a dedicated study space: Your environment can significantly impact your focus. Choose a quiet, well-lit space free from distractions and equip it with the essentials: a comfortable chair, your study materials and reliable internet access. If possible, keep this area exclusively for studying – it helps signal to your brain that it's time to concentrate.

3. Harness technology effectively: As a distance learner, technology is your best ally. Make full use of the online resources available to you – the AIA Achieve Academy. Take advantage of accounting-specific software and tools to practice scenarios you might encounter in exams or professional settings.

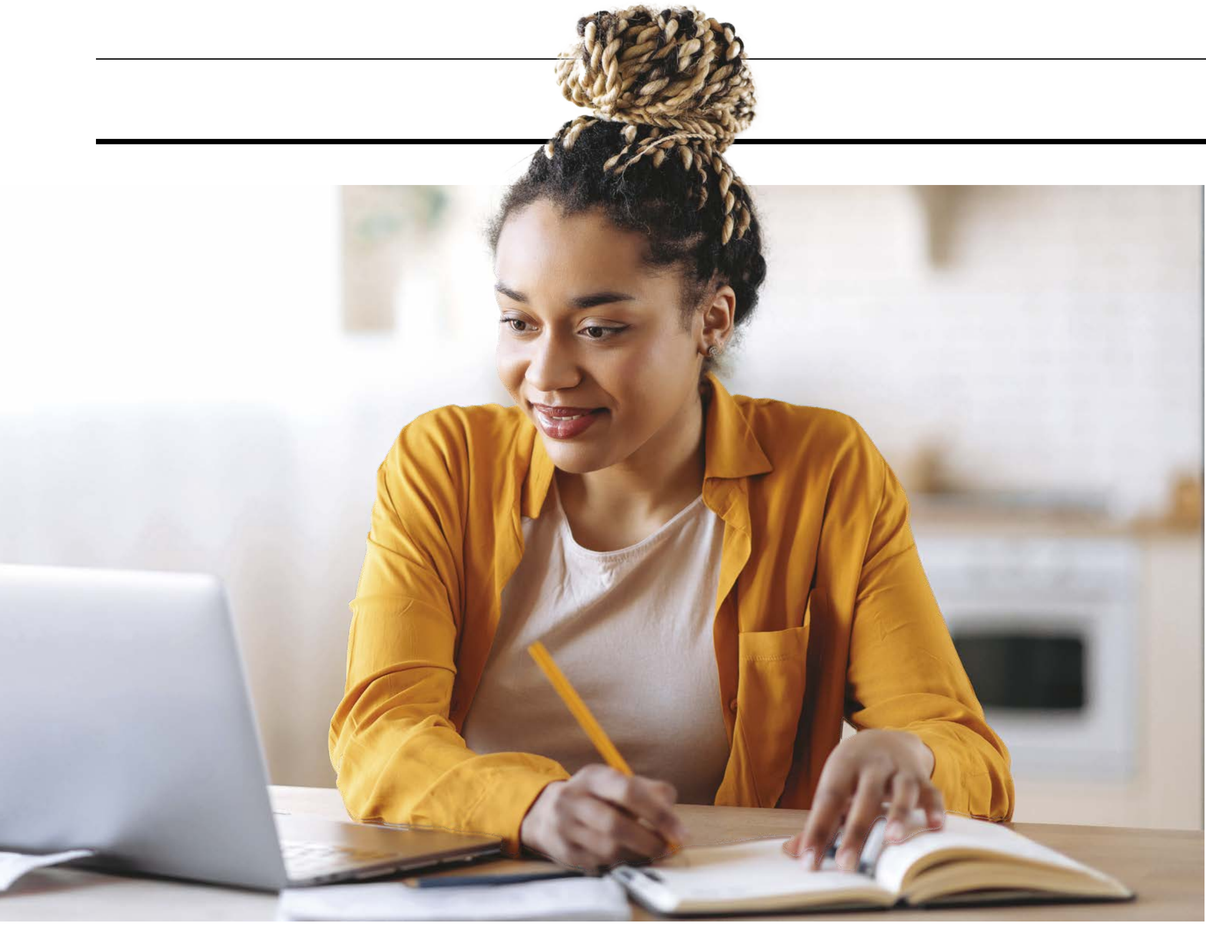
4. Practice active learning: Passive reading won't help you to retain complex accounting concepts. Engage actively with the material by summarising key points, solving exercises and teaching concepts to others (or even to yourself). Use flashcards for formulas or standards, and apply theory to real-world examples to deepen your understanding.

5. Develop a routine for online exams: Online remote exams come with unique challenges, including technical requirements and an unfamiliar format. Familiarise yourself with the exam software well in advance. Practise mock exams under timed conditions to simulate the real experience. Test your equipment – computer, webcam and internet connection – to ensure that everything runs smoothly on the exam day.

6. Manage your time wisely during exams: Good time management is crucial. Read through the exam instructions carefully before starting. Begin with the questions you feel confident about, then tackle more complex ones. Keep an eye on the clock, and ensure you leave time for review.

7. Master exam technique: Approach each question methodically:

- **Understand:** Read the question thoroughly to ensure you grasp what's required.



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- **Plan:** For longer responses, outline your answer before writing to stay organised.
- **Answer:** Stick to the point, demonstrating your knowledge clearly and concisely. If calculations are involved, show all working steps; even if your final answer isn't correct, partial marks can make a difference.

8. Prioritise wellbeing: Distance learning and exam preparation can be intense. Schedule regular breaks to avoid burnout and maintain a healthy routine with balanced meals, exercise and adequate sleep. Mindfulness techniques like meditation can also help you to manage stress and improve your focus.

9. Engage with your learning community: Don't hesitate to seek guidance from your tutors or study support team – they are there to support your journey.

10. Reflect and adapt: After completing assignments or exams, take time to reflect on what went well and what you could improve. Whether it's adjusting your study techniques or time management during exams, continuous self-assessment will help you grow.

Distance learning opens doors to exciting opportunities in the accounting field, but success lies in your hands. By following these study tips and honing your exam technique, you can confidently navigate your online course and achieve your goals. Your dedication to mastering the craft of accountancy is an investment not only in your career but in the profession's future.

Mastering case study questions in professional accountancy exams

Professional accountancy body exams are rigorous, challenging and demand a deep understanding of financial principles, regulatory frameworks and strategic decision-making. One of the most critical components are the case study/scenario type questions, which assess candidates' ability to apply technical knowledge to real-world scenarios. Excelling in case study questions requires a structured approach, analytical skills and effective communication. We provide strategic insights to help students perform exceptionally well in these exams.

1. Understand the case study format: Before tackling any case study type question, it is crucial to understand its format and expectations. Case study questions typically:

- present a scenario based on real-world business challenges;
- require analysis, evaluation and recommendations based on financial and managerial principles; and
- assess problem-solving skills, application of professional judgment and ethical considerations.

Case study type questions are designed to simulate workplace scenarios, so candidates must approach them like a financial consultant addressing a real business problem.

2. Practice time management: Case study type questions, particularly in the Professional Level 2 papers, can be lengthy and complex. Effective time management ensures that students allocate adequate time for analysis, interpretation and response development. Here's a recommended approach:

- **Read and understand:** Carefully read the case study, identifying key facts and requirements.
- **Plan your response:** Structure your answer logically before writing.
- **Write and developing arguments:** Present clear and concise answers with relevant explanations.
- **Review and refine:** Check for errors, coherence and completeness.

Practising timed mock exams can significantly improve response efficiency.

3. Apply a systematic approach to analysis: A structured framework helps to break down complex case studies into manageable components. Consider using analytical models such as:

- **PESTLE analysis:** (Political, Economic, Social, Technological, Legal, Environmental) For external business environment assessment.
- **SWOT Analysis:** (Strengths, Weaknesses, Opportunities, Threats) To evaluate internal business factors.
- **Porter's Five Forces:** To assess industry competition and strategic positioning.

These models help to refine analysis and enhance the quality of responses.

4. Identify key issues and prioritise: The case study often contains multiple issues, but not all require equal attention. Candidates must:

- identify the primary financial, ethical and managerial challenges;
- distinguish between critical and secondary issues; and
- focus on areas that align with the examination requirements and professional judgment.

Prioritisation ensures an effective, targeted response instead of a broad, unfocused discussion.

5. Use professional judgment and ethics: Accountancy exams assess not only technical expertise but also ethical decision-making and professional integrity. Candidates should:

- demonstrate compliance with accounting standards and regulations;
- consider ethical dilemmas and recommend professional courses of action; and
- showcase integrity, fairness and accountability in decision-making.

Applying ethical considerations strengthens an answer and aligns with real-world professional expectations.

6. Present clear and concise answers: Even the most well-researched response can lose marks if poorly structured. Candidates should:

- use headings and bullet points where appropriate for clarity;
- write in a formal and professional tone;
- support arguments with relevant financial data, standards and examples; and
- avoid unnecessary jargon – focus on precision and readability.

A well-organised answer reflects professionalism and ensures that examiners can easily assess candidates' competence.

7. Support recommendations with justification: Strong recommendations must be backed by logical reasoning and evidence. Instead of simply stating a solution, candidates should:

- justify why their approach is optimal;
- provide financial calculations or industry benchmarks to support arguments; and
- consider potential risks and alternative solutions.

A recommendation without justification lacks credibility, while a well-supported argument demonstrates expertise.

8. Practice past case studies
Regularly working through past exam case studies helps candidates to familiarise themselves with exam-style questions, improve analytical skills and build confidence. When reviewing past cases, compare model answers to personal responses and identify common themes and question patterns. You should work on improving weak areas, such as report structure or calculations. Repetition and refinement improve efficiency and effectiveness.

In conclusion

Mastering case study type questions in professional accountancy exams requires more than technical knowledge – it demands strategic thinking, structured responses and professional judgment. By understanding the format, managing time efficiently, applying systematic analysis and presenting well-structured answers, students can maximise their performance and confidently tackle real-world financial challenges. Regular practice, ethical considerations and logical reasoning will ensure success not only in exams but also in future professional roles. Implementing these strategies will make a meaningful difference in your exam performance. Now go ace those exams!

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Tax Update Spring 2025

On 28 April 2025, the government announced a package of technical tax policy proposals to simplify and reform the tax system and improve tax administration.

This package of measures included the publication of draft legislation, new consultations, various technical papers and responses to consultations, as well as updates on previously announced measures together with new initiatives.

Key business tax announcements include:

- draft legislation reforming the UK rules on transfer pricing, permanent establishment and diverted profits tax;
- a consultation on proposals to bring medium-sized enterprises within the transfer pricing rules and to introduce new reporting requirements for multinational groups in respect of cross-border related party transactions;
- plans to establish a working group for simplifying and improving the administration of the Corporate Interest Restriction;
- a consultation on options for reforming HMRC's approach to dispute resolution and the government's response to a consultation on tackling non-compliance, both as part of the Tax Administration Framework Review;
- changes intended to reduce the number of capital assets that would fall within the VAT capital goods scheme; and
- a 12-month delay to the implementation of mandatory reporting of benefits in kind and expenses through payroll software.

