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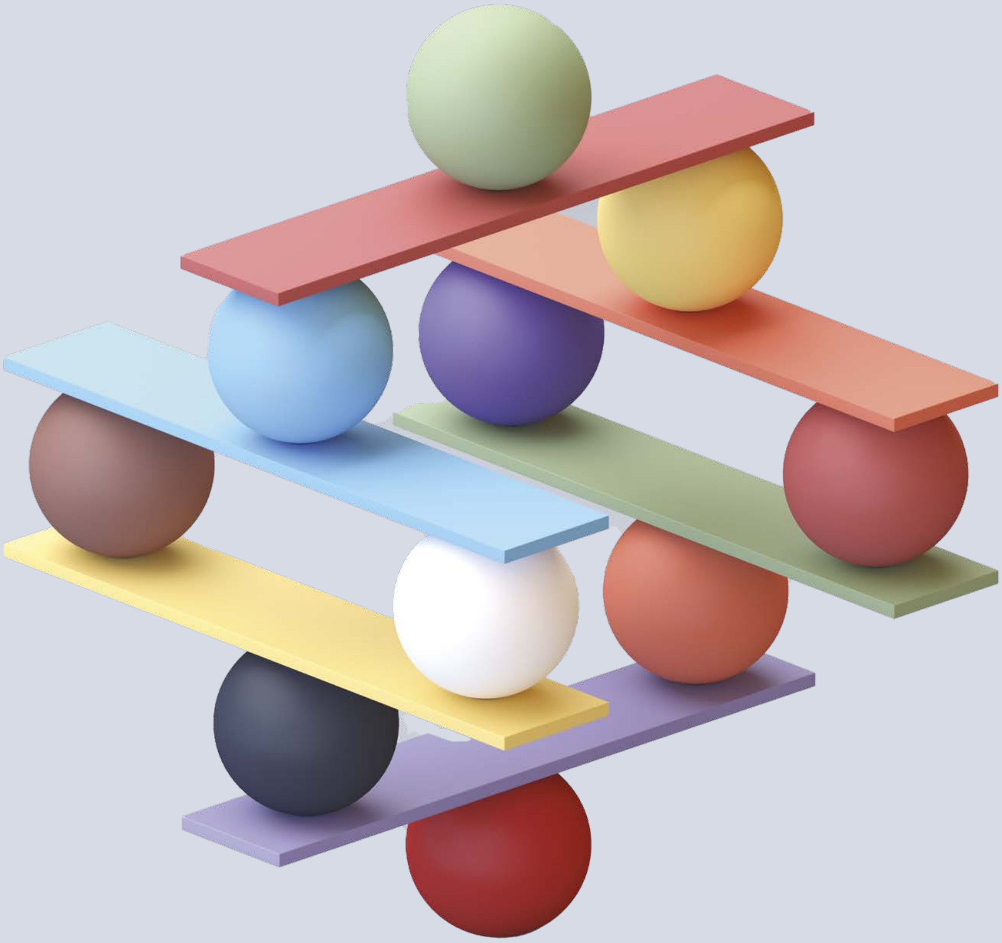

Anti-money laundering: the risks ahead for UK accountants

Budget 2025: the key tax and policy measures

Working with small businesses to close the financial skills gap

Interview with Linda Richards: accounting in TV is anything but boring!

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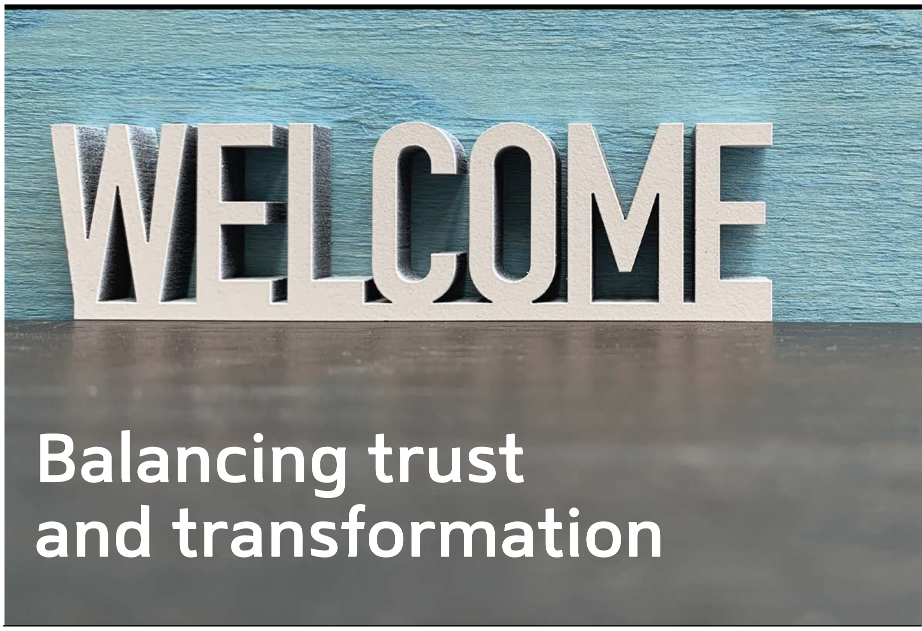

Balancing trust and transformation

Angela Partington Editor, IA

As we begin a year of profound transition in regulation, technology and practice, accountants again find themselves navigating the space between assurance and adaptation. This issue brings together features that reflect the profession's evolving role – defined as much by its ability to manage change as to measure it.

We examine the UK government's decision to transfer anti-money-laundering supervision from professional bodies to the Financial Conduct Authority. The AIA has warned that this shift could weaken rather than strengthen the system, replacing deep professional insight with centralised oversight. The debate encapsulates a central theme of our times: how to balance efficiency with expertise, and consistency with the contextual understanding that accountants bring to regulation. Reform must enhance trust – not compromise it.

Trust also underpins the work accountants do with small businesses, as Kate Hayward of Xero observes in her analysis of the financial skills gap. Many entrepreneurs feel confident about their finances, yet lack the knowledge to avoid costly mistakes. Accountants are ideally placed to bridge that gap, helping clients move from confusion to confidence by turning compliance into education and guidance into empowerment. Their role as translators of financial expertise has never been more vital.

Elsewhere, Eva Mrazikova considers the fast-approaching Making Tax Digital deadline – a milestone that remains a challenge for many firms but also an invitation to modernise. By approaching the transition proactively, practices can turn quarterly reporting into an opportunity for deeper engagement, efficiency and client trust. Likewise, Muhammad Bilal's exploration of the Declaration of Trust shows how technical understanding can be harnessed to deliver tangible fairness, helping couples to manage property income with clarity and compliance.

Edward Tran and Oliver Williams highlight the expanding scope of national security regulation – a reminder that due diligence now stretches beyond numbers to ownership, technology and ethics. And AIA Vice President Linda Richards offers an inspiring portrait of accounting in television: a creative, collaborative and ever-changing world that shows how financial stewardship makes even the most imaginative projects possible.

Finally, our Budget report assesses how fiscal policy is reshaping the environment in which accountants operate – from tax reform to growth incentives and investment priorities. Across every article, one message stands out: as regulation tightens and innovation accelerates, the profession's greatest asset remains its integrity. Accountants are not only interpreters of change – they are architects of the trust that makes progress possible.

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ASIA PACIFIC

Asia-Pacific compliance alert

Asia-Pacific regulators are reshaping the compliance agenda for 2026, with simultaneous reforms in anti-money-laundering, data protection and technology governance, as highlighted in Vinciworks 'The Asia-Pacific compliance outlook: Are you ready for 2026 regulations?'

Australia's forthcoming 'Tranche 2' anti-money laundering reforms (AML) will extend reporting and monitoring obligations to around 90,000 new entities – including accountants and law firms – bringing professional services firmly under AML oversight. At the same time, Vietnam's Personal Data Protection Law, India's Digital India Act and tougher enforcement in Indonesia and Thailand are embedding data governance and AI accountability across the region.

Cyber risk is rising up the agenda. Hong Kong and Singapore are implementing mandatory incident-reporting regimes, while regulators in China, Japan and Australia have issued guidance linking governance, digital resilience and financial integrity. For accountants, this means compliance is no longer confined to finance – it now covers data, cyber and board-level accountability.

With multiple reforms taking effect within 12 months, firms must map exposure, strengthen transaction and data-monitoring systems, and update training and audit trails.

In Asia-Pacific's fast-evolving compliance environment, proactive adaptation will define regulatory resilience in 2026.

RECRUITMENT

FRC warns of talent strain

The Financial Reporting Council's Key Facts & Trends in the Accountancy Profession 2025 shows the UK accountancy sector expanding but facing mounting structural pressures.

Membership of UK and Republic of Ireland (ROI) accountancy bodies rose 0.8% to 408,000 in 2024, while global membership reached over 623,000, up 1.1%. Yet the report warns that this steady growth masks a weakening talent pipeline: student numbers fell 0.3% in the UK and ROI and 0.1% worldwide, signalling future recruitment and succession challenges. Firms may soon find competition for new entrants intensifying, particularly across audit and advisory services.

The audit market continues to consolidate. The number of registered audit firms fell from 4,038 to 3,760. However, non-Big Four firms increased their FTSE 350 audit mandates from 41 to 48 – an encouraging sign that smaller and mid-tier players are gaining footholds in complex, high-profile work. Even so, the overall picture points to reduced capacity, heightened fee pressure and potential risk concentration within a smaller pool of firms.

Diversity and demographics remain mixed. Younger cohorts show improving representation by gender and ethnicity, but senior leadership lags behind broader workforce benchmarks. The FRC notes that the profession is ageing, underscoring the need for stronger succession planning and inclusive promotion pipelines.

For accountants, firms and regulators, the findings offer both reassurance and warning: growth persists, but the system that sustains it is under stress. Strategic investment in training, talent retention and diversity will be critical to maintaining the profession's long-term vitality. The FRC also calls for greater transparency around workforce data and clearer accountability, suggesting that firms which prioritise sustainable talent strategies will be best placed to thrive amid regulatory and market evolution.

UNITED STATES

FASB Updates US GAAP

The US Financial Accounting Standards Board (FASB) has issued a series of Accounting Standards Updates (ASUs) that will significantly reshape how companies apply US Generally Accepted Accounting Principles from late 2025. The revisions – covering credit losses, internal-use software and derivatives – will affect financial years beginning after 15 December 2025, meaning most calendar-year firms will adopt them from January 2026. While they apply only to entities reporting under US GAAP, the changes have cross-border implications for multinationals, auditors and advisers working with US subsidiaries or dual-listed groups.

ASU 2025-05 introduces a new approach to measuring credit losses on receivables and contract assets, easing the complexity of the current expected credit loss (CECL) model. It allows smaller or non-public entities to apply a simplified practical expedient that maintains transparency while reducing compliance costs.

ASU 2025-06 also modernises longstanding rules on internal-use software. It establishes a clearer threshold for when development costs can be capitalised, introducing a 'probable-to-complete' test to ensure that only viable projects are treated as assets. This change aligns US GAAP more closely with IFRS guidance, reflecting growing convergence between global accounting frameworks.

For global accountants, the updates underscore the need to reassess reporting policies, valuation models and technology project classifications. Early planning will help firms to navigate transitional differences and maintain comparability across jurisdictions as US GAAP continues its shift toward more principle-based, transparent reporting.

AIA NEWS

SCHOLARSHIPS

AIA scholarship programmes open for 2026

AIA has announced the reopening of its scholarship programmes for 2026, offering full financial assistance to students with strong career aspirations in accountancy or audit who wish to obtain the AIA professional qualification.

Carl Jepson, AIA Director of Sales and Marketing, said: 'Our goal is to make professional accountancy accessible to students from all walks of life. Through these scholarships, we are nurturing talent, building skills and shaping the next generation of leaders in the profession.'

The scholarship programme provides a great opportunity for fully funded professional study, and AIA welcomes applications from a diverse range of candidates. As part of the process, applicants are asked to submit a short essay responding to one of two questions: 'What would this scholarship mean to you?' or 'Why is a career in accountancy important to you?' Successful applicants will demonstrate a clear understanding of how they plan to develop their careers and make a positive contribution to the accountancy profession.

The deadline for applications is 28 February 2026.

RECOGNITION

AIA Chief Executive named in Top 100 Most Influential Membership Professionals 2025

Philip Turnbull

AIA is delighted to share that our Chief Executive, Philip Turnbull, has been recognised in the first-ever Membership World: Most Influential Membership Professionals 2025 list.

This new global index celebrates people making a real difference in the membership world. It highlights those who are inspiring change, strengthening communities, and giving their members more reasons to feel proud of the organisations they belong to.

Philip commented: 'I'm honoured to be included in this list alongside so many inspiring leaders from across the membership sector. This recognition is really about the work we've done together at AIA to support our members around the world. Our focus has always been on building a professional community that is inclusive, forward-thinking and truly international, and I'm proud of what we've achieved so far.'

For our members, it's a reminder that AIA is recognised far beyond accountancy. We are part of a wider conversation about how membership bodies can engage, innovate and support their communities, and our Chief Executive is right at the heart of that.

IFAC

AIA submits application for IFAC membership

The Association of International Accountants (AIA) has formally submitted its application for membership of the International Federation of Accountants (IFAC). The outcome of the process will be announced in November 2026. AIA Chief Executive Philip Turnbull said: 'This application reflects AIA's longstanding support for international standards and collaboration. We are focused on creating opportunities for members to engage internationally and to contribute to the profession through our shared values.'

INDIA

AIA at the 30th Indian Industry Partnership Summit

AIA was proud to participate in the 30th Confederation of Indian Industry (CII) Partnership Summit, held in Visakhapatnam, Andhra Pradesh. Representing AIA, David Potts,

Director of Policy and Regulation, emphasised the importance of international collaboration and the evolving role of the accountancy profession in shaping resilient economies.

Speaking at the summit, he said: 'Our participation in the CII Partnership Summit 2025 reinforces AIA's commitment to connecting members with global markets and advancing financial inclusion. Through international collaboration and innovation, we support the development of resilient economies, promote sustainable growth and open new avenues for our members.'

CPD

AIA partners with Learnsignal to expand online CPD options

learnsignal.

AIA is pleased to announce that Learnsignal has been added to our list of official CPD partners, providing members with additional high-quality resources to support their professional development.

Founded in 2014 and headquartered in Dublin, Learnsignal has become one of the world's leading online training providers for accountancy professionals.

With over 1,000 verifiable CPD hours and a library of more than 300 courses, it offers a diverse and flexible range of learning opportunities. Its courses are designed to be practical, engaging and easy to digest, helping accountants to upskill efficiently while keeping pace with industry developments.

Topics range from emerging technologies such as AI to essential professional skills like ethics, negotiation and client relationship management – content that covers a wide spectrum of knowledge areas relevant to today's accountants.

AIA members can now explore Learnsignal's extensive CPD library and begin earning verifiable CPD hours that count towards their professional development requirements.

AWARDS

AIA supports youth innovation at the Green Talent Awards 2025

AIA attended the Grand Finale of the JEL ISABC and Edupro Green Talent Awards 2025 at the University of Leeds. This global event celebrated young innovators tackling some of the world's most pressing sustainability and social challenges.

As a Green Ambassador for the awards, AIA reaffirmed its commitment to sustainability, ethical business leadership and empowering the next generation of changemakers. AIA Chief Executive Philip Turnbull served on the judging panel, drawing on his expertise in sustainable innovation and governance to assess a wide range of youth-led projects.

AIA was also represented by, Sharon Jandu OBE, AIA Lay Member, Managing Director of the NPH Ethnic Minority Business & Policy Forum and Founder of the Yorkshire Asian Business Association.

The Edupro Green Talent Awards is a pioneering initiative that empowers young people aged 16 to 32 to develop practical solutions to real-world environmental, social and economic challenges through case-based problem-solving mentorship, and recognition.

This year's competition attracted 156 teams from 20 countries, each presenting innovative solutions to drive global sustainability forwards.

AIA extends its congratulations to Team EcoSquires from the Philippines, winners of the 2025 competition, for their outstanding project EcoCycle.

Through its ongoing role as Green Ambassador, AIA continues to champion environmental awareness, promote responsible business practices and support young changemakers in becoming catalysts for global sustainability.

BUSINESS PROTECTION

BESPOKE Financial Wellbeing

AIA announces new business protection partner

AIA is pleased to announce a new partnership with Bespoke Financial Wellbeing, offering members access to expert advice and tailored solutions in business protection and continuity planning.

This partnership gives AIA members the opportunity to strengthen their own practices, while also enhancing the advice they offer to clients.

AIA members who would like to explore business protection for their firm or clients can go to: www.aiaworldwide.com/partner-pages/bespoke-financial-wellbeing or email Alex Head at alex@bespokefinancialwellbeing.co.uk.

AWARDS

AIA member firm celebrates double win at the 2025 Accounting Excellence Awards

AIA is proud to announce that member firm Euro Accounting has achieved a remarkable double victory at the 2025 Accounting Excellence Awards, winning both International Firm of the Year and Tax Team of the Year.

This recognition follows consecutive finalist nominations in 2022, 2023, 2024 and 2025, highlighting the firm's consistent pursuit of excellence and innovation in accounting and tax advisory. Competing against some of the most established names in the UK industry, Euro Accounting stood out for its cross-border expertise, strong client relationships and commitment to delivering high-quality, tailored solutions to international businesses and entrepreneurs.

Shabir Djakiodine, Founder of Euro Accounting, said: 'It's not just an achievement – it's a recognition of our commitment, expertise and passion for excellence in accounting and tax services. AIA has always been part of our journey, offering support, encouragement and visibility to our work throughout the years.'

AIA congratulates Shabir and the entire Euro Accounting team on their outstanding achievements and looks forward to supporting their continued growth and global impact.

SINGAPORE

AIA champions international cooperation to combat financial crime in Singapore

AIA reaffirms its commitment to global efforts against money laundering and financial crime at the ALB Pan-Asian Regulatory & Compliance Summit 2025 in Singapore. The summit was attended by Michael Chow, former AIA Council Member, UK Chartered Banker (LIBF) and prominent figure in the corporate advisory, banking and compliance sector.

The summit brought together leading voices in anti-money laundering (AML) and financial crime prevention, including T. Raja Kumar, 2022-24 President of the Financial Action Task Force (FATF) – the international watchdog combating money laundering and terrorism financing – and Elaine Dayanghiran, AML Officer at the United Nations Office on Drugs and Crime (UNODC).

Reflecting on the discussions, Michael Chow highlighted the urgent need for strong leadership, international cooperation and intelligence sharing to address emerging risks, particularly as cybercriminals increasingly deploy AI tools to carry out sophisticated online scams and fraud.