Companies including corporation tax and international

Draft legislation has been published for technical consultation proposing several changes to the UK rules on transfer pricing, permanent establishment and the diverted profits tax. The stated aims of the proposed changes are simplification, modernisation and aligning domestic rules more closely with the UK's obligations under double taxation treaties.

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Transfer pricing

Amendments are made to:

- the participation condition: including to introduce a new form of direct participation where two persons are subject to an agreement for common management, and an anti-avoidance provision;
- provisions dealing with intangible fixed assets: to apply a single valuation standard;
- exempt wholly domestic transactions between UK companies from transfer pricing rules, subject to a list of exclusions to prevent opportunities for tax arbitrage;
- refine TIOPA 2010 s 164(1)(b) to make it unambiguous that the UK rules should be interpreted in accordance with OECD principles;
- better align the provisions relating to financial transactions with the guidance at Chapter X of the OECD Transfer Pricing Guidelines, including to draw a distinction between implicit support and formal guarantees, with consequential amendments relating to compensating adjustments (note that these changes will not apply to existing debt, subject to a long stop, unless substantially amended), and other changes are made to clarify the 'acting together' rules and specific aspects of the interaction with the loan relationships and derivative contract regimes;
- remove the requirement for HMRC's commissioners to sanction transfer pricing determinations; and
- simplify the way the transfer pricing rules deal with the treatment of exchange gains and losses (alongside a possible limited documentation requirement).

Permanent establishment

Amendments are made to the UK domestic definition of a permanent establishment and to the rules for the attribution of profits to a permanent establishment in order to bring those provisions into line with Articles 5 and 7, respectively, of the 2017 OECD Model Convention. Clarification is also provided as to which relevant OECD supporting guidance and materials can be used in conjunction with the UK legislation. Other amendments include several to the investment manager exemption in order to clarify its operation within the asset management industry and make it easier for taxpayers to apply. These include an expansion of the range of investment transactions conducted by a fund, and removal of the Condition D 20% test. Corresponding updates will be made to Statement of Practice 1/01 and a draft of that revised guidance has been published alongside the draft legislation for consultation.

Diverted profits tax

Amendments repeal diverted profits tax as a standalone tax in its entirety and introduce a new charging provision within corporation tax for unassessed transfer pricing profits. The new charge will retain some of the features of the existing diverted profits tax regime, but will clarify the relationship between the taxation of diverted profits and transfer pricing, as well as providing clearer access to treaty benefits, such as access to the mutual agreement procedure to remove double taxation.

Draft explanatory notes have been published alongside the draft legislation together with an overarching consultation document (and, as noted, a draft of a revised Statement of Practice 1/01). The associated policy paper for these reforms states that the earliest operative date for the changes will be from 1 January 2026. The technical consultation runs until 7 July 2025.

Modernisation of stamp and transfer taxes

In this summary of responses, the government has confirmed that, in 2027, it intends to replace stamp duty and stamp duty reserve tax (SDRT) with a single, self-assessed tax on securities, generally in accordance with the proposals outlined in the 2023 consultation document and using an online portal for the tax to be reported and paid.

Key changes to the original proposals include:

- issuing a unique transaction reference number (UTRN) on submission of the return rather than after the tax has been paid;
- setting the charging point as the earlier of substantial performance or completion, with different accountable dates for transfers carried out in electronic settlement systems (14 days) and for non-electronic transfers (30 days);
- extending the deferment period for uncertain consideration from two to four years (with possible extensions up to 12 years);
- for all transfers, including non-CREST transfers, making the purchaser liable for the tax but enabling another person to be the accountable person, depending on the facts of the transaction, as it is for SDRT currently; and
- implementing a new percentage-based penalty regime for late notifications (when the original proposal included a combination of fixed and percentage-based penalties).

Examples of proposals that are intended to be carried forward, largely on the basis of the original 2023 consultation, include:

- removing the £1,000 de minimis threshold that currently exists for stamp duty;
- the scope of the new tax, although consideration will be given to particular

> In 2027, the government intends to replace stamp duty with a single self-assessed tax on securities.

points including legislating for the loan capital exemption in a simpler way, clarifying that the granting of security interests is out of scope and taking partnership interests out of scope, whether through the way in which the scope is legislated or through a relief or exemption;
- adopting the current SDRT treatment of warrants and call options;
- retaining and clarifying various reliefs including group relief and reconstruction relief;
- maintaining the current geographical application of intermediary relief and stock lending/repo relief; and
- retaining the requirement for registrars to have evidence of the reporting or payment of the new tax before updating company registers.

Taxes management and dispute resolution
A consultation (closing on 7 July 2025) has been published seeking views on options for simplifying, modernising and reforming HMRC's approach to dispute resolution with the aim of raising awareness of the dispute resolution processes and improving access to (and take-up of) alternative dispute resolution (ADR) and statutory review processes. Views are sought on:
- streamlining the online process for applying for dispute resolution such as ADR and statutory review to make it more accessible and also to be able to track progress directly within taxpayers' existing tax accounts; and
- aligning and simplifying the approach for appeals processes to combine the benefits of the different approaches currently used for direct and indirect tax disputes.

The proposal includes:
- HMRC issuing a pre-decision letter prior to the formal decision letter, allowing engagement to continue on an informal basis and also enabling ADR to be used at this stage where suitable and removing the existing requirement for taxpayers in a direct tax dispute having to make an initial appeal to HMRC;
- where an early settlement is not reached, HMRC issuing its formal decision and, at the same time, making an offer of review;
- for taxpayers that do not accept HMRC's formal decision, taxpayers having 30 days (in line with the current time limit) to accept or decline the statutory review offer – unless they accept the statutory review, taxpayers would still be able to appeal to the FTT at this stage or (in suitable cases) apply for ADR, in which case they cannot appeal to the FTT until the conclusion of the review or ADR;
- after the conclusion of a review or ADR, the right to appeal to the FTT remaining in line with current statutory limits; and

- introducing a requirement for taxpayers and HMRC to demonstrate that they have considered ADR before making an appeal to the FTT, but this would only apply in suitable cases.

Electronic invoicing: promoting e-invoicing across UK businesses and the public sector
HMRC and the Department of Business and Trade has opened a consultation on standardising electronic invoicing and increasing its adoption across UK businesses and the public sector. The consultation seeks input on how the government can support the increased adoption of e-invoicing, with particular focus on:
- the different models of e-invoicing;
- whether to take a mandated or voluntary approach to e-invoicing;
- what scope of mandate might be most appropriate in the UK and for businesses; and
- whether e-invoicing should be complemented by real time digital reporting.

The consultation closes on 7 May 2025.

VAT & indirect taxes

Capital goods scheme to be simplified
The government will remove computers from the list of assets covered by the VAT capital goods scheme (CGS) and raise the capital expenditure threshold for land, buildings and civil engineering work to £600,000 (exclusive of VAT). These changes are intended to reduce the number of assets under the CGS and consequently to lower the administrative burden on small businesses.

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VAT treatment of business donations of goods to charity

In 2024, the previous Conservative government announced that it would consult on the introduction of a targeted VAT relief for low value goods which businesses donate to charities for the charities to give away free of charge to people in need and that it would publish a consultation document later in 2024. There was an intervening general election and change of government, so this did not happen.

The consultation document has now been published as part of 'Tax update spring 2025'. In summary, the consultation document compares the current zero rate of VAT which applies to goods which are donated by a business to a charity for onward sale by the charity with the standard rate of VAT which applies to donated goods which the charity gives away free of charge to those in need or uses itself in the delivery of the charity's services. The consultation document then invites responses to interested parties on the introduction of a VAT relief for donations of goods which fall into the latter category, similar to that in VATA 1994 Sch 8 Group 15 item 2.

Reforms to Temporary Admission

HM Treasury and HMRC have published responses to the call for evidence on Temporary Admission regime (TA), a regime which grants relief from import VAT and duty for eligible goods that are brought into the UK temporarily, announcing reforms to be implemented in summer 2025.

The changes include extending time limits during which TA will apply for works of art and antiques; goods used for tests, experiments or demonstrations without financial gain; and pleasure craft. Other reforms include extending the period for completing customs formalities after sale from 30 to 90 days, allowing third-party businesses to hold TA authorisations across all sectors, permitting the display of artwork in prospective buyers' residences, and allowing the gelding of horses imported under TA.

While the government has approved several significant changes, other proposals (such as expanding TA eligibility for UK residents' pleasure-craft purchased abroad before 31 December 2020) were rejected to maintain market integrity.

HMRC are currently developing improved guidance materials, including a comprehensive handbook scheduled for publication in the summer of 2025. HMRC have already released enhanced guidance on using special procedures without prior authorisation and are working to streamline the process for applying for and managing customs authorisations.

Additional time has been announced to prepare for the introduction of mandatory payrolling for benefits in kind and taxable employment expenses.

Employment taxes, including NICs

Mandating the reporting of benefits in kind and expenses through payroll software

Additional time has been announced to prepare for the introduction of mandatory payrolling for benefits in kind (BIKs) and taxable employment expenses, with the measures to be introduced from April 2027. This is a 12 month delay in the timings announced at Autumn Budget 2024, where it was confirmed that the use of payroll software to report and pay tax on BIKs will become mandatory, in phases, from April 2026. As well as announcing the delay in implementation, the technical note provides an overview of how the new BIKs and expenses reporting system is intended to operate in the majority of cases, including how the benefit value is to be ascertained. The technical note also sets out the design decisions that have been made since 2024 (when the proposal was first announced by the previous government in the January 2024 simplification update) to take account of less common taxpayer circumstances which require special consideration.

Broadly, the intention is that the reporting process for BIKs and expenses will be through the Full Payment Submission (FPS), being the process for reporting salary and other employee details to HMRC when payments are made to employees. This will allow the taxable value of BIKs and expenses to be reported, ensuring income tax and Class 1A NICs can be reported in real-time.

There will be no need for employers to register in order to payroll BIKs from April 2027, with the exception of loans and accommodation benefits. Guidance is provided on employee cashflow impacts as well as the overriding limit, and also

> **The government has announced a significant update to the Income Tax Self Assessment criteria.**

how employees (and directors) with no income, or who receive BIKS and expenses after leaving employment, are to be treated. To support implementation, the technical note states that HMRC will not charge penalties for inaccuracies in 2027/28 unless there is deliberate non-compliance.

The legislation to implement the changes is expected to be included in Finance Bill 2026. Draft legislation, draft guidance and technical information will be provided from autumn 2025 onwards.

Check Employment Status for Tax (CEST) revisions

HMRC have announced that they are revising their CEST digital tool with effect from 30 April 2025. Details of the revisions are not provided, albeit it is intended that changes made to CEST will make it 'easier' for users to use the tool.

In order to support those changes, HMRC will also publish revised guidance that offers help on how to answer the revised questions. It has been re-confirmed that HMRC will be bound by the outcomes of the CEST tool 'where it has been used correctly'.