Michael Chow, who has an extensive background in trade banking, forensic investigation, risk management and governance, described the event as 'so much in alignment with AIA'.

He added: 'We all need to combat and prevent money laundering and proliferation financing. Professionals, institutions and agencies must share intelligence and provide technical assistance among themselves. Many lives have been destroyed by such horrendous crimes, and we all have a responsibility to act.'

This latest event in Singapore highlights AIA's ongoing dedication to providing its members with the knowledge and resources needed to combat financial crime in an era of increasing technological complexity and cross-border challenges.

REPORT

AIA publishes report of AML Activity 2024-25

AIA has published its 2024–25 professional body supervisor report, explaining the work carried out to ensure that accountants play an active role in preventing their services from being used to launder money or finance terrorism.

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

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

The report covers:

- AIA's role in tackling money laundering and terrorist financing;
- firms and individuals within scope of the regulations;
- monitoring and supervision activity;
- reporting of suspicious activity;
- whistleblowing and AML disclosures;
- emerging risks; and
- upcoming areas of focus and supervisory activity.

The report's publication follows the UK government's announcement on the outcome of its consultation into reform of the AML supervision framework, including its intention to create a Single Professional Services Supervisor (SPSS) for AML. See page 18 for a more in-depth report.

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AIA launches qualifications in India

AIA is expanding its global footprint with the official launch of qualifications in India.

The Association of International Accountants (AIA) has announced a major milestone in its global growth strategy, officially launching its qualifications in India through a strategic partnership with Kochi-based edtech provider Finprov Learning. This partnership reinforces AIA's mission to make high-quality, internationally recognised finance and accounting qualifications accessible to learners worldwide.

India – which is projected to contribute nearly 25% of the world's incremental workforce by 2030 – stands as one of the most dynamic and strategically important talent markets globally. AIA's expansion into this space reinforces its commitment to supporting the development of future-ready finance professionals equipped with the skills, confidence and global perspective required in today's interconnected economy.

Through this partnership, AIA will deliver a suite of internationally benchmarked programmes designed to enhance financial fluency, improve employability and create clear pathways for global career mobility. Finprov, with its strong local expertise, tech-enabled learning infrastructure and impressive 90% placement success rate, will act as an approved AIA study partner in India.

AIA has initially launched its Certificate in Business Finance – a qualification created to bridge the gap between academic theory and practical, real-world business finance skills.

The rollout will begin in Kerala and Bengaluru, with plans to expand nationally in subsequent phases.

David Potts, AIA Director of Policy and Regulation, highlighted the strategic importance of the launch: 'With AIA's global heritage and Finprov's local expertise, we are shaping the next generation of finance leaders in India. This collaboration enables us to deliver global-quality learning and qualifications with confidence, ensuring learners are equipped for the dynamic demands of modern finance.'

Nicola Perry, AIA Chief Operating Officer, emphasised the value this partnership brings to aspiring professionals: 'AIA is committed to providing accessible, globally relevant qualifications that genuinely transform career prospects. Our partnership with Finprov ensures that students and early-career professionals across India can access world-class finance education, bridging the gap between academic learning and real-world business finance skills.'

CA Anand Kumar, Founder and CEO of Finprov Learning, stated: 'With a 20% compound annual growth rate in demand for global finance certifications and India's workforce expanding at unprecedented scale, this collaboration comes at the right time. By combining Finprov's market understanding with AIA's international standards, we are preparing learners for a global future, while also strengthening India's financial workforce.'

AIA extends thanks to everyone who made the official launch in India such a success. David Potts and AIA Council Member Sharon Jandu were warmly welcomed to Bengaluru and Kochi, where they met with Finprov Learning's leadership and partners. The launch events were a great success, reflecting the strong interest in globally recognised qualifications and the shared commitment to developing India's finance talent.

We are grateful for the support and hospitality shown throughout the visit and look forward to working with Finprov Learning to inspire and empower India's future finance leaders, strengthening the profession and expanding opportunity across one of the world's most important emerging markets.

The importance of free cash flows

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We explain how free cash flow to the firm is used to determine a company's intrinsic value, along with an example of free cash flow-based valuation methods in practice.

In corporate finance, company valuation is a fundamental topic that frequently appears both in exams and real-world applications. Among the various methods available, free cash flow has become a cornerstone for analysts and investors seeking to determine a firm's intrinsic value. For students preparing for their AIA Business and Financial Management exam, this article aims to provide an analytical overview of how free cash flows are used to value a company's share capital, along with a step-by-step explanation of their calculation.

Understanding free cash flows

Free cash flow represents the cash that a company generates after accounting for the capital expenditures required to maintain or expand its asset base. In essence, it measures the cash available for distribution to the providers of capital – both debt and equity holders – or, depending on the specific measure, just to equity holders.

Unlike accounting profit, which can be affected by non-cash items and accounting conventions, free cash flow focuses on the actual liquidity generated by the business, making it a key metric for valuation.

There are two ways to express a firm's free cash flow: free cash flow to the firm (FCFF); and free cash flow to equity. We will focus on the use of free cash flow to the firm in the valuation of a company.

Free cash flow to the firm

FCFF is the cash flow that could potentially be available for distribution to all capital providers – both debt and equity holders – after the company has paid for its operating expenses, taxes and capital expenditures, but before any interest payments or debt repayments. It is a measure of the cash generated by a firm's operations that can be used to pay lenders what is owed to them in repayments of debt and interest, as well as what could be paid as a dividend to the shareholders.

Calculating free cash flow to the firm:

	£m
Earnings before interest and tax (EBIT)	X
less tax	(X)
plus depreciation and amortisation	X
less capital expenditure requirement	(X)
plus decrease or *less* increase in working capital	X/(X)
Free cash flow to the firm	**X**

Components of free cash flow calculations

FCFF is calculated by means of the following components:

Treatment of profit: The starting point for free cash flow calculations is typically a measure of profit – earnings before income and taxes (EBIT) for FCFF. This is because it represents earnings before interest, aligning with the principle of measuring cash available to all capital providers, including lenders. When calculating FCFF, we do not deduct interest payable.

Depreciation and amortisation: Depreciation of tangible non-current assets and amortisation of intangible assets are non-cash expenses deducted in the calculation of profit but do not involve actual cash outflows. Therefore, they are added back when calculating free cash flows, as they reduce accounting profit but do not affect cash flow.

Working capital movements: Working capital represents the difference between current assets and current liabilities. Increases in working capital consume cash (e.g. more inventory or receivables), while decreases release cash (e.g. paying off payables). When calculating free cash flows, an increase in working capital would be shown as a cash outflow. A decrease would be shown as a cash inflow.

Capital expenditure: Capital expenditure refers to funds used to acquire or upgrade physical assets such as property, plant or equipment. These are cash outflows not captured in the profit and loss statement. Capital expenditure is always subtracted in free cash flow calculations, as it represents necessary investment to sustain or grow operations.

An example: XYZ Co

Let's take XYZ Co. We have worked out that its FCFF in 2025 as follows:

	£m
Earnings before interest and tax (EBIT)	400
less tax (25%)	(100)
plus depreciation and amortisation	125
less capital expenditure requirement	(85)
plus decrease in working capital	0
Free cash flow to the firm	**340**

We are going to use this to value the company's share capital, so we need to be able to forecast some data. Initially, we will forecast the next three years of FCFF. To do that we have found the following information and assumptions:

- EBIT is expected to grow at 4% a year for the next three years.
- Tax rates will stay as they are for the foreseeable future.
- Replacement capital expenditure will stay constant for each of the next three years.
- Working capital will be reduced by $5 million a year for the next three years.

Therefore, forecast EBIT for 2026 to 2028 is as follows:

	2026 £m	2027 £m	2028 £m
Earnings before interest and tax (EBIT)	416	433	450
less tax (25%)	(104)	(108)	(113)
plus depreciation and amortisation*	125	125	125
less capital expenditure requirement	(85)	(85)	(85)
plus decrease in working capital	5	5	5
Free cash flow to the firm	**357**	**370**	**382**

**Because capital expenditure is remaining constant, a reasonable assumption is that depreciation will do the same.*

The value of the XYZ Co can be estimated as the present value of its free cash flows. The free cash flows are FCFF, which reflects the cash available for distribution to all our investors, so we should use the weighted average cost of capital (WACC) to discount them. This is because the WACC is the annual return expected by the company's entire investor base – shareholders and lenders.

So, we determine XYZ Co's WACC is 10%. We now discount the forecast free cash flows to present value.

	2026 £m	2027 £m	2028 £m
Free cash flows to the firm	357	370	382
Discount factors at 10%	0.909	0.826	0.751
Present value	**324.5**	**305.6**	**286.9**

This gives a present value of $917 million. However, this is just the present value of the company's FCFF for the next three years. If we were to buy this company, we would also need to include the present value of the cash flows expected after 2028 in the price we would be willing to pay.

We do that by adding in the terminal value. So, we need some more information. Let's say:

- From 2029 onwards, we expect the growth rate in FCFF to be 2% per year.
- The value of XYZ Co's debt today is $1,000 million.

The present value of the terminal value is calculated using a growing perpetuity:

$$PV = \frac{FCFF_{2028} \times (1+g)}{WACC - g} \times 0.751$$

Here we are estimating the FCFF for 2029 by taking the FCFF for 2028 and uplifting it for the expected growth, then discounting that in perpetuity back to 2028. This is the terminal value. We then discount it once more by multiplying it by the discount factor at 10% for three years (0.751) to get the present value in 2025.