Employer's NICs elections process for employment related securities

In certain circumstances, an employee and an employer can jointly elect to transfer an employer's NICs liability to an employee where the employee acquires employment-related securities. A simplification will be introduced from 1 May 2025 which removes the requirement on an employer to submit the joint election form to HMRC for pre-approval provided the employer is using the election form template available on GOV.UK.

Reversal of requirement to report more detailed employee hours paid

Following the announcement on 28 January 2025 (which formed part of the final outcome to 'Draft legislation: Improving the data HMRC collects from its customers'), the government has confirmed it will not be taking forward the draft Income Tax (Pay As You Earn) (Amendment) Regulations 2025. There had been concerns as to the administrative burden brought by the regulations. As a result, the current requirement for employers to report normal hours worked will continue; there will not be a requirement for employers to provide more detailed employee hours data to HMRC from 6 April 2026.

Individuals and income tax, capital gains tax and inheritance tax

The government has announced a significant update to the Income Tax Self Assessment (ITSA) criteria. The reporting thresholds for trading income, property income and other taxable income will be aligned and raised to £3,000 gross each. This change is expected to remove the requirement for up to 300,000 taxpayers to submit a self-assessment return, simplifying the tax reporting process.

Individuals with taxable income below the new thresholds will have the option to report their income through a new digital reporting service. Taxpayers can choose to remain in self-assessment if they prefer or utilise the new service. These changes will not affect taxpayers' income tax liability.

Recognising the need for clear reporting requirements, HMRC will collaborate with taxpayer representative organisations and stakeholders to ensure that guidance on when individuals need to register for self-assessment is straightforward and easy to understand. These changes are designed to simplify tax administration, reduce the burden on taxpayers, and improve the efficiency of HMRC services.

These changes will be implemented within this Parliament, with further details to be provided later this year. ●

This report is by Lexis+ UK Tax.

The UK sanctions regime

***Roger Gherson* and *Caroline Black* ask whether the UK sanctions regime is fit for purpose.**

The Sanctions and Anti-Money Laundering Act (SAMLA) 2018 provides the legal basis for imposing autonomous sanctions in the UK post-Brexit. Under SAMLA 2018, the UK can levy sanctions for a number of purposes, including in relation to serious threats to national security, human rights violations and corruption.

As recently highlighted in the House of Commons debate by Stephen Doughty MP, the Minister of State for the Foreign Commonwealth Development Office, the government places great weight on the use of sanctions in the context of security, international law and diplomacy: 'Sanctions are a powerful tool in our armoury. They play an important part in promoting peace and security abroad, upholding international rules and norms, and protecting our citizens at home.'

However, international law cuts both ways, providing individuals with rights of natural justice, rule of law and due process. And while the UK sanctions regime is theoretically based on the rule of law, numerous criticisms can be made due to its lack of fairness and due process, particularly in respect of designations made under the Global Anti-Corruption Sanctions Regulations (Regulations) 2001 (GASCR 2001).

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Due process and procedural failings

Several key failings stand out:

Presumption of innocence

The presumption of innocence and burden of proof in English Law goes back hundreds of years, finding its origins in Christian theology, 'wherein convicting an innocent person was regarded as a mortal sin' (see tinyurl.com/3dxs77wd). In the case of *Woolmington v DPP* [1935] 1 AC 462, Viscount Sankey famously summarised the importance of the doctrine: 'Throughout the web of the English criminal law one golden thread is always to be seen, that it is the duty of the prosecution to prove the prisoner's guilt.'

However, this 'golden thread' of the presumption of innocence appears to be broken when it comes to sanctions designation decisions, when an individual can be publicly labelled as 'corrupt' with little persuasive evidence and certainly evidence falling well short of proof 'beyond reasonable doubt' following a contested trial.

What are sanctions?

In the UK, under the Sanctions and Anti-Money Laundering Act (SAMLA) 2018, sanctions are restrictive measures, primarily economic and trade-related, that the UK government can impose to achieve specific foreign policy or national security objectives. They can be applied to individuals, entities or countries.

SAMLA 2018 allows for a wide range of restrictive measures, including trade sanctions and travel bans. Financial sanctions involve freezing assets, restricting financial transactions, and preventing access to certain funds.

The threshold for designation in the UK under the GACSR, is that the Secretary of State for Foreign, Commonwealth and Development Affairs must have a reasonable suspicion of involvement in serious corruption. Any challenge can only focus on the reasonableness of the decision-making process via administrative review and judicial review procedures.

In contrast in the EU, designation is only taken by a unanimous decision of the 27 member states. Further, the Court of Justice of the European Union through its decades of case law, has held that evidence relied upon must be concrete, verifiable and specific.

The Regulations provide that a political appointee (the Secretary of State) may designate an individual as 'corrupt' and apply an asset freeze and immigration-related travel restrictions on the sole basis that there are 'reasonable grounds to suspect' that a person is or has been involved in serious corruption. (Under Reg 4(2), corruption means bribery or misappropriation of property.) Moreover, the Regulations give the widest possible scope for what is meant by serious corruption. It is enough if there are reasonable grounds to suspect that the person:

- is or has been involved in serious corruption;
- is owned or controlled directly or indirectly by a person who is or has been so involved;
- is acting on behalf of or at the direction of a person who is or has been so involved; or
- is a member of, or associated with, a person who is or has been so involved.

Under Reg 6(3), a person is defined as being involved in serious corruption if the individual:

a. is responsible for or engages in serious corruption;
b. facilitates or provides support for it;
c. profits financially or obtains any other benefit from serious corruption;
d. conceals or disguises, or facilitates the concealment or disguise of serious corruption, or any profit or proceeds from it;
e. transfers or converts, or facilitates the transfer or conversion of, any profit or proceeds from it;
f. is responsible for the investigation or prosecution of serious corruption and fails to fulfil that responsibility;
g. uses threats, intimidation or physical force to interfere in any law enforcement or judicial process in connection with it; or
h. contravenes, or assists with the contravention of, any offence under Part 3 of the Regulations.

Author bio
Roger Gherson founded Gherson Solicitors in 1988. He has dedicated himself to advising, assisting and defending individuals requiring international protection.

This very wide definition, coupled with the very low bar of reasonable suspicion, makes challenges difficult. Individuals face an uphill battle as decisions often appear to be based on little more than accusations of corruption, without clear or accessible supporting evidence.

Lack of disclosure and transparency in the decision-making process

The lack of disclosure and accessibility is a key failing of the regime. Unlike criminal law, which requires clear evidence and judicial oversight before a person is convicted, sanctions can be imposed based on intelligence and press articles. This is especially concerning in cases of corruption, where allegations are criminal and may be based on vague or incomplete information and unreliable media reports generated by local political rivals.

By contrast, in civil asset freezing cases in the High Court, an applicant for a restraint or freezing order has high duties of candour and disclosure, going far beyond those associated with the sanctions regime. An independent judge must be satisfied that an order should be granted prior to its implementation.

Under the Regulation, the freezing of assets and all the associated adverse effects can be affected by the will of the Foreign Secretary and officials at the Foreign, Commonwealth and Development Office (FCDO). There is no court involvement at the designation stage, and nowhere near the same level of open disclosure and scrutiny of the designation process.

This lack of transparency not only creates a situation where individuals are unable to effectively challenge the decision in a meaningful way but also undermines the credibility of the sanctions regime itself.

Limited right to challenge sanctions

Sanctions are routinely imposed on an ex-parte basis (in a legal context, this means 'on one side only', describing legal proceedings or communications that occur without the knowledge or participation of the other parties involved). They can proceed without any formal hearing or independent review, meaning that the affected party does not have an opportunity to challenge the evidence or decision-making process before it is implemented.

The UK courts do provide some procedural safeguards, including the right to an open hearing based on judicial review principles where possible. However, the fact remains that the legal tools available to challenge sanctions are inadequate for ensuring robust due process, particularly when it involves opaque corruption allegations.

Under SAMLA 2018 s 23, an initial challenge must be made to the FCDO. This effectively means a review is to be undertaken by the Secretary of State of their own decision. Little wonder that the prospects of success at this stage are extremely low.

Having exhausted the s 23 route, a further challenge may be made under s 38 using judicial review principles. However, there is limited ability to challenge the substance of any allegations of corruption, particularly when it comes to national security or intelligence considerations.

If mounted in criminal, proceeds of crime or civil recovery proceedings, the making of such corruption allegations could be properly challenged in court in open proceedings. Not so under the Regulations, when designation can *only* be challenged after the event, *only* on the grounds of irrationality, and *only* once an entirely pointless appeal to the government department itself has been rejected.

Risk of arbitrary designations and inconsistent application

Another key concern is the risk of arbitrary and inconsistent designation. This is especially acute where sanctions are based on politically sensitive or complex corruption cases. The use of corruption as a justification for imposing sanctions can lead to disproportionate or politically motivated actions, with little meaningful recourse for the targeted individuals.

Without clear guidelines and an effective mechanism for independent oversight, sanctions can be used selectively, potentially punishing individuals based on their political affiliations or national origin rather than objective legal grounds.

While the UK government has taken significant steps to target individuals involved in corruption within specific countries, there are concerns about the selective enforcement of sanctions. For example, some individuals linked to high-profile corruption cases avoid sanctions, despite credible evidence of corruption, whereas others are seemingly unfairly targeted without sufficient due process protections. This inconsistency undermines the fairness and credibility of the entire corruption sanctions regime.

Adverse effects of designation: human rights and access to property

The imposition of sanctions has significant consequences for the rights of those affected, particularly in relation to their right to property, freedom of movement, and livelihood. In particular concerns are raised of compatibility of the regime with:

- The European Convention on Human Rights (ECHR) Article 6: The right to a fair trial, including access to a court and the right to adversarial proceedings.
- ECHR Protocol 1 Article 1: The protection of property, which sanctions directly interfere with.

Designation under the Regulations has the practical impact of an individual being publicly named as a criminal, having assets frozen and travel restrictions imposed. Even assets held outside the UK are likely to be impacted, as the individual faces difficulty in accessing global financial markets and products.

Being designated as 'corrupt' also has profound implications for ongoing business, relationships and family life.

Recommendations

In order to better protect due process and the rule of law in the UK sanctions regime, the following additional measures should be considered:

Greater transparency in decision making: Individuals and entities subject to sanctions should be given full and frank disclosure of the reasons for their designation, accompanied by full access to all evidence underlying the decision. The government should also establish clear, accessible procedures for substantively challenging sanctions designation.

Independent review mechanism: An independent review body (such as an ombudsman or a tribunal) should be constituted to have oversight of decisions, with full access to evidence, in order to assess the fairness and legality of sanctions decisions *before* they are applied.

Clearer criteria for designation: The presumption of innocence must run through the regime. The government should adopt clearer standards for evidence, proportionality and temporal limits on sanctions. This would help to balance the need for effective policy with the protection of individual rights.

Enhanced safeguards and access to courts for individuals facing sanctions: Sanctioned individuals should be afforded the ability to appeal sanctions through a mechanism that ensures their rights are protected. This could include interim relief or a right of substantive appeal in the courts (not limited to judicial review proceedings), even when national security concerns are raised.

In conclusion

The UK's post-Brexit sanctions regime lacks key procedural safeguards, exposing individuals to potentially arbitrary state action without adequate recourse. The combination of opaque ministerial discretion, limited judicial review and exclusionary procedures falls short of the UK's common law traditions and human rights obligations. Reform is urgently required to restore balance and credibility to the UK sanctions process.

Author bio
Caroline Black is a consultant at Gherson Solicitors LLP.

Protecting company directors from insolvency

Marco Piacquadio considers how to identify the early warning signs of financial distress, and how you can help your clients to respond constructively.

Marco Piacquadio
Director of FTS Recovery and FA Simms

In today's economic climate, many small business owners are under pressure. Rising costs, changing tax rules and ongoing geopolitical uncertainty mean that companies once considered stable might begin to struggle.

One of the more pressing concerns is that directors often don't realise there is a problem until it's too late. That is where your role as their accountant becomes vital. You are not just submitting returns and preparing accounts – you are often the first person who sees the warning signs that action is needed.

Why you need to start the conversation

Conversations around financial distress aren't always easy. Many directors will try to resolve issues quietly, without seeking help. That hesitation is understandable – but it can also be dangerous.

As their accountant, you are in a unique position of trust. You often have a clearer view of their financial position than anyone else. You can see the trends, the pressure points and the changes that warrant further attention. But insight only becomes impactful if it is shared. Building regular, open dialogue into your working relationship – which should take place monthly or quarterly, not just at year-end – helps to normalise these discussions.

It gives you the opportunity to raise concerns with your client while they are still manageable, and gives your client the space to respond constructively.

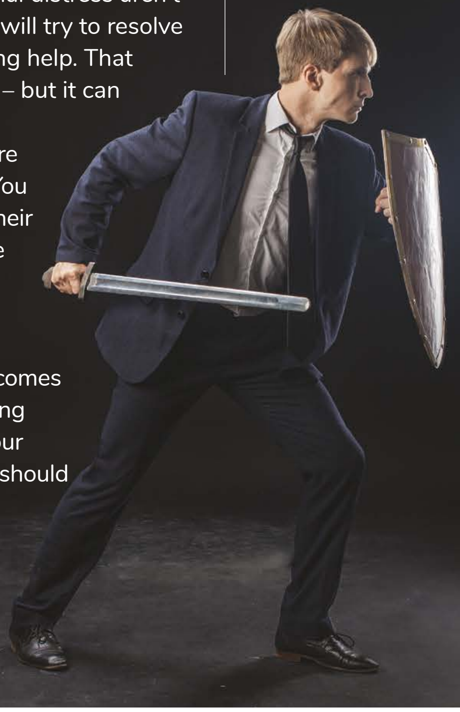
When credit control begins to weaken

Many directors don't immediately see a slowdown in payments as a serious threat. They may be focused on keeping work coming in, and as long as invoices are being issued, the assumption is that things are under control.

However, a shift in aged debt, growing reliance on a small number of customers or extended terms under pressure are all indicators that something is starting to slip. These are patterns worth flagging early.

Clients might recognise that they are constantly chasing money but not necessarily understand how that's feeding wider financial pressure. These are the moments where regular strategic check-ins can make the difference – turning operational updates into forward-looking conversations.

Whether it requires a change in their credit control process, a move toward invoice finance or a re-evaluation of customer terms, the goal is to help your client to regain control – before reactive decisions become the norm.



Are margins quietly disappearing?

A weakening margin doesn't always trigger alarm bells straight away. It can be one of the most telling early signs of financial strain, however. The causes are not always dramatic – more often, problems are due to the cumulative effect of rising costs, higher wages, increased overheads and shifts in supply chain pricing.

In some cases, directors are aware that costs have gone up but hesitate to pass these on through pricing. Concern about losing customers or damaging longstanding relationships often leads to delays in reviewing pricing strategy, even when margins are no longer sustainable.

This is where your support is critical. You can provide clarity by contextualising the numbers, modelling the impact of incremental increases and helping directors to weigh commercial risks against financial necessity. Even modest adjustments to pricing, or revisiting high-cost areas of the business, can protect profitability before losses become embedded.

By framing these conversations around long-term viability rather than short-term discomfort, you help to clients move from hesitation to informed action.

Persistent cash-flow pressure

Sporadic cash-flow concerns are common in small businesses. When short-term fixes become routine, however, the warning lights start flashing.

Signs to look for include the regular use of overdrafts or director loans, last-minute payments to suppliers or HMRC, and an ongoing sense of financial firefighting. These patterns may initially be dismissed as seasonal or circumstantial but if left unchecked, they tend to become entrenched.

This is where you can help clients to step back and reassess. Analysing recurring shortfalls, improving forecasting discipline and supporting changes to payment terms or cost structures can all ease the pressure. Most importantly, acting early gives your client options – before reactive decisions or external intervention become necessary.

What's happening with their tax obligations?

Falling behind on VAT, PAYE or corporation tax is a common early sign of distress. It is often a tactical decision to prioritise payroll or suppliers, but this can quickly create longer-term complications.

Time to Pay arrangements with HMRC are a useful tool. However, repeated reliance on them indicates underlying strain. In some cases, the business may not be generating enough to cover its core liabilities. And that calls for a more strategic conversation.

Flagging up any tax arrears and helping clients to understand the potential consequences (including personal liability in some cases) can be a key turning point in prompting action. You may also be able to support them in identifying restructuring options or cash-flow improvements to bring payments back on track.

Building a more collaborative approach to risk

Most firms already have internal processes in place to track financial risk, whether through client segmentation, periodic reviews or dashboard alerts. But the greatest impact often comes from taking that insight into the client relationship and using it to shape more forward-looking conversations.

Consider using your internal red flag indicators to initiate regular check-ins. Even short quarterly meetings can provide the structure needed to track performance, identify new risks and discuss potential changes. Framing these conversations as part of a shared strategic focus helps to deepen trust and engagement.

This kind of collaborative approach not only supports earlier intervention, but also helps to reinforce your role as a long-term adviser, not just a service provider.

Know when to escalate

Despite proactive steps, there will be times when a business is close to insolvency. If a company is unable to pay its debts as they fall due or its liabilities exceed its assets, it may be time to involve a licensed insolvency practitioner.

Referring early can make a material difference: directors receive better advice; there is more flexibility in terms of rescue or restructuring options; and creditor engagement is often more constructive.

If you don't already have a relationship with an insolvency practitioner, it is worth building one. Having a trusted referral route in place allows you to act quickly when needed and protects your role as adviser, ensuring that your clients are supported by the right expertise when the situation moves beyond your remit.

Final thoughts

Financial distress rarely arrives overnight. It builds gradually through late payments, creeping costs and a pattern of difficult decisions that go unaddressed. And while directors may not always see it coming, you often will.

By maintaining regular dialogue, using your data insight to raise concerns early and offering practical steps before the issues escalate, you play a central role in helping your clients to navigate uncertainty with confidence. These conversations might not always be easy but they are essential. And more often than not, they are where your true value as a professional adviser is most clearly demonstrated.

Author bio
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Coping with corporate insolvencies

Chelsea Williams asks whether the rising cost of doing business is fuelling corporate insolvencies, and what we can do to assist struggling clients.

Chelsea Williams
Personal debt support, Scotland Liquidators

The cost of doing business has exponentially surged in response to a spike in labour costs fuelled by tax rises, consistently high inflation, rising energy bills and a downturn in consumer spending. With operating costs growing heavy and biting into profit margins, companies must do more to stay in the black and keep the risk of insolvency in check.

As key UK industries experience harsher trading conditions due to the weakening economy, we examine what this means for corporate insolvencies.

A heavy financial weight

The financial health of UK businesses is in gradual decline. According to the Q1 2025 Red Flag Alert report from Begbies Traynor Group (see tinyurl.com/6mr99pkv), more companies were in critical financial distress in Q1 2025 (45,416 companies), compared to Q1 2024 (40,174 companies). This paints a slightly brighter picture when compared to the previous quarter (46,853 companies in Q4 2024).

Consumer-facing sectors, such as Bars and Restaurants (+31.2%) and Travel and Tourism (+25.5%), experienced the highest increase in 'critical' financial distress levels over the last 12 months. With key sectors already experiencing critically high financial distress levels ahead of US tariff changes, a future surge in corporate insolvencies may well be likely.

Of the 45,416 companies in critical financial distress in Q1 2025, Real Estate and Property Services (6,480), Construction (6,367) and General Retailers (3,401) represented more than a third of companies in this category. This underlines the impact of low investor appetite, high inflation and reduced consumer spending, all of which are key contributors to sector growth.

Author bio
Chelsea Williams is an experienced debt help adviser and is often the first port of call for those contacting Scotland Liquidators.

The new cost of doing business

The foundations of a company must be robust, which means that company overheads must be checked to ensure that they remain proportionate to the business. This is particularly important as the cost of doing business substantially increases, including utility bills, loan fees and interest, mortgage and rent payments, labour costs, equipment and plant machinery hire, and universal and sector-specific US tariffs.

Utilities

The average unit price for energy is higher than pre-pandemic due to the volatility of wholesale prices and global events. According to government statistics, the average price of electricity for small businesses doubled to 31.9p per kWh and 7.5p per kWh for gas in 2023, compared to 16.5p for electricity and 3.6p for gas in 2021 (see tinyurl.com/36dvvc4z).

Borrowing

High interest rates mean that businesses must pay more to borrow funds. This covers a wide range of borrowing products, including business loans, refinancing, mortgage or rent payments, and equipment, machinery or vehicle hire.

This may deter directors from borrowing funds and investing in their businesses, staff and equipment. As announced in the Autumn Budget, HMRC is cracking down on late payments, having increased penalties and interest rates on overdue payments.

Labour costs

The cost of hiring staff is exponentially increasing as higher rates of Employers' National Insurance Contributions and National Living Wage come into play. Businesses must factor in the rise in overheads as this may bite into profit margins without sufficient financial planning.

US tariffs

The US President Donald Trump introduced sweeping tariffs on imported foreign goods, which UK businesses will need to consider. This now includes a 10% universal tariff, and a 10% tariff on a quota of 100,00 imported UK vehicles (any cars after that will face a 27.5% tariff). The 25% tariff on aluminium and steel imports has been scrapped. The recent negotiations with the US on mitigating the impact of tariffs has resulted in a positive outcome for British businesses but this is still a situation which should be closely monitored.

While tariffs may not impact businesses directly, they may experience an indirect impact, such as through price rises passed through supply chains. US tariffs may also impact the growth plans of a business, including expanding to US markets or partnering with US suppliers.

Rising costs and judging insolvency risk

Judging insolvency risk at the same time that costs are rising includes keeping a watchful eye on the company's balance sheet and cash flow. If company liabilities outweigh company assets on the balance sheet, this is a sign of gradually deteriorating financial health, as the company owes more than it is due. As operating costs increase, businesses may respond by taking on additional borrowing and loading on more debt to contend with higher overheads. With the current weakening state of the market, businesses may have limited options, but will need to firefight any increase in overheads to remain operational. It is crucial for businesses to plot a long-term survival strategy to remain viable and profitable.