Then, the final step is to deduct the value of XYZ Co's debt to arrive at the value of its share capital.

The value of XYZ Co's share capital is therefore:

	£m
Present value of FCFF (2026-28)	917
Present value of FCFF (2029 onwards)	
$PV = \frac{286.9 \times 1.02}{(0.10 - 0.02)} \times 0.75$	2,747
less market value of debt today	(1,000)
Equity value today	**2,664**

Common pitfalls and exam tips

Here are some of the key points to take away:

- Forgetting to adjust for non-cash items: Always add back depreciation and amortisation.
- Ignoring changes in working capital: These can have a significant impact on cash flow.
- Using the wrong discount rate: FCFF is discounted at WACC, not the cost of equity.
- The terminal value should be based on the last set of FCFF you have calculated (in our illustration that was 2028) and then discounted as a growing perpetuity. This gives the present value in 2028 terms. It then needs to be discounted again to get it back to its present value now.
- Clarity in presentation: Show all calculations and justify assumptions in exam answers.

November 2025 Budget: a summary

The Chancellor Rachel Reeves set out her second Budget on 26 November 2025. We consider the highlights.

Reading between the lines

This year's Autumn Budget carries a message that accountants can't afford to miss. While the fine print will keep the profession busy for months, the broader mood is one of recalibration – a shift towards tighter reliefs, greater scrutiny of business and property assets, and a renewed emphasis on demonstrating value for money. Accountants will be central to interpreting not just the figures, but the philosophy behind them: one that prioritises accountability, fairness and transparent structuring over unchecked tax advantages.

For practitioners, this means stepping beyond compliance. Clients will be looking for steady guidance through uncertainty – not just what's changing, but why it matters to their business, their family wealth or their future plans. The Budget underscores the need for proactive communication: early planning, scenario modelling and frank discussions about long-term sustainability. This is the moment to reinforce relationships, anticipate queries and position yourself as both adviser and interpreter of policy intent.

In tone and timing, this Budget feels like a reset. Reliefs are being re-targeted, incentives refocused, and reporting expectations tightened. Accountants should read that as a call to revisit assumptions, refresh client strategies and lead conversations about resilience. The task ahead isn't just to apply the rules – it's to navigate the new mood of fiscal realism with professionalism and foresight. Those who do will strengthen their standing as trusted guides in an era when financial clarity is more valuable than ever.

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The 2025 Budget included changes for individuals and businesses, with increased income tax rates on some types of non-savings income, a restriction on salary sacrifice for pension contributions, confirmation that the £1 million allowance for inheritance tax agricultural and business property reliefs (APR/BPR) will be transferable between spouses, changes to capital allowances, a future mileage charge for electric vehicles, a new council tax surcharge for properties over £2 million, and the package of anti-avoidance measures consulted on over the summer – including the mandatory registration of tax advisers.

Personal taxes

- **Personal allowance and income tax thresholds:** The personal allowance and basic rate limit, and equivalent NICs thresholds, will remain frozen until 5 April 2031.
- **Tax rates for property, savings and dividend income:** From April 2027, new separate income tax rates will apply to property income, aligned with the following increased rates for savings income which will also apply from April 2027: basic rate 22%, higher rate 42%, additional rate 47%. From April 2026, the ordinary and upper rates for dividend income will increase by 2 percentage points to 10.75% and 35.75%. The additional rate for dividends will remain at 39.35%. The savings and dividend income changes will apply across the UK, and the government is to 'engage' with the devolved governments of Wales and Scotland on the property income rates.
- **Salary sacrifice for pensions:** From April 2029, the amount that is exempt from NICs will be capped at £2,000 a year per employee, for employee contributions made via salary sacrifice. There are no changes to the income tax treatment of contributions.
- **Inheritance tax APR/BPR**: The £1 million allowance for the 100% rate of APR/BPR will be transferable between spouses and civil partners (confirmed in the Budget Red Book at para 2.33). The inheritance tax nil-rate band thresholds are also confirmed as frozen for one further year until the end of 2030–21, as is the amount of the £1 million APR/BPR allowance.
- **Capping inheritance tax trust charges for former non-UK domicile residents:** This introduces a cap on relevant property inheritance tax charges for trusts which held excluded property at 30 October 2024. The relevant property charges are capped at £5 million over each ten-year cycle. This has retrospective effect from 6 April 2025.

Several inheritance tax anti-avoidance measures have also been announced.

- **Venture capital schemes:** The investment and gross asset limits in the enterprise investment and venture capital schemes will be increased, and venture capital trust income tax relief will be reduced from 30% to 20%, from 6 April 2026.
- **Enterprise Management Incentive scheme limits:** The options, gross assets and employee number limits will all be doubled for contracts granted on or after 6 April 2026 (with some retrospective options for existing contracts). The exercise period limit will be extended to 15 years.
- **Temporary non-residence rules:** The post-departure trade profits provisions will be removed so that all dividends or distributions received from close companies, while temporarily non-resident, will be chargeable to UK income tax. The changes will have effect for individuals returning to the UK on and after 6 April 2026.
- **Overseas workday relief:** From 6 April 2026, in-year relief will be restricted to no more than 30% of the employee's income. This is to align provisional in-year relief with the final tax return amount.
- **Dividends received by non-UK residents:** for distributions received on and after 6 April 2026, the notional tax credit that non-UK residents receive for the tax they are treated as having paid at the ordinary rate on dividends from UK companies will be abolished.
- **Disposals to employee ownership trusts:** Capital gains tax relief will be limited to 50% of the gain on disposal, for disposals made on or after 26 November 2025.
- **Capital gains tax: incorporation relief claims:** From 6 April 2026, individuals and trustees transferring a business to a company will need to make a claim for incorporation relief through self-assessment (rather than relief being automatic unless the transferor elects out).
- **Non-resident capital gains tax changes:** Changes will be made to the capital gains rules for disposals of UK land by non-UK residents, including changing the definition of UK property rich entities for disposals made by protected cell companies (from 26 November 2025), and clarifying when some individuals need to make double tax treaty claims (from April 2026).

Employment taxes

- **Tax relief for homeworking expenses:** Claims for additional household expenses incurred in employment duties, where the amounts are not reimbursed by the employer, will be disallowed from 6 April 2026.

- **Workplace benefits reliefs:** From 6 April 2026, the reimbursement of costs for eye tests, home working equipment and flu vaccinations will be exempt from income tax and NICs.
- **Umbrella company non-compliance:** From 6 April 2026, recruitment agencies or end clients will be made accountable for PAYE and NICs on payments to workers supplied via umbrella companies.
- **Changes to Employee Car Ownership Schemes:** Previously announced proposals for employee car ownership schemes will be delayed until April 2030, with transitional arrangements for employees in schemes established before that date.
- **Plug-in hybrid electric vehicles:** The government is mitigating the impact of increasing benefits in kind (i.e. the car benefit values) for the period from 1 January 2025 through to 5 April 2028.

Business taxes

- **Corporation tax late-filing penalties:** From 1 April 2026, penalties for late returns under Sch 18 will be doubled.
- **Capital allowances:** From April 2026, the main rate of writing-down allowances will be reduced to 14%. From 1 January 2026, a new 40% first-year allowance will be introduced for mainrate assets. Cars, second-hand assets and assets for leasing overseas will not be eligible.
- **Extension of first-year allowances:** 100% first-year allowances for zero-emission cars and electric vehicle charge points will be extended for another 12 months to the end of 2026–27.
- **R&D advance clearances:** In Spring 2026, HMRC is to launch a limited pilot of a new targeted advance assurance service.
- **Advance tax certainty service:** A new service is to launch in July 2026, providing binding clearances for major investment projects.
- **Consultation on tax support for entrepreneurs:** Looking at how the tax system could better support businesses from start-up and development, encouraging them to remain in the UK. A separate Entrepreneurship in the UK prospectus has also been published.
- **Transfer pricing, permanent establishment and diverted profits tax:** The government is to proceed with reforms, following earlier consultation, with Finance Bill changes expected to have effect from 1 January 2026. SMEs will remain exempt from transfer pricing.
- **Energy profits levy:** A permanent Oil and Gas Price Mechanism (OPGM) will be introduced, adopting a revenue-based model, 'directly linking tax liability to exceptional market conditions'. OPGM tax rate will be 35%. Introduction from the end of the energy profits levy on 1 April 2030 (or sooner if the earlier mechanism is triggered).

Electric vehicles

- **Introduction of electric vehicle excise duty (eVED):** A new mileage charge for electric vehicles and plug-in hybrid cars will be introduced in April 2028, paid by drivers alongside their existing VED. The government is consulting on how eVED will work. It aims to facilitate the expansion of the EV charging network through changes to the relevant permitted development rights. From 1 April 2026, the VED expensive car supplement threshold will be increased to £50,000 for electric vehicles only.

Property taxes

- **High value council tax surcharge:** From April 2028 properties valued at over £2 million will be subject to a recurring annual charge in addition to existing council tax liability. The surcharge will operate in bands, depending on property value.
- **Stamp duty reserve tax relief:** From 27 November 2025, an exemption will be available from the 0.5% SDRT charge on agreements to transfer securities of a company whose shares are newly listed on a UK regulated market. This will apply for a three-year period from listing.
- **Stamp duty on shares:** A new Securities Transfer charge will replace Stamp Duty and Stamp Duty Reserve Tax, and measures will allow HMRC to test a new digital service for self-assessing and paying the charge. Much of the detail will be set out in regulations.

VAT

- **Private hire vehicles:** Confirmation that the government will not allow private hire vehicle (PHV) operators to act as agent for tax purposes in all cases, and will not introduce a new margin scheme or reduced rate for the sector. Legislation will exclude suppliers of PHV and taxi services from the tour operators' margin scheme, except where supplied together with certain other travel services.
- **Business donations of goods to charity:** A new VAT relief for business donations of goods to charity will come into force on 1 April 2026.
- **Motability scheme and insurance premium tax:** New leases of vehicles from 1 April 2026 will be standard rated for VAT (on top-up payments only – amounts covered by welfare benefits will be disregarded) and exemption from IPT will be restricted to certain vehicles.

From confusion to confidence

Kate Hayward explains how accountants can help to close the small business financial skills gap.

Kate Hayward
UK Managing Director, Xero

The UK is a nation full of small business owners – but not always a nation that equips people with the financial mindset or skills needed to thrive as entrepreneurs. Across the country, there are 5.3 million sole traders and small businesses with up to nine employees. Collectively, they provide 8.6 million jobs and contribute £680 billion to the economy, forming the backbone of UK enterprise. Yet many of these business owners lack one of the most essential skills for long-term success: financial confidence.

According to Xero's new research (see tinyurl.com/y64ue3y9), which focuses on the UK's smallest businesses (those with up to nine employees), there is a clear disconnect between perception and reality. While four in five small business owners (83%) say they feel confident managing their finances, more than half of accountants and bookkeepers (56%) believe that most of these businesses start out without the financial skills they need. Worryingly, nearly three quarters (74%) of small business owners admit to having made at least one significant financial mistake.

These are not just occasional slip-ups – they point to a deeper, systemic issue. Many small business owners simply 'don't know what they don't know', leading to poor decision making, missed opportunities and unnecessary stress. For accountants and bookkeepers, this financial confidence gap represents both a challenge and a significant opportunity: the chance to play a more proactive, educational role in helping clients build the financial skills and confidence they need to run stronger, more resilient businesses.

Misinformation and the early skills gap

Financial misinformation has become a silent yet serious barrier for small business owners. Nearly half of accountants and bookkeepers surveyed (45%) believe that poorly informed conversations – often taking place in social settings like the pub – are helping to spread damaging financial myths. These misconceptions frequently lead small businesses to make costly and entirely avoidable mistakes, with regulations around expenses being among the most misunderstood areas.

Half (50%) of accountants surveyed have worked with clients who wrongly assumed that the government would reimburse their business expenses. A third (33%) reported encountering business owners unaware that dividends are taxable, and nearly one in ten (9%) still believe they do not need to declare all income to tax authorities. The consequences of such misunderstandings can be severe. In the past two years, two in five (39%) small businesses have failed to claim all eligible expenses, while a quarter (26%) have not set aside enough money for tax or have submitted a late tax or VAT returns.

Importantly, these issues do not stem from a lack of effort. Small business owners

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Seven big problems

> Small business owners face seven key challenges:

41%

PERSONAL BANK ACCOUNTS:
only two-fifths of registered sole traders have a separate business bank account

37%

INACCURATE EXPENSES:
more than a third of businesses don't regularly check their business expenses

36%

UNKNOWN PROFITABILITY:
a third aren't keeping track of their profitability

23%

NEGLECTING TAXES:
a quarter aren't setting aside enough money to pay their taxes

44%

UNEXPECTED COSTS:
nearly half have received large expenses they weren't expecting

51%

UNCERTAIN CASH FLOW:
half struggle with cash flow

21%

LATE TAXES:
a fifth have missed paying their taxes on time

Source: Xero report: Empowering financial confidence for small business growth

> **Simple, practical steps can make a big difference in boosting financial confidence.**

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

are often overstretched, juggling multiple roles with limited time and little structured financial guidance. This is where accountants and bookkeepers can make a real difference. They are consistently rated as the most trusted source of financial advice – an overwhelming 98% of small business owners say they find their accountant's guidance helpful.

The skills gap starts early

The small business financial skills gap does not start when a company is formed – it begins much earlier. Seven in ten (70%) small business owners say financial literacy receives almost no attention in schools, and more than half (53%) of accountants and bookkeepers agree. As a result, many adults lack confidence in fundamental financial concepts such as cash flow, tax obligations and profitability.

A quarter (28%) of small business owners admit that they do not think of themselves as 'a numbers person' with the figure rising to 32% among women and 38% among 18 to 34 year-olds. While embedding financial literacy in the national curriculum will require government action, accountants are already in a strong position to help close the gap. By taking a more hands-on, educational approach with their clients – explaining concepts, guiding better financial decisions, and demystifying tax and compliance – they can not only build confidence and trust but also strengthen long-term client relationships and support sustainable business growth.

Moving to confident decision making

Accountants have long been the trusted partners of small businesses and are uniquely positioned to bridge the gap between raw financial data and confident, informed decision making. Their role extends far beyond bookkeeping, filing returns and tax compliance – every client interaction is an opportunity to help business owners understand their numbers and use them strategically.

By normalising financial conversations, accountants can help to demystify what often feels intimidating or overwhelming for clients. Many small business owners experience 'data dread', feeling anxious when faced with financial statements or unfamiliar terminology. Encouraging open, jargon-free discussions can empower them to take greater control of their finances and decision making.

Simple, practical steps can make a big difference in boosting financial confidence. Accountants can run short sessions on cash flow planning, share tips on record keeping to make tax preparation less daunting, or demonstrate how digital tools can streamline processes and reduce manual errors. By taking a proactive approach to educating clients on the fundamentals of financial management – and helping them to use technology effectively – accountants can help their clients to feel more engaged with their business data and feel confident in making decisions.

The role of digital tools in building financial confidence

Digital technology has transformed how many larger SMEs operate, but the smallest businesses have been slower to adopt it. While more than half (55%) of accountants and bookkeepers believe that stronger digital skills would significantly improve the financial management of small businesses, three quarters

(75%) of microbusinesses believe digital tools are designed for larger companies, not for them.

This hesitation is understandable. Many small business owners are focused on day-to-day survival and don't have the time or support to research and adopt new technology. However, the benefits of digitisation are undeniable. Automating routine financial tasks, keeping accurate records and accessing real-time financial data all help business owners to understand their position clearly, plan ahead with confidence and make better informed decisions.

Accountants are ideally placed to guide clients through the noise – and the sometimes confusing digital landscape. By recommending tools that are suited to the size and nature of each business – and by sharing examples of what has worked for similar clients – they can help overcome hesitation and build trust in technology. This also opens new opportunities for accountants and their practices to expand their advisory role through digital app consultancy and ongoing client support.

Making Tax Digital for Income Tax will be a catalyst

The introduction of HMRC's Making Tax Digital for Income Tax (MTD for IT) in April 2026 is set to be a major catalyst for improving financial literacy among small businesses and sole traders. The initiative will initially apply to sole traders and landlords earning over £50,000 before expanding to those with lower turnovers in future phases.

However, awareness of MTD for IT remains worryingly low. One in five (19%) of those affected have not heard of it at all, a quarter (24%) have heard of it but know little about what it entails, and half (49%) find HMRC's official information confusing. Overall, one in four (26%) sole traders and landlords – regardless of their turnover – have never heard of the scheme.

This lack of understanding risks is causing unnecessary stress and non-compliance as implementation deadlines draw nearer. Accountants can therefore play a crucial role in helping their clients through the transition. By explaining what MTD for IT means in clear, practical terms – and by demonstrating how digital recordkeeping can simplify processes – they can help clients to adapt.

Beyond MTD for IT, the broader complexity of the UK tax system continues to challenge small businesses. Larger companies may have the resources to draw on specialist expertise, but smaller businesses often lack that support. They need accessible advice and intuitive systems, which is where accountants and bookkeepers can support better financial understanding and remove the barriers to growth.

Tackling the problem together

Accountants and bookkeepers can't close the financial literacy gap on their own – but they can lead the way. They already hold the trust, data and insight to drive lasting change for small businesses. By using that influence collectively – through mentoring, advocacy and education – the profession can help to reshape the financial future of the UK's small businesses community.

To play your part, Xero has launched a free education and mentoring programme designed to help small business owners improve their financial understanding. This includes a series of short videos and guides that easily fit into small business owners' busy schedules and cover the basics – from cash flow fundamentals and budgeting to interpreting financial statements.

The programme is supported by the Xero For Good Ambassador network, which connects small business owners – particularly those from underrepresented groups – with volunteer accountants and bookkeepers for one-to-one mentoring.

Xero has also established a Financial Confidence Taskforce to campaign for stronger national support and better access to financial education. The taskforce brings together leading voices in the sector, including Martin Bissett (author and Young Money Ambassador), Sarah Poretta (CEO of Young Enterprise) and Zoe Whitman (co-founder of The 6 Figure Bookkeeper podcast), among others. Together, we are working to shine a light on the issue and push for real, systemic change for the entrepreneurs of today and into the future.

Building a more confident small business community

Improving financial literacy is not only about avoiding mistakes – it's also about creating the right conditions for growth. When small business owners truly understand their numbers, they can make better decisions, take calculated risks and build stronger, more resilient businesses.