The role of an accountant when advising insolvent clients

The company director must work in conjunction with their accountant or financial adviser to track the health of their business. This can help them to assess their exposure to financial risk, understand the severity of any issues identified and conclude whether the company has the potential to fight or must surrender. Rising costs are often the final nail in the coffin for businesses already at breaking point. With tax rises and the impact of US tariffs set to deteriorate financial health further, businesses must prepare to weather a challenging trading year ahead. We explore some of the ways an accountant can support insolvent clients:

1. Reporting on the financial health of the business: Providing an in-depth analysis of the financial health of the business can help the director to better understand how the business is faring and the level of insolvency risk to which they are exposed. This can help the director to gauge whether urgent action is required or whether restructuring support can restore business health.

2. Advising on increasing efficiency: A well-structured plan on how to increase efficiency can unlock cash used to fuel other areas of the business. This may include reviewing the operational structure of the company, maximising tax relief and structuring payments tax-efficiently.

3. Referring the director to a licensed insolvency practitioner: Forwarding the company director to a licensed insolvency practitioner can bridge access to highly rated corporate insolvency and restructuring support. The insolvency market is concentrated with a mix of corporate insolvency advisers and licensed insolvency practitioners. It is important to differentiate between the two to ensure that clients seek regulated and qualified advice. The market is rife with lead generation companies disguising themselves as insolvency experts, so it's crucial that clients connect with reputable and trusted providers.

4. Diagnosing the problem: If the health of the business is not terminal, a range of company rescue options may be available, including company restructuring, a company voluntary arrangement, company administration or business finance.

In conclusion

Business restructuring support can flip the fortunes of a business for the better by strategically structuring the operational set-up of the company. By finetuning how the company functions, the company can operate at the height of efficiency, which means less financial wastage.

As the rising cost of doing business directly fuels corporate insolvencies, businesses must brace themselves for a further increase in overheads as tax rises and US tariffs come into effect. ●

AI in the world of financial crime

Henry Wyard explains how AI can help accountants to become aware of financial crime, and the role it can play in tackling it.

Henry Wyard
Senior Policy Analyst, Themis

In October last year, I had the pleasure of writing in *International Accountant* magazine about the potential that artificial intelligence (AI) has to transform the way in which organisations protect themselves, their economies and their societies from financial crime. In that article (see tinyurl.com/3twef2br), I outlined the key capabilities of AI technology, which give it such promise for new anti-financial crime applications.

But some questions were left unanswered. How are organisations endeavouring to transition from promise to practice? How are those responsible for anti-financial crime efforts – from leaders of regulated businesses to directors of law enforcement agencies – hoping to turn the transformative potential of anti-financial crime AI into reality?

The results of our survey

To answer these questions, we at Themis, a global financial crime research and technology specialist, launched a survey of CEOs, boards and executive leadership teams (across industries, in public and private sectors) to find out how they are approaching the evolving role of AI in anti-financial crime.

Responses to this survey underpin our latest report, 'AI in anti-financial crime: the state of adoption in 2025'. We posed nine questions to a hand-selected sample of 74 organisational decision-makers in jurisdictions across the globe, assessing the current rate of adoption of AI, uncovering specific needs in this domain, and identifying emerging trends that will likely shape the future of the use of AI in anti-financial crime practices.

Our analysis of responses revealed three key findings about the current role of AI in anti-financial crime practices:

1. A wave of AI adoption for anti-financial crime is coming to many businesses, if it has not already hit.
2. Many senior leaders understand the opportunities that AI presents for their organisation's anti-financial crime practices and are prepared to take advantage of them.
3. While organisations perceive some barriers to adoption, many of these can be fully overcome, while others can be largely mitigated.

What do these findings mean in detail? Let's unpack them.

A wave of AI adoption is coming

According to our respondents, AI plays a limited role within their current usage of anti-financial crime and compliance technology, with 69% of

those surveyed not currently using AI for these purposes. This appears set to change rapidly in the next few years – 51% of respondents not currently using AI stated that they will acquire AI within the next three years; and over 80% of respondents plan to have acquired new AI-driven anti-financial crime systems by 2030.

The backdrop to this is the fact that legacy technology presents challenges to organisations. Existing technology systems were cited by 39% of respondents as a significant obstacle to effective anti-financial crime and compliance – but more than three quarters of these respondents do not currently use any AI.

If, therefore, AI can resolve the issues that limit the effectiveness of legacy technology systems, it will revolutionise a key problem area in anti-financial crime.

Judging by responses from the organisations that do have AI-enabled anti-financial crime systems, this potential is already being realised. Respondents who do use AI tools stated that their organisations use AI in eight separate categories of activity that cover the full range of anti-financial crime and compliance processes, including Know Your Client and due diligence checks, adverse media screening, customer risk scoring and investigations.

This all suggests that while AI may not currently be used very widely in anti-financial crime and compliance, it is being used in a rich variety of ways, with AI tools already in use for a diverse set of different processes across financial crime and compliance practices. Future implementation of AI therefore has the potential to be carried out broadly, across different areas of organisations and different compliance processes, rather than narrowly, in a limited domain of activity.

This is good news for organisations – a 'cross-functional' model of AI implementation was described in the *Harvard Business Review* in 2019 as a key method to achieving the biggest impact from AI adoption (see tinyurl.com/3dy8r5fv).

Senior leaders are ready

The survey's second key finding is that many senior leaders understand how AI can improve and innovate across anti-financial crime practices.

85% of respondents believe their leadership has at least an intermediate understanding of AI's risks and opportunities for anti-financial crime, with 50% rating this understanding as somewhat or extremely high. Although these ratings were largely self-reported by senior leaders, and should be treated with a degree of caution, at the very least they underline that the leadership of many organisations are actively considering AI for anti-financial crime.

But what AI solutions do senior leaders want? By a significant margin, the most common reason that respondents gave for why they would procure new AI technology was 'to save time and cut costs'. Respondents saw AI as presenting their organisations with the opportunity to develop cheaper and better solutions to the existing challenges they face; in particular, the significant challenges they face from outdated legacy technology.

Respondents also highlighted AI's potential to develop entirely new capabilities in financial crime investigation and analysis, with AI unlocking pathways for organisations to innovate, as well as improve, their processes. The desire for new capabilities appears to be driven by an understanding that the risk landscape is rapidly evolving; the second most common reason for procuring new AI technology was 'to deal with new types of risk', many of which will also be AI-powered (see tinyurl.com/2p9j5kna).

The adoption of AI for anti-financial crime purposes will, therefore, be driven by a mixture of a desire to improve existing processes and a need to develop new capabilities. Although

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> **The most significant concern respondents had regarding AI tools for anti-financial crime purposes concerned reliability and accuracy.**

the procurement of AI was most commonly seen by respondents as of medium priority to their organisations, the urgency of AI adoption will likely be greatly increased as the 'new types of risk' that participants identified as a motivating factor become more prevalent and sophisticated.

Perceived barriers to adoption can be overcome

Despite the optimism around the potential for new transformative tools, organisations still perceive significant barriers to adopting AI for anti-financial crime. Broadly, perceived barriers can be split into three categories:

- issues inherent in AI technology;
- the organisations' own approach to and use of AI; and
- regulatory concerns, particularly ongoing uncertainty about regulators' approaches to AI's application in anti-financial crime.

The most significant concern respondents had regarding AI tools for anti-financial crime and compliance purposes concerned reliability and accuracy. Given the serious and highly sensitive nature of many anti-financial crime processes, these issues are crucial, and are being addressed within global efforts to build trustworthy AI systems (see tinyurl.com/2f82wkfe). While some respondents additionally expressed doubts that the costs of new AI technology would be justified by the benefits, it must be noted that much research, such as a 2024 whitepaper published by academics at the University of Strathclyde, has found that AI can deliver 'greater efficiency at reduced costs for organisations' financial crime risk management (see tinyurl.com/4b9kpcxx).

Issues within organisations related to a lack of awareness and knowledge concerning AI for anti-financial crime. 45% of respondents cited knowledge gaps among staff as a major obstacle for their organisations procuring new AI tools; this was a far more significant issue for our research population than AI scepticism, which only 16% identified as a concern.

Regulatory uncertainty was another key concern, with over a third of respondents citing this as a barrier. Notably, this concern was shared by both those with self-professed high AI literacy and those with moderate to low understanding. This has some justification: regulatory frameworks for AI are still in their infancy, with many jurisdictions lacking comprehensive legislation to govern AI usage. Nevertheless, the principles of AI regulation have been articulated well; the UK regulatory principles outline clearly the areas to be addressed (see tinyurl.com/46hzdws8), while regulators like the Financial Conduct Authority have driven forward initiatives to propel the development and adoption of new AI tools (see tinyurl.com/y9s6hxna).

As the regulatory and technology landscapes continue to develop, many of these issues will quickly be overcome. While some of the more existential concerns around AI (e.g. the trustworthiness of AI tools) may expected to remain for the long term, they should not be seen as fundamental barriers to adoption. By building familiarity with existing and developing AI applications for anti-financial crime, organisations can position themselves to take advantage of the many new opportunities they are presented with.