Accountants are absolutely central to this change. With their technical expertise, trusted relationships and practical understanding of business realities, they are uniquely placed to turn financial uncertainty into clarity. Accountants can help to shape a future where every small business owner feels confident about their finances.

The financial skills gap facing small businesses is a complex and deep challenge, but it is one worth tackling. Every small business owner should have the opportunity to build and grow their business with confidence, without the fear and anxiety of 'not knowing the numbers'. Empowering small business owners with the tools, knowledge and support to manage their finances effectively is not only good for individual businesses – it's vital for the health and resilience of the wider economy. ●

For further information, see Xero's report: 'Empowering financial confidence for small business growth' at: tinyurl.com/y64ue3y9

Accounting in television is anything but boring!

Welcome to an interview with with Linda Richards, Vice President of the Association of International Accountants.

I've never thought of myself as a boring person – and none of the accountants I've met or worked with could ever be described that way either. They're curious, interesting and fun people who know how to enjoy life!

So why the stereotype? Many people confuse dedication, attention to detail and compliance with being dull. But I can honestly say that after 35 years of working in television accounting, I've never been bored for a single day.

More than numbers: a career in management accounting

While many accountants begin their careers in large firms or small private practices, undertaking audits or preparing annual accounts, my path has been different. I've always seen myself as a management accountant and business partner, working closely with production teams, executives and creatives to make great television happen.

Working in TV is incredibly varied. Of course, core accounting skills are essential – and I have drawn upon all my training over the years – but so are legal, tax and people skills. I've read and negotiated contracts and leases, applied for Television Tax Credits to help fund high-end productions, navigated HMRC systems to manage payroll and VAT, brought together teams, and translated complex forecasts into something meaningful for non-financial colleagues.

I've also undertaken systems implementations, where planning and attention to detail is key, and an understanding of accounting principles is vital to achieve the desired outcome.

The many faces of finance in television

The television industry offers a range of finance roles that are of interest to a trained accountant, and make full use of their expertise.

In large corporations like the BBC, ITV or Netflix, you'll find structured finance teams with roles ranging from purchase ledger assistants to management accountants, finance directors and CFOs. Many independent production companies have a similar structure, meaning there are plenty of opportunities to 'get into TV' through a finance position – just as in most other industries.

But television also has its own unique roles for accountants:

- **Production accountant:** This is a great job for a newly or part-qualified accountant. You will work directly with production teams to forecast shoot costs, handle currency and travel advances, reconcile overseas expenses, pay international suppliers, and report cost progress to broadcasters.
- **Production finance manager:** This role oversees multiple productions and teams of production accountants, ensuring that each show's profits align with their budget. They will ensure that any possible cost risks are highlighted and reported to the production management team and the executive producers. Production finance managers also support sales teams with preparing budgets for new productions and liaising with broadcasters to agree on budgets and payment milestones.
- **Finance director and CFO:** Finance directors and CFOs will lead the company's finance and business operations and sit on the company's planning and strategy teams. In smaller independent production companies, the finance director will be involved in the annual audit process, making VAT and possibly payroll returns, and managing all of the external business relationships such as with banks, landlords and regulators.

Linda Richards

Linda Richards is Vice President of the AIA and a Fellow member of the body. She is also an accomplished Finance Director with over 30 years of experience in television production finance, bringing extensive expertise in management accounting, financial reporting, auditing and taxation.

Linda joined Wildstar Films in 2018, when it was a small independent start-up with just four employees. Since then, she has played a pivotal role in the company's growth to over 100 staff and a turnover of £25 million. As part of the senior management team, she leads on finance and business planning, combining strategic insight with hands-on commercial acumen to support the company's continued expansion and creative success.

Before joining Wildstar Films, Linda held senior finance roles at BBC, ITV, Endemol Shine UK and other leading independent producers. Her impressive career includes work on some of television's most iconic and diverse productions, such as *The Antiques Roadshow*, *The Natural World*, *I'm a Celebrity... Get Me Out of Here!*, *A Year in the Wild*, *Dian Fossey: Secrets in the Mist*, *The Great British Bake-Off*, and Wildstar's own Emmy-winning *Queens* and *Animals Up Close with Bertie Gregory*.

Linda and her team were named PQ Magazine's Accounting Team of the Year (2025) and were finalists in the 2023 Accounting Excellence Awards – Finance Director of the Year category.

> **The television industry offers a range of finance roles that are of interest to a trained accountant.**

Finance leaders are responsible for ensuring that complete and accurate accounts are maintained and that all regulatory reporting occurs and is compliant. There may also be regular upward reporting to parent organisations.

Finance teams also play a growing role in sustainability reporting, helping their companies to assess risks and identify opportunities to make smarter, greener business decisions and meet the required standards.

The joy of seeing your work on screen

Of course, there are unique perks to working in television accounting. Seeing your name in the end credits of a show, or being part of an award winning production, is amazing.

There have been plenty of memorable moments too — like the time I looked out the BBC Natural History Unit's office window to see a reindeer wandering through the car park, or when I was suddenly handed a microphone to give a live 'on air' update for *Children in Need*'s fundraising total!

Over the years, I've learned a lot about filming, equipment, editing and post production – enough to watch TV with a more 'critical eye' than a general viewer. But I still love working the industry and what it contributes to society.

Why you should consider accounting in television

If you enjoy variety, creative collaboration and thinking beyond the balance sheet, television accounting could be your perfect career. It's a world where numbers meet creativity, where financial insight helps bring stories to life, and where no two days are ever the same.

After 35 years in the industry, I can honestly say I've loved every moment – and I hope many more young accountants will get the chance to experience it too.

UK's centralisation of AML supervision

The Financial Conduct Authority will take over supervision of accountants, lawyers and trust service providers. The AIA warns that this may unbalance the UK's fight against financial crime.

AIA has expressed disappointment at the UK government's decision to overhaul the country's anti-money laundering (AML) supervision system, removing the role of professional bodies and transferring responsibility to the Financial Conduct Authority (FCA).

The government's long-awaited response to its consultation on reforming AML supervision confirms that the FCA will become a Single Professional Services Supervisor for accountants, lawyers, and trust and company service providers. This means that all firms currently supervised for AML purposes by professional bodies or HMRC will instead come under the FCA's direct oversight.

The AIA believes that this move risks weakening, rather than strengthening, the UK's defences against financial crime. While the association fully supports proportionate and effective action to tackle money laundering and terrorist financing, it argues that professional body supervision – with its detailed understanding of the accountancy profession – has proved both effective and trusted.

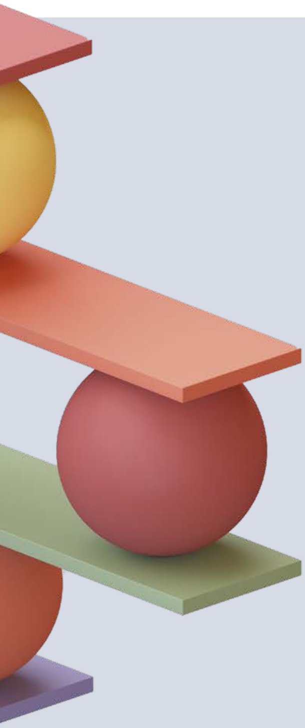
'AIA is concerned by the government's decision to create a Single Professional Services Supervisor for AML,' said AIA Chief Executive Philip Turnbull. 'We continue to believe strongly that moving away from professional body supervision of accountancy firms will not lead to more effective oversight.'

What has happened – and why

The decision follows a two-year review of the UK's AML supervision regime, first announced in 2022. That review found that there has been progress since the introduction of the Money Laundering Regulations 2017, but also identified continuing weaknesses: inconsistent supervision, duplication across 25 different regulators, and gaps in information sharing with law enforcement.

Currently, AML supervision is divided between three public bodies – the FCA, HMRC and the Gambling Commission – and 22 professional body supervisors in the legal and accountancy sectors. Together, they ensure that firms have systems in place to prevent money laundering and terrorist financing, and they take action where rules are breached.

However, the system's complexity has long been criticised. The 2022 review described it as 'fragmented and inconsistent', with too many bodies performing similar functions to varying standards. HM Treasury's consultation in 2023



proposed four options for reform:

1. **OPBAS+:** strengthening the Office for Professional Body Anti-Money Laundering Supervision by giving it greater powers;
2. **Professional body supervisors consolidation:** reducing the number of professional body supervisors;
3. **Single Professional Services Supervisor:** transferring AML supervision to one public body; and
4. **Single AML Supervisor:** creating a single public authority to supervise all sectors.

The government has now chosen the Single Professional Services Supervisor model, giving FCA full responsibility for AML supervision of professional services – a significant centralisation of oversight.

The government's reasoning

The government argues that the reform will simplify a complex system, strengthen consistency and improve collaboration with law enforcement. In the foreword to the consultation response, Economic Secretary to the Treasury Lucy Rigby KC MP said the change would make regulation 'cohesive and easily navigable for professional services firms' and would strengthen the UK's defences against illicit finance.

The Treasury's view is that public-sector supervision will bring three major advantages:

- **Consistency and fairness**: All firms will be supervised to the same standard.
- **Risk-based focus**: The FCA will be able to prioritise high-risk firms and sectors, applying a data-driven approach to resource allocation.
- **Closer co-ordination**: A single body can work more effectively with the National Crime Agency and others tackling economic crime.