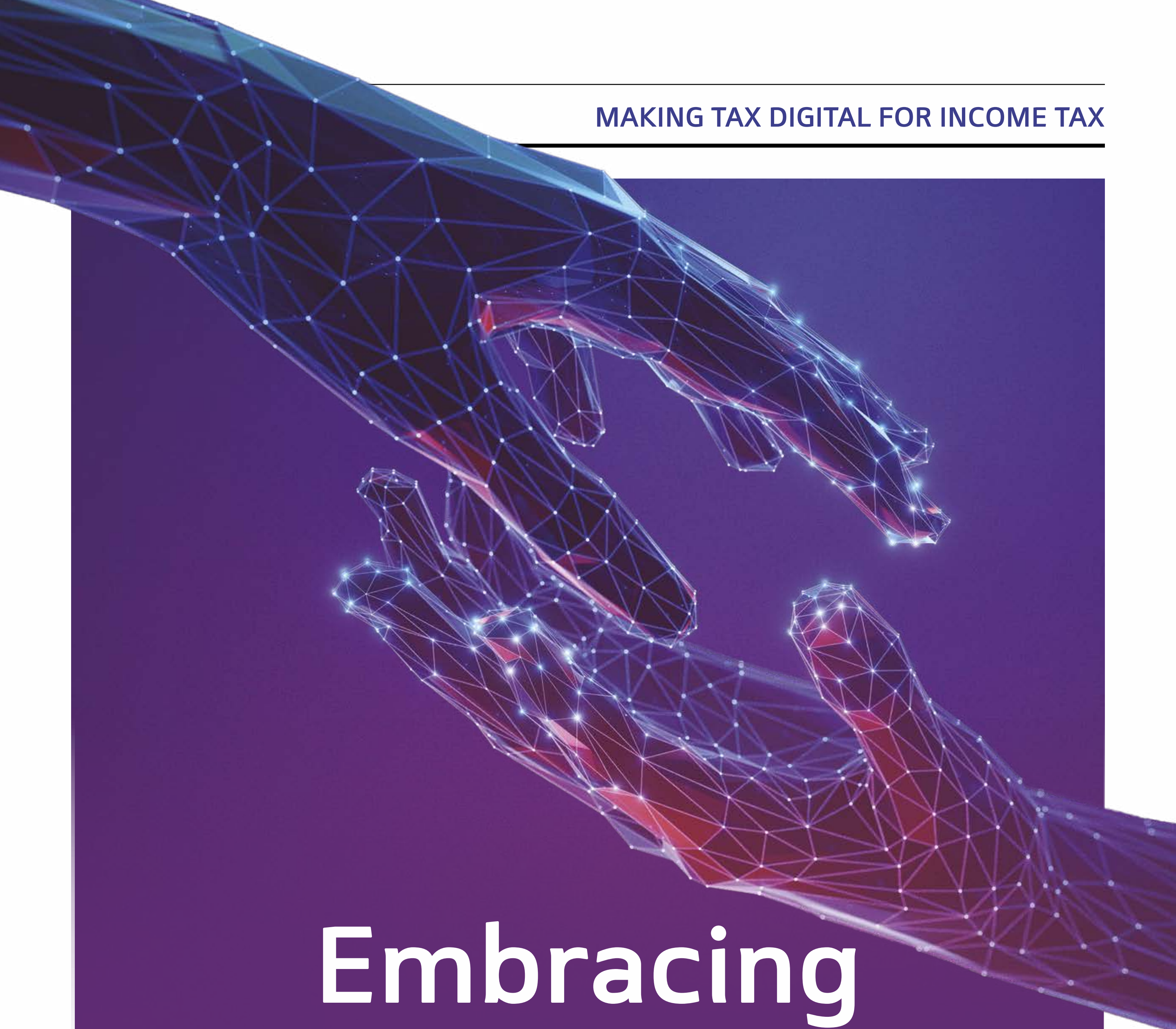
What should organisations do next?

So, what actions should organisations take in response to these findings? Our report, which can be accessed for free via www.wearethemis.com/uk/resources/reports/ai-in-anti-financial-crime-2025 contains 10 key recommendations to guide those looking to apply AI in their anti-financial crime practices.

But to end with an overarching recommendation, I'll briefly set out Themis's own approach to applying AI in anti-financial crime. We start from a 'problem-first' perspective, combining the knowledge of our human financial crime experts and compliance practitioners, who have lived and breathed the challenges that organisations face when confronting financial crime risk, with groundbreaking AI capabilities delivered by our development team. The blending of human and artificial intelligence allows us to build solutions that make a meaningful difference in the fight against financial crime (see tinyurl.com/a65sxfb3).

The principles of our approach, which applies human expertise and advanced AI to develop solutions targeted at the core needs of organisations facing financial crime risk, are applicable to many others. This survey underlines that we stand at a critical juncture in the progression towards an AI-enabled anti-financial crime future: now is the time to move from recognition to action, from being aware of AI's potential to adopting it in practice.

Our efforts to reach out to business leaders were kindly supported by the AIA; we extend our sincere thanks for their generosity in sharing the survey with member organisations.



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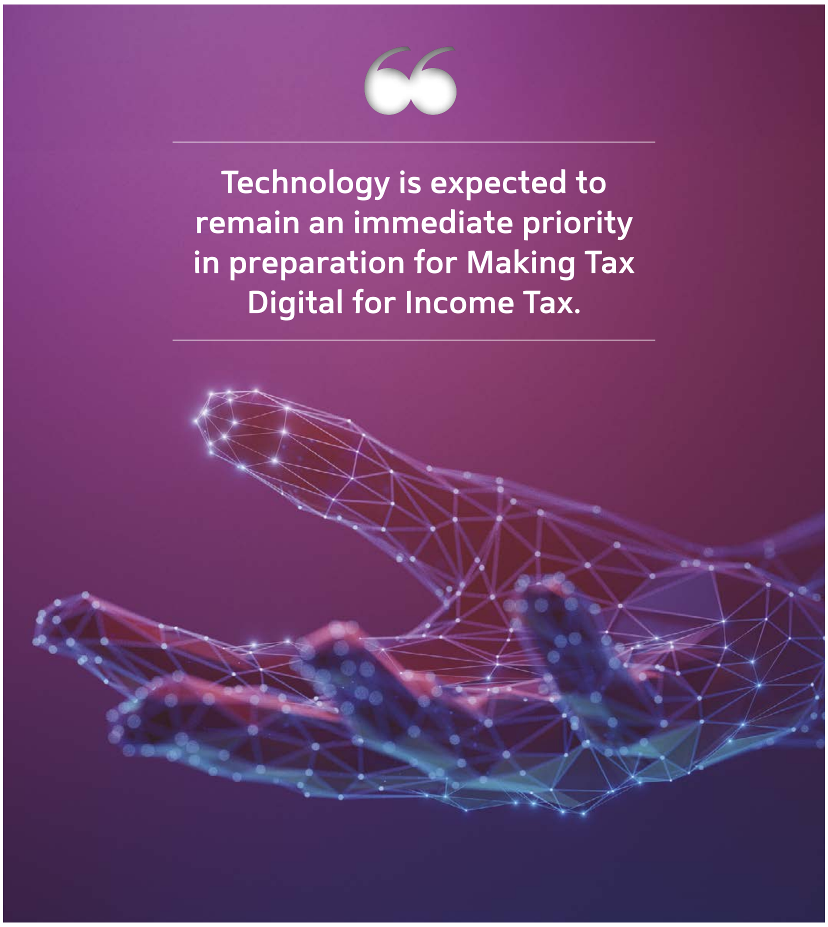
Embracing digital processes

Accountancy practices are optimistic about Making Tax Digital for Income Tax – but are they ready? *Kate Hayward* reports.

Kate Hayward
UK Managing Director, Xero

The past year has been a strong one for UK accountants and bookkeepers. Our Accounting and Bookkeeping Industry Report 2025 revealed that nearly four in five (79%) reported increased revenue compared to the prior year, while 74% saw increased profits (see tinyurl.com/4uuv4fss). Overall, practices are healthy and thriving, successfully growing both the top and bottom line.

Much of this has been driven by the evolving role of accountants and bookkeepers, who are striving to go beyond the numbers and do more to support their small business clients. Our research shows that while bookkeeping remains a core and lucrative offering, advisory services are becoming increasingly important and account for nearly a third (32%) of revenue.



As small businesses navigate an uncertain environment and an increasingly complex regulatory landscape, accountants and bookkeepers are key trusted advisors offering proactive tailored support – from financial planning to cash flow forecasting, tax strategy and scenario planning.

This move is paying off. Nearly half (49%) gained new clients and practices have grown their client base by 15% on average, with sole practitioners and small practices seeing a slightly larger increase than medium and large practices. In an increasingly competitive landscape, practices that prioritise client relationships and build human-to-human connections are doing particularly well. 73% of those with a relationship-led approach say client relationships are a key reason for practice growth.

Technology is doing more of the heavy lifting

Some of this momentum is powered by technology. More than two in five (42%) practices cite adopting new tools or software as one of the most significant changes in their practice in the past year. This may help them serve a growing number of businesses with complex needs by automating processes, improving efficiency and expanding service offerings to provide value.

Cloud adoption, in particular, is making an impact. Users report benefits ranging from improved workflows and simplified billing to better client experiences and greater job satisfaction. Among surveyed cloud users, 87% report improved client satisfaction, and 86% of users say that it has freed up time to focus on growth.

That said, there's still room to increase usage. While most practices (86%) are using cloud technology with at least one client, only 59% of total bookkeeping is currently done in the cloud. Even fewer are making full use of automation and third-party app integration. While it can be challenging knowing where to start, understanding how technology can be implemented and the potential efficiencies it can drive will help to deepen adoption.

The use of technology creates efficiencies, which in turn leads to benefits for practice and their staff. Among practices who say they've become more efficient, 41% reported delivering greater quality of work, 39% cited increased productivity and 36% saw profit gains.

There are also cultural benefits that come along with achieving efficiencies too. A quarter of those surveyed (25%) report better employee wellbeing or morale, while others have used the time saved to upskill or improve their work-life balance. Those that lean into digital tools, particularly for client work and practice management, are becoming more efficient, resilient and client focused.

Preparing for Making Tax Digital for Income Tax

Looking ahead, technology is expected to remain a key focus – both as a continued driver of growth and as an immediate priority in preparation for Making Tax Digital for Income Tax (MTD for IT) (see tinyurl.com/3z4ue4zj).

From April 2026, digital record keeping and quarterly submissions will become mandatory for self-employed businesses and landlords earning over £50,000 a year. It's a major shift that will impact practices and their clients in equal measure. The good news is that 75% of the profession feel positive about MTD for IT, believing that it will benefit both their practice and/or clients.

Rather than seeing MTD for IT as a burden, many practices are viewing it as a timely nudge towards digital processes. More than four fifths believe it will lead to happier clients (81%) and new clients (82%). The perceived benefits for their clients are also clear. According to those surveyed, the main benefits of MTD for IT on

Making Tax Digital for Income Tax

Making Tax Digital for Income Tax (MTD for IT) will help sole traders, landlords and their accountants and bookkeepers to stay on top of their tax affairs. This is done by using compatible software to keep up to date digital records and send closer to real-time updates of income and expenses to HMRC each quarter.

You or your client will need to use MTD for IT to:

- create, store and correct digital records of their self-employment and property income and expenses;
- send their quarterly updates to HMRC; and
- submit their tax return and pay tax due by 31 January the following year.

Your clients will need to use MTD for IT if they are a sole trader or a landlord registered for self-employment; and with qualifying income of more than £20,000 based on their gross annual income from self-employment and property (before expenses, allowances and tax deductions).

When they need to start using MTD for IT depends on their qualifying income within a tax year. If their qualifying income is over:

- £50,000 for 2024/25, you will need to use it from 6 April 2026;
- £30,000 for 2025/26, you will need to use it from 6 April 2027; and
- £20,000 for 2026/27 year, the government has set out plans to introduce legislation to lower the qualifying income threshold.

MTD for IT as an accountant

1. **Work out your client's qualifying income:** Find out what is included in your client's qualifying income for MTD for IT to check if they need to sign up.
2. **Find out if and when your client needs to use MTD for IT:** Check if your client needs to use this service to report their self-employment and property income, and use HMRC's online service to find out when they need to start.
3. **Create an agent services account:** You will need an agent services account to use MTD for IT. Find out how to create an agent services account with HMRC if you do not have one.
4. **Get compatible software:** Find out about the software options from different providers available for MTD for IT and how to choose the right software for your client's needs. Remember to get authorised by your client first and connect your existing HMRC online services account to your chosen software.
5. **Sign up your client for MTD for IT:** Find out what tasks you need to complete before you sign up your client. This includes getting your client's permission and authorisation. You will need to use your agent services account to get authorisation before you sign up your client for MTD for IT.
6. **Use MTD for IT:** Find out what you need to do after you have signed up your client and the different tasks you and your client need to do over the tax year. These include creating and storing digital records, sending quarterly updates and what to do if your circumstances change.

small businesses include improved accuracy in tax reporting (46%), streamlined processes and increased efficiency (43%), and simplified tax compliance (42%).