Under the new framework, the FCA will oversee around 60,000 firms across the accountancy, legal, and trust and company service sectors. It will operate independently of government, with powers to issue rules, conduct inspections and take enforcement action.

New primary legislation and a detailed transition plan will be required, as well as consultation on the FCA's powers and funding model. Professional bodies will continue their supervisory roles in the meantime.

The AIA's response

The AIA has consistently argued that reform is needed, but that centralisation is not the answer. In its 2023 submission to HM Treasury, the AIA advocated the OPBAS+ model – retaining professional body supervision while giving OPBAS stronger powers to ensure accountability. This model, AIA said, met all the government's objectives, while preserving sector expertise.

By contrast, the AIA warned, the creation of a single supervisor poses significant risks:

- **Transition and failure risk:** Transferring oversight of tens of thousands of firms will be a major logistical challenge, and the handover of sensitive data and live compliance cases could create gaps or delays in supervision.
- **Loss of expertise:** Professional bodies have developed deep specialist knowledge of their sectors and have invested heavily in AML training and oversight since 2017. Centralising supervision in a single authority could lead to the loss of this professional insight.
- **Cost and bureaucracy:** The FCA's fees and processes may be a burden on smaller firms and sole practitioners.

'The accountancy sector has built strong mechanisms to detect and prevent money laundering,' said AIA Director of Policy and Regulation David Potts. 'Replacing those with a single, distant regulator risks losing the deep understanding and culture of compliance that professional bodies have worked hard to build.'

The AIA emphasises that it does not oppose reform. It supports improving coordination and accountability, but it believes that the government's chosen approach discards a system that was already delivering measurable improvement.

How we reached this point

The reform stems from the UK's commitment to strengthen its response to economic crime, as reflected in the Economic Crime Plan 2023-26 and the Economic Crime and Corporate Transparency Act 2023. Internationally, the Financial Action Task Force (FATF) has identified weaknesses in the UK's AML supervision, especially the fragmented nature of oversight in the legal and accountancy sectors, prompting the government's consultation.

The consultation attracted 95 formal responses. Most accountancy and legal sector respondents – including the AIA – favoured OPBAS+, arguing that it offered improvement without disruption.

Public sector and civil society respondents, however, largely supported the Single Professional Services Supervisor model, believing

> **AIA has consistently argued that reform is needed, but centralisation is not the answer.**

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that professional bodies could not deliver the consistent supervision.

Charts in the Treasury's final report illustrate this divide: 89% of accountancy and legal respondents supported OPBAS+. Despite this, the government concluded that public-sector supervision offered the most sustainable long-term solution.

What the new system will look like

Once implemented, the FCA will become the sole AML supervisor for the accountancy, legal, and trust and company service sectors. The professional bodies will retain their wider roles in regulating professional conduct, ethics and qualification standards but will no longer oversee compliance with the Money Laundering Regulations.

The main features of the new system will be:

- specialist FCA teams for each sector, including expertise in Scotland and Northern Ireland;
- data-led supervision targeting high-risk firms;
- a unified fee structure for all supervised firms;
- co-operation between the FCA and professional bodies to avoid duplication; and
- a gradual transition, supported by OPBAS to minimise disruption and maintain standards.

Firms that are already compliant with the existing AML rules should not have to make major changes to their internal controls, but they will need to familiarise themselves with new supervisory processes and reporting systems.

What it means for accountants

For practising accountants, the shift to FCA supervision represents a significant change. The FCA's approach to regulation is typically more formal and enforcement-driven, relying heavily on data analysis and thematic reviews. This means that firms can expect:

- a single, centralised registration process with the FCA for AML supervision;
- greater emphasis on documentation and reporting, with potentially more intensive scrutiny of systems and controls;
- a new fee regime, which may alter the cost of supervision for firms of different sizes; and
- continued professional oversight by the AIA and other bodies for ethics and competence.

The government has pledged to minimise 'dual regulation' and ensure that firms do not have to submit the same information to multiple regulators. However, practical overlap will be inevitable, and careful coordination will be needed to avoid confusion.

> **For practising accountants, the shift to FCA supervision represents a significant change.**

AIA's broader perspective

The AIA's concern extends beyond mechanics of supervision to the principle of professional accountability. Professional bodies such as AIA combine regulatory oversight with education, training and disciplinary functions – ensuring that AML compliance is part of a wider culture of professional integrity. The AIA argues that this cannot easily be replicated by a central regulator.

Professional supervision supports both deterrence and improvement – identifying weaknesses and helping them to improve and meet their obligations. Moving to a purely regulatory model may risk replacing professional judgment with administrative process – reducing AML compliance to a box-ticking exercise.

Internationally, AIA also highlights that many jurisdictions maintain a hybrid model, in which professional bodies play a supervisory role under the oversight of a public authority. In the EU, for example, the forthcoming Anti-Money Laundering Authority (AMLA) will coordinate national supervisors but not directly replace them.

'The UK has an opportunity to build on a system that is already improving,' the AIA said in its submission. 'Enhancing OPBAS would strengthen accountability without losing the expertise and partnership that professional body supervision provides.'

What happens next

The October 2025 announcement sets the direction, but the timeline for implementation is still unclear. The next steps are:

1. **Further consultation:** HM Treasury has published a consultation on the powers that the FCA should have as the new SPSS.
2. **Legislation:** Parliament must pass enabling laws, and timing will depend on parliamentary schedules.
3. **Transition planning:** OPBAS, HMRC and the professional body supervisors will work with the FCA on data transfer, staff integration and risk management during the transition period.

Until legislation is enacted, professional body supervisors such as AIA will continue to carry out their AML supervisory responsibilities. Firms should therefore maintain their existing AML arrangements and remain alert to developments.

Continuing AIA's commitment

Despite its disappointment, the AIA remains committed to constructive engagement. The association will work with government and regulators to ensure a smooth transition and to represent members' interests. It will focus on three priorities:

- **Influencing implementation:** engaging with policymakers to ensure proportionate, practical supervision;
- **Supporting members:** offering guidance and training to help firms prepare for the new arrangements; and
- **Promoting professional standards:** maintaining its wider role in ethics, education and quality assurance, which remain essential to public trust in the profession.

AIA will also highlight the international implications of the UK reform. With members worldwide, AIA will examine how these changes affect cross-border compliance and what lessons can be drawn for other markets.

Looking ahead

This change is one of the most significant changes to AML regulation in the past decade. Whether it will achieve its goals depends on its ability to balance enforcement with professional understanding. For the government, success will mean greater consistency and stronger enforcement. For the professions, the challenge lies in ensuring that the new system retains the expertise, proportionality and trust built up under professional body supervision.

For AIA and its members, the message is clear: the association remains a voice for proportionate, expert-led regulation and will continue to advocate for reforms that strengthen – rather than sideline – the role of professional judgment in tackling economic crime.

Conclusion

Transferring AML supervision to the FCA represents a major policy shift – from a system rooted in professional self-regulation to one led by a central public authority. The AIA believes that this approach overlooks the proven value of professional body supervision and risks losing the expertise and engagement that have underpinned progress so far.

As the UK embarks on this transition, AIA will work to ensure that reforms are implemented responsibly, with minimal disruption to firms and maximum protection for the public.

The fight against money laundering is a shared responsibility. Whether supervision sits with professional bodies or a public regulator, success depends on collaboration, expertise and a deep understanding of how professional services operate in practice. Those principles will remain at the heart of AIA's work in the months and years ahead.

AIA remains a voice for proportionate, expert-led regulation and will continue to advocate for reforms.

Six months to Making Tax Digital

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Eva Mrazikova **considers how accountancy practices can turn gaps in preparation for Making Tax Digital into advisory opportunities.**

Eva Mrazikova
Senior Director, IRIS Product Marketing

The April 2026 Making Tax Digital (MTD) deadline is fast approaching, and a concerning gap has emerged between awareness and action among accounting practices. The next six months present a crucial opportunity for firms to transform this regulatory change into a strategic advantage.

Our recent survey paints a striking picture. While four in five accountants (79%) identify Making Tax Digital for Income Tax Self-Assessment (ITSA) as their biggest compliance challenge, only 3% have completed preparations for their clients. Alarmingly, 29% of accountants haven't begun at all.

These figures might seem daunting, but the six months ahead don't have to be a frantic scramble. They can instead be a genuine opportunity to reimagine client relationships, and to position your practice as an essential guide through this transition.

Closing the knowledge gap

Many sole traders are unprepared, and this is where accountants can make an immediate impact. Almost a third (31%) remain completely unaware of MTD, while 76% are seeking clearer understanding of its implications. Additionally, three quarters (74%) of sole traders are seeking greater support from HMRC – creating a clear opening for accountants to establish themselves as trusted advisers.

The first step is for firms to assess where each client sits on the digital-readiness spectrum – from tech-savvy clients who need minimal help to those requiring intensive support. Segmenting clients ensures efficient resource allocation and prevents anyone from being overlooked.

The next step is demystification. Rather than overwhelming clients with complex regulatory details, accountants should focus on practical demonstration. Explain that MTD is new legislation that moves firms to digital record keeping and quarterly reporting, replacing the traditional annual self-assessment.

By walking clients through their first digital entry and showing them how to submit a completed quarterly update, practices can turn compliance into confidence and transform MTD from a challenge into a catalyst for stronger client engagement.

Addressing concerns about workload

It's hardly surprising that almost two thirds (65%) of sole traders worry that submitting quarterly updates will add significantly to their workload. For those firms that are accustomed to preparing one annual tax return, the prospect of four submissions a year sounds daunting.