However, of those planning to offer MTD for IT services, only 36% feel 'fully prepared'. Nearly half (46%) feel 'adequately prepared', hinting that they still have some way to go in getting ready for the transition.

Practices will benefit from thinking about the end-to-end process for MTD for IT – everything from the initial data collection through to the final submission. It will also be important for accountants and bookkeepers to consider factors like how they are going to communicate or educate their small business clients on the changes or how internal workflows or processes will be optimised.

With finite time and resources available, there's also likely to be a shift towards a more collaborative way of working – moving towards a situation where clients take on elements of digital record keeping and accountants and bookkeepers support them with some of the complex tasks and preparing and submitting the final declaration.

An opportunity to lead

Ultimately, MTD for IT will give the industry an impetus to adapt. It's an opportunity to raise the bar across the accountancy profession and create additional value for practices and clients. Many will find new and innovative ways to create opportunities from the change and make the accountant, bookkeeper and small business relationship even stronger.

It's also worth remembering that the industry is already in a strong position. Accountants and bookkeepers have repeatedly shown that they can adapt and lead clients through change. The upcoming reforms are no different. By focusing on getting ahead of the regulatory curve and using technology to its full potential, practices will be able to unlock new ways to deliver value to small businesses and remain competitive. ●

Author bio

Kate Hayward leads Xero's business in the UK, playing an active role as an advocate for its customer community.

FEATURE EVENT

What the Employment Rights Bill means for you and your clients
Date: 05 June 2025
Time: 10.30 – 11.30
Venue: Online webinar
Speaker: Amanda Chadwick

Get ready for one of the most important employment law updates in recent years.

Join renowned speaker and employment law expert Amanda Chadwick for an essential and engaging session on the Employment Rights Bill and its far-reaching implications for businesses and advisers alike.

What we'll cover:

- a breakdown of the Employment Rights Bill, part of the government's 'Plan to Make Work Pay';
- key reforms in five major areas: enhancing existing rights, pay, time off, contracts, equality and harassment;
- the latest tribunal statistics and societal trends, and what they mean for your role; and
- how upcoming changes will affect every business in the UK and what accountants need to know to advise confidently.

With over 200 amendments already made and the Bill still under review in the House of Lords, now is the time to get up to speed. Most changes are expected in 2026, but some could come into force this year.

Accountants are the first port of call for every business. This webinar will give you the clarity and confidence to navigate the changes ahead. Expect clear, practical explanations from Amanda that make the changes easy to understand and apply.

Amanda Chadwick is a highly respected and in-demand speaker, presenter and commentator, known for her expertise in employment law, health and safety, employee wellbeing and workplace culture.

With over 30 years' experience advising and training HR professionals, business leaders and directors, Amanda brings a wealth of knowledge and an engaging delivery style that makes complex topics clear, relatable and actionable. She has worked with organisations of all sizes across the UK and globally, providing guidance on everything from mental health and the menopause to the latest legislative changes.

Amanda is also a trusted voice on podcasts, webinars and panel discussions. She regularly speaks on key issues shaping the modern workplace, including International Women's Day, women's rights, societal change and the future of HR. Dynamic, knowledgeable and passionate, she is known for inspiring audiences while helping them to stay informed, compliant and confident in the fast-changing world of work.

OTHER UPCOMING WEBINARS

AIA Hong Kong Branch Annual Dinner and AGM 2025
Date: 20 June 2025
Time: 18.30 – 00.00
Venue: The Cityview

Founded in 1973, the first overseas branch of AIA will celebrate its 52nd Annual Dinner on 20 June 2025. You are cordially invited to join the AIA Annual Dinner and AGM. The event enables all members to further develop fellowship amongst other AIA members in Hong Kong, as well as with an opportunity to meet guests and friends socially.

Members are very welcome to donate prizes for the lucky draw or table prizes for the dinner.

Accountants, We Care: Part 2 | Hong Kong
Date: 24 June 2025
Time: 18.30 – 20.30
Speaker: Dr Liu Kwong Sun

As members are facing increasing stress and anxieties, AIA – alongside a number of other associations – are joining hands again to present 'Accountants, We Care' stress management sessions for accountants to learn how to enhance their own wellbeing and performance, as well as those of friends and families.

During the event Dr Liu Kwong Sun will discuss 'Better emotional quotient – living a fulfilling and successful life'.

What AI can facilitate the daily work of accountants and internal auditors?
Date: 4 July 2025
Time: 12.30 – 14.00
Speakers: Jeffrey Hau and Stephanie Leung

A webinar introducing different technologies, including a demonstration of Microsoft Copilot on different cases, and process mining technology. During the session Jeffrey and Stephanie will:

introduce different technologies and Microsoft Copilot;
provide a demonstration of Microsoft Copilot on different cases; and
demonstrate process mining technology.

CPD ON DEMAND

Have you missed out on AIA's recent CPD Webinars?

Our on demand content is delivered by industry experts and leading professionals, giving you the flexibility to learn and develop your skills where and when suits you best. Each webinar is worth one verifiablae CPD unit and can be purchased through the AIA shop. The following content is available now:

- Basis period reform for SA and IT rules
- Artificial intelligence: is your practice ready?
- Anti-money laundering and crime update
- Preparing cash flow statements
- Tax updates (Malaysia)
- Communication skills for accountants

Login to your AIA online account and choose 'Shop' from the My AIA menu.

INTERNATIONAL

The Inter-American Development Bank and IFRS Foundation promote the adoption of Sustainability Disclosure Standards

The Inter-American Development Bank (IDB), IDB Invest and the International Financial Reporting Standards (IFRS) Foundation have formalised a strategic partnership to promote the adoption and implementation of the IFRS Sustainability Disclosure Standards across Latin America and the Caribbean.

The agreement has the goal to accelerate the adoption of these Standards in the countries of the region and to guide the private sector in the implementation process. It launches an action plan with tools that include knowledge sharing, capacity building and policy engagement.

The IFRS Sustainability Disclosure Standards – developed by the International Sustainability Standards Board (ISSB) – provide a global baseline for the disclosure of sustainability-related risks and opportunities for capital markets, focusing on investor needs.

The partnership, formalised through a Memorandum of Understanding, comes at a pivotal moment of growing momentum around the adoption of the IFRS Sustainability Disclosure Standards in Latin America and the Caribbean. It focuses on three areas:

- Knowledge sharing: Developing a policy paper on the benefits of adoption, piloting a self-assessment tool for private banks.
- Capacity building: Supporting regulators through the IDB and private institutions through IDB Invest to strengthen sustainability and climate-related risk disclosures.
- Advocacy and policy engagement: Providing technical assistance and policy dialogue to help countries adopt and implement the IFRS Sustainability Disclosure Standards.

Through this collaboration, the IDB, IDB Invest and the IFRS Foundation will work with public and private stakeholders to build capacity, address local needs and promote regulatory alignment. The IDB is also aligning its own disclosures with IFRS Standards through a multi-year roadmap.

Ilan Goldfajn, IDB President, said: 'The IFRS Standards help issuers, investors and regulators to make informed decisions and align incentives. Transparency builds trust. This partnership is about accelerating the adoption process across the region and help in its implementation.'

Michel Madelain, IFRS Foundation Managing Director, said: 'Public authorities across Latin America and the Caribbean have signalled their belief that IFRS Sustainability Disclosure Standards can help to strengthen capital markets, enhancing transparency and understanding around sustainability-related risks and opportunities. Our partnership with the Inter-American Development Bank Group, will deliver to these markets critical support to benefit from the full potential of effective sustainability-related disclosure in the region.'

The Inter-American Development Bank (IDB) is devoted to improving lives across Latin America and the Caribbean, working works with the region's public sector to design and enable impactful, innovative solutions for sustainable and inclusive development in 26 countries.

IDB Invest is a multilateral development bank committed to promoting the economic development of its member countries in Latin America and the Caribbean through the private sector. It finances sustainable companies and projects to achieve financial results and maximise economic, social and environmental development in the region.

INTERNATIONAL

IFAC and PAFA expand capacity strengthening in Africa with a $1 million grant from the Global Fund

Building on the success of pilot programmes in Burkina Faso and Ghana, the International Federation of Accountants (IFAC) is expanding its efforts to strengthen public sector accountancy in Africa with the support of a $1 million grant from the Global Fund with private sector support. Over the next two years, the programme will continue activities in Burkina Faso and Ghana and expand to Tanzania and Togo. IFAC, with the help of the grant and its long-time collaborator in the region, the Pan African Federation of Accountants (PAFA), will strengthen professional accountancy organisations, develop the public sector accountancy workforce, and improve public financial management systems in all four countries.

IFAC announced the grant at the Annual General Meeting of the PAFA General Assembly held alongside the Africa Congress of Accountants 2025 in Kigali, Rwanda. This initiative contributes to the work of the African Professionalisation Initiative (API), a continent-wide partnership between the accountancy profession, accountants general and Supreme Audit Institutions. The API aims to provide the tools needed to professionalise the public sector accountancy workforce across Africa.

Lee White, IFAC Chief Executive Officer said: 'This grant, with the implementation support of our partner PAFA, will allow us to continue to address the shortage of qualified professionals in the public sector by developing and implementing comprehensive and sustainable training programmes that build technical expertise, ethical standards and leadership skills. Professionals with this background contribute to better public financial management and they're leaders in the fight against corruption on the continent.'

Alta Prinsloo, PAFA Chief Executive Officer said: 'The success of our initiatives in Burkina Faso and Ghana demonstrates the impact that can be achieved when local leadership, a strong continental partner like PAFA, and a global body like IFAC work together. With support from the Global Fund, we are well positioned to expand this collaborative model to Tanzania and Togo – strengthening public financial management and ultimately creating sustainable value for the citizens of Africa.'

The expanded programme will focus on strengthening national professional accountancy organisations in Tanzania and Togo, embedding professional learning programmes, and enabling public sector institutions to recruit and retain qualified professionals who can lead on integrity, performance, and good governance.

More global companies seek assurance on sustainability reporting

Almost three in four of the largest global companies have sought assurance on some aspect of their sustainability disclosures, according to an updated report from the International Federation of Accountants (IFAC), the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA). The study marks the fifth annual benchmark that now includes 2023 data.

73% of large companies from G20 countries obtained assurance on their sustainability disclosures in 2023, up from 69% the previous year, according to the report, 'The state of play: sustainability disclosure and assurance'. Five years ago, that number stood at 51%. Most of the assurance then and now is of limited scope.

Audit firms – as opposed to consultants or other service providers – continue to lead (55%) in providing assurance on sustainability disclosures by large global companies, with broad variations country to country. Audit firms' overall share of the market declined from 58% in 2022, although there are mitigating factors for the drop, including:

- Consolidation of reports: In the European Union, where audit firms historically provide the majority of sustainability assurance, firms began issuing a single assurance report instead of a series of separate ones, lowering the raw number of reports issued, albeit for an increased number of assurance clients.
- Consultants and non-audit firm service providers are more likely to issue multiple greenhouse gas-related assurance reports (for example, an average 2.5 assurance reports were generated per company in South Korea during 2023).
- When companies obtain assurance for the first time, they typically focus on greenhouse gas-related information and start by engaging other service providers who specialise in that area.

The report notes the increased use of audit firms over the prior year in several major markets in 2023, including Singapore (+6 percentage points), South Africa (+4), the United Kingdom (+5) and United States (+5). In the latter instance, audit firms' share of sustainability assurance rose from 23% to 28%.

'Auditors have extensive education requirements, adhere to strict independence rules and possess a deep and holistic view of an organisation's business, processes and risk profile,' said Susan Coffey, CEO of public accounting for AICPA and CIMA. 'That makes them ideal candidates to perform sustainability assurance engagements, and we're seeing many boards and audit committees endorsing that view as corporate reporting matures.'

More than three-quarters of companies now report sustainability information with financial disclosures in annual or integrated reports. Organisations that include sustainability information with their annual or integrated reports overwhelmingly use their statutory auditor to provide assurance over those disclosures.

UK AND IRELAND

FRC publishes stakeholder insights on future of UK digital reporting

The Financial Reporting Council (FRC) has unveiled insights from its discussion paper on 'Opportunities for future UK digital reporting', revealing stakeholder support for digital reporting and the collaborative approach needed to address the challenges in the next phase of digital reporting in the UK.

The discussion paper reflects responses received during a feedback period which gathered perspectives from preparers, regulators, software vendors and other stakeholders on how to shape the future of digital reporting in an EU-exit environment and in light of new legislation, such as the Economic Crime and Corporate Transparency Act 2023.

Key findings include:

- strong support for ongoing collaboration between regulators and preparers to reduce complexity;
- calls for improved guidance and support materials; and
- a recognition of the balance needed between UK-specific reporting requirements and international comparability.

Mark Babington, Executive Director of Regulatory Standards at the FRC, said: 'The feedback clearly demonstrates that the digital reporting landscape in the UK is evolving, with stakeholders recognising both the benefits and challenges. As we enter a new phase of digital reporting in 2025, the FRC remains committed to enabling efficient, accessible digital reporting that serves the public interest while supporting UK economic growth.' The insights will inform ongoing development and technical approaches to digital reporting across UK regulatory bodies.

EUROPE

EIOPA surveys European insurers on their use of generative AI

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a new survey to assess the adoption of generative AI solutions across the EU's insurance sector. The survey will gather insights both on the current state of implementation and future plans, as well as the governance frameworks that undertakings are developing to address the specific characteristics of this emerging technology.

The rapid pace of digital innovation is changing the way that businesses operate, and the adoption of new technologies can have a significant impact on the insurance value chain. To keep pace with these fast-moving developments and make sure insurance supervisors can better take into account the sector-specific opportunities and risks that come with digitalisation, EIOPA is launching a market survey on generative AI. EIOPA has decided to focus specifically on generative AI, rather than on AI more broadly, in order to simplify the approach and given the technology's unique characteristics.

The survey aims to gather information about the extent to which insurance undertakings have implemented or are planning to implement generative AI solutions, whether and how these differ from their adoption of traditional AI systems and what governance and risk management measures they are taking to ensure a responsible use of the technology.

EIOPA intends to use the aggregated responses to the survey to help stakeholders have a clear view on the evolution of generative AI across the sector in the EU, and to enhance supervision by drawing on real-life experiences. By doing so, it aims to maintain robust consumer protection safeguards and promote better outcomes for consumers as insurers adopt novel digital technologies.

The survey on generative AI will be distributed to insurance companies via their National Competent Authorities.

EIOPA follows a comprehensive and balanced approach to simplification amid the push for competitiveness

The European Insurance and Occupational Pensions Authority has published its approach to supporting the objective of simplifying regulation and reducing administrative burdens for enhanced European competitiveness. To achieve a balanced and credible outcome, EIOPA calls for smarter, more harmonised regulation alongside more effective supervision at the EU level. This could create ideal conditions for European businesses to thrive in the Single Market while safeguarding consumer rights and maintaining financial stability.

Amid growing uncertainties and the emergence of a new geopolitical order, Europe must do more to foster a thriving and resilient economy while ensuring robust consumer protection and a level playing field for businesses.

EIOPA believes that simplification and burden reduction could be a meaningful catalyst for growth. Importantly, regulatory streamlining should aim at creating a stronger and more cohesive framework across the EU by eliminating unnecessary divergence across member states. Regulatory simplification must prioritise EU interests over national ones, preventing market fragmentation through a holistic, long-term approach. It should by no means result in a mere shift of the regulatory burden and lead to new national obligations springing up where EU requirements have been reduced.

However, regulatory simplification must also not come at the expense of effective supervision. Therefore, EIOPA will carefully evaluate what data is essential for supervisory work.

EIOPA supports regulatory initiatives that foster a more competitive EU economy in a balanced and sustainable way. Within its own remit and even prior to the Commission's initiative, EIOPA has been advancing regulatory simplification in all areas of its work by:

- shortening Solvency II guidelines;
- streamlining reporting templates and reducing data points for Solvency II reporting;
- introducing proportionality principles where possible;
- permanently reducing the frequency of stress tests for insurers and IORPs; and
- promoting the streamlining of requirements related to product disclosures, product design and sales processes.

On sustainability, EIOPA will support the Commission in simplifying Europe's sustainability reporting while ensuring that (re)insurers and pension funds access reliable and standardised data to manage climate risks.

To ensure a well-functioning single market, strong supervisory convergence is essential. In this context, a stronger mandate at the EIOPA Board level would help to reduce complexity and enhance efficiency. In specific areas, such as the supervision of cross-border undertakings, more consistent enforcement across jurisdiction could strengthen the overall effectiveness of supervision, promote a level playing field and lower administrative burdens, ultimately boosting competitiveness.

ESMA report shows increased data use across EU and first effects of reporting burden reduction efforts

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator, published the fifth edition of its 'Report on the quality and use of data'. The report reveals how the regulatory data collected has been used by authorities in the EU and provides insight on actions taken to ensure data quality.

The document presents concrete cases on data use ranging from market monitoring to supervision, enforcement and policy making. A recent example includes how ESMA reutilises existing data to support reporting burden reduction (i.e. use of Markets in Financial Instruments Regulation transaction data to perform the transparency and volume cap calculations).

The report highlights ESMA's Data Platform and ongoing improvements to data quality frameworks as key advancements in tools and technology for data quality. In addition, it contains other advances as:

- the data quality developments for datasets as the European Market Infrastructure Regulation Regulatory Fitness and Performance amendments go-live;
- the successful outcome of a newly implemented data quality framework on short-selling data; and
- the implementation of first steps in improving the accessibility and use of European Single Electronic Format data.

This edition also gives an overview of the sanctions imposed on reporting obligations, showcasing another tool that can be used as part of their supervisory and enforcement toolkit.

UNITED STATES

FASB issues a standard that clarifies guidance for identifying the accounting acquirer in a business combination

The Financial Accounting Standards Board (FASB) has published an Accounting Standards Update (ASU) that improves the requirements for identifying the accounting acquirer in FASB Accounting Standards Codification Topic 805, Business Combinations. The ASU is based on a recommendation of the Emerging Issues Task Force (EITF).

In a business combination, the determination of the accounting acquirer can significantly affect the carrying amounts of the combined entity's assets and liabilities.

The ASU will revise current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a variable interest entity that meets the definition of a business. The amendments require an entity to consider the same factors that are currently required for determining which entity is the accounting acquirer in other acquisition transactions.

'The new ASU is the first recommendation from the recently reconstituted EITF to be issued as a final standard, and we thank the group for providing a path forward in making financial reporting in this area more comparable and decision useful for investors,' stated FASB Chair Richard R. Jones.

FASB seeks public comment on proposal to improve accounting for debt exchanges

The Financial Accounting Standards Board (FASB) has published a proposed Accounting Standards Update (ASU) that would provide accounting guidance for debt exchange transactions involving multiple creditors. The proposed ASU is based on a recommendation of the Emerging Issues Task Force (ETIF).

Under current generally accepted accounting principles (GAAP), when an entity modifies an existing debt instrument or exchanges debt instruments, it is required to determine whether the transaction should be accounted for as:

- a modification of the existing debt obligation; or
- the issuance of a new debt obligation and an extinguishment of the existing debt obligation (with certain exceptions).

The proposed ASU would specify that an exchange of debt instruments that meets certain requirements should be accounted for by the debtor as the issuance of a new debt obligation and an extinguishment of the existing debt obligation.

The Board expects this would improve the decision usefulness of financial reporting information provided to investors by requiring that economically similar exchanges of debt instruments be accounted for similarly. It also would reduce diversity in practice in accounting for such debt instrument exchanges.

ASIA PACIFIC

MAS proposes to streamline prospectus requirements and broaden investor outreach channels for initial public offerings

The Monetary Authority of Singapore (MAS) is seeking feedback on proposals to streamline prospectus requirements and broaden investor outreach channels for initial public offerings (IPOs). These proposals seek to smoothen the listing process for issuers and widen options to reach out to potential investors.

These proposals fall into three main areas of focus.

- Streamlining prospectus disclosures for IPOs: For primary listings on the Singapore Exchange (SGX), MAS is proposing for issuers to focus on the disclosure of core information that are most relevant and material for investors. This will concentrate issuers' effort on disclosures that are most pertinent for decision-making by investors.
- Simplifying the process for secondary listings: For secondary listings on SGX, MAS is proposing to align disclosure requirements with baseline international disclosure standards which are already commonly adopted by most established markets, including Singapore. These simplified requirements allow issuers who already have primary listings elsewhere to use the same prospectuses with minimal adaptation for their secondary listing on SGX.
- Providing greater flexibility and scope for issuers to gauge investor interest earlier in the IPO process: MAS is proposing changes to existing legislation to allow issuers to gauge investor interest earlier in the IPO process. This will support bookbuilding efforts as well as give investors more time to familiarise themselves with the issuers and their intended offers.

MAS has considered feedback and suggestions from industry stakeholders in formulating these proposals, while also taking into account the requirements and practices of major equities markets.

The Singapore Exchange Regulation (SGX RegCo) is concurrently proposing reforms to streamline SGX-ST listing criteria. Together, MAS and SGX RegCo seek to be more facilitative of listings by issuers, alongside enhanced disclosures for investors.

They are part of the first set of measures proposed to strengthen the competitiveness of Singapore's equities market, as announced by the Equities Market Review Group on 21 February 2025. The Review Group will further study complementary measures, including those related to strengthening investor protection and sharpening listed companies' focus on shareholder value.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• Team restructured for better efficiency
• Team now handling clients so she can focus on strategy
• Bought and now renovating historic building for new offices
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