However, firms that are already working on a quarterly reporting cycle often find the opposite to be true. The real gain is in efficiency – by embedding regular financial housekeeping into business routines. Income and expenses are recorded as they occur, rather than being reconstructed months later. With consistent record-keeping, each quarterly update becomes faster and simpler to complete.

Accountants play a vital role in helping clients to make this transition by recommending the right tools and establishing smooth data flows. Whether clients opt for a simple spreadsheet or a specialist bookkeeping platform, ensuring that the method integrates seamlessly with the practice's own systems eliminates friction. Once clients experience a complete problem-free quarterly cycle, their initial time concerns about time and effort usually fade.

The power of integrated technology

It's no wonder, then, that many firms are investing in technology to accelerate the transition. The right technology transforms MTD from an administrative burden into operational advantage. When bookkeeping systems connect directly to tax preparation software, the need for manual data transfer disappears, thus reducing error rates and saving significant time.

Smart deadline tracking and automated notification systems create safety nets to help ensure compliance, while secure digital portals streamline document exchange. This technological infrastructure not only improves efficiency but can also create the capacity for more strategic, value-added discussions with clients.

By connecting accounts production, business tax and personal tax functions within a single platform, data flows between functions automatically. This

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ensures reporting consistency across clients with multiple income streams while greatly reducing manual input. Built-in practice management tools further enable firms to monitor each client's progress through the quarterly cycle – helping to maintain compliance and deliver a smoother MTD experience overall.

Learning from early adopters

The experience of Thompson Taraz Rand, a Cambridge-based accountancy practice, offers valuable insights on how to prepare effectively for MTD. The firm began with a strong focus on client education, translating complex regulatory requirements into clear, actionable steps.

Rather than attempting a single large-scale migration, the practice adopted a staged rollout strategy. This approach revealed a significant advantage: the ability to backdate quarterly reports. This discovery allowed the firm to onboard clients gradually throughout the year instead of rushing as the deadline approached.

The practice paid particular attention to clients with complex income streams combining property portfolios, self-employment, investment returns and company directorships. By maintaining all these elements within integrated systems, the firm ensured consistency across each client's tax profile while reducing duplication and errors.

Investment in professional development also proved valuable. The practice invested in staff training, with team members attending focused MTD events to deepen their understanding of how the changes should be implemented. This investment paid off, giving the team the confidence and competence needed for a smooth transition.

Additionally, the practice's recent acquisition of a paper-based firm provided unexpected preparation benefits. Successfully transitioning that business from physical filing systems to digital workflows offered hands-on experience directly applicable to MTD implementation. Fully digital operations now enable the combined team to work flexibly across multiple locations while maintaining secure, real-time access to all client data.

A timely action plan

The months ahead require structured, deliberate planning to ensure a smooth transition to MTD. Success rests on starting with strong foundations and progressing methodically through clear implementation phases towards full readiness.

January: As an immediate priority, firms should focus on client analysis, identifying all those impacted by the initial MTD requirements. At the same time, practices should evaluate and test MTD-compatible software with a small pilot group of clients, refining workflows based on real-world feedback. This early phase is also crucial for staff development, building familiarity and confidence with the requirements of MTD.

February and March: Attention should shift to broader client engagement. Effective communication is essential – every client must understand what MTD means for them and the key timelines involved. Firms should establish quarterly submission schedules and set expectations about information submission deadlines to prevent confusion later. The rollout of MTD software should then accelerate, incorporating lessons learned from the pilot phase to streamline adoption.

March: Finally, March (at the latest) should serve as a testing and verification period. By this stage, every client should be properly configured and ready to complete their first quarterly update successfully. Building buffer time into this final month provides essential breathing room for resolving any unexpected issues, reinforcing client confidence that their firm is fully prepared to manage the transition effectively.

From deadline to opportunity

The transformation that MTD brings to sole trader and landlord tax reporting is undeniably significant, but it's entirely manageable with proper preparation. It's not just a compliance update but a true mindset shift – a change-management project that goes far beyond quarterly reporting.

The practices that emerge strongest won't be those that just meet the April 2026 deadline – they will be firms that leverage the next six months to elevate their value proposition, streamline their operations and strengthen client bonds. The shift will embed agility and adaptability into the day-to-day, providing practices with the tools that will help clients make faster, more informed decisions with greater certainty – spotting challenges long before they become problems.

For the 97% of practices still in preparation mode, the path forward is clear. Time remains available, but it requires purposeful deployment. Start by establishing open dialogue with clients about MTD's practical implications, build the digital infrastructure that makes quarterly compliance sustainable and cement your position as the knowledgeable partner that clients need to navigate this transition confidently.

Practices viewing MTD purely through a compliance lens will experience it as exactly that – a regulatory obligation to be satisfied. Those recognising it as a catalyst for practice evolution will find that April 2026 represents not an endpoint but a beginning – the start of more engaged client relationships, more efficient operations and more strategic service delivery.

A Declaration of Trust

Muhammad Bilal **explains how couples can reduce their tax liability on rental income by reallocating ownership.**

With more couples investing in buy-to-let property, understanding how rental income is taxed has become increasingly important. In the UK, when a property is jointly owned, rental income is often split 50:50 between spouses or civil partners for tax purposes – regardless of who actually paid for the property or who receives the income.

This default position can lead to unnecessary tax if one partner pays a higher rate of income tax than the other. As rising rental income pushes more landlords into higher tax brackets, it has never been more important for couples to consider tax-efficient ownership strategies.

One of the most effective and straightforward tools available is a Declaration of Trust. This legal document allows partners to formally set out how ownership and rental income from a jointly owned property are divided – enabling them to allocate income in a way that maximises tax efficiency. When supported by the correct HMRC filings, this tool can turn ordinary property ownership into significant annual savings.

Muhammad Bilal
Senior Consultant,
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For many landlords, rental income provides a reliable source of cash flow – but it can also push them into higher tax brackets. If one partner pays higher rate tax at 40% or 45%, while the other is in a lower bracket (or has little to no income), transferring a greater share of the rental income to the lower-earning spouse can substantially reduce the couple's overall tax liability.

HMRC fully recognises such arrangements when they are structured correctly. The crucial point is ensuring that any change in how income allocation is supported by the correct legal and tax documentation. A properly executed Declaration of Trust, combined with the Form 17 submission (where relevant), is central to making this planning both legitimate and defensible if HMRC ever reviews it. Without these, any informal 'paper-only' reallocations will not stand up to scrutiny.

Why couples consider transferring rental income

The UK tax system is progressive: the more you earn, the higher the rate of tax you pay. Here's why many couples consider splitting income strategically.

- **Reduce the overall household tax liability**: If one spouse pays 40% tax and the other pays 20% (or none), reallocating rental income can cut the total tax bill significantly.

- **Make use of personal allowances**: Every individual has a £12,570 tax-free personal allowance (2024-25). If one spouse is not using theirs, why waste it?
- **Optimise lower tax bands**: Even if both spouses receive some income, diverting the appropriate sum of rental profits can keep the lower earner in the 20% band, and avoid tipping them into 40%.

An illustrative example

Consider a couple who jointly own a rental property generating £12,000 in annual rental profits. If the property is owned by the higher-earning spouse who pays tax at 40%, they would own £4,800 of income tax.

If the rental profits are legally transferred to the spouse – who has no income and an unused personal allowance – the same £12,000 could fall entirely within their tax-free allowance. In this case, the household's tax bill would drop from £4,800 to £0, producing a significant saving without changing the overall family income.

The role of a Declaration of Trust

The cornerstone of this strategy is a Declaration of Trust (also known as a Deed of Trust). This is a formal legal document that confirms the beneficial ownership of a property – and thus who is entitled to the property's income – regardless of whose name appears on the Land Registry title.

A Declaration of Trust enables beneficial ownership shares to differ from legal ownership, giving flexibility over how income and profits are divided. This allows couples to reflect their actual financial arrangements rather than relying on the default 50:50 split.

However, the Declaration of Trust must reflect the genuine economic reality of ownership and not just be used as a tax-saving device. It is normally drafted by a solicitor to ensure it is compliant.

Once the Declaration of Trust has been signed, couples who wish their rental income to be taxed in line with their new ownership proportions must submit HMRC Form 17 within 60 days. This ensures that rental profits are taxed according to the declared ownership shares.

HMRC's view: substance over paperwork

HMRC takes a clear stance: tax treatment must follow genuine beneficial ownership, not informal arrangements. It is not enough for couples simply to agree between themselves to split rental income differently – there must be legal and documentary evidence to support the allocation.

- **Jointly owned property**: By default, rental income is taxed 50/50. If the beneficial ownership is different, only a valid Declaration of Trust and Form 17 can override this.
- **Sole ownership**: If only one spouse legally owns the property, all the rental income is taxed on them, unless a share is formally transferred through a Declaration of Trust. From then, both partners must declare their respective share on their own tax returns.

There are several ways for couples to restructure rental income ownership. The right method often depends on whether the property is jointly or solely owned, and whether there is an existing mortgage.

Transfers between spouses who are living together are free of capital gains tax – the receiving spouse simply inherits the original purchase cost for future capital gains tax purposes.

If there's no mortgage, stamp duty land tax does not apply. However, if a mortgage is shared, HMRC treats the debt transferred as a 'consideration'. Stamp duty land tax may therefore be payable if that amount exceeds £125,000.

The options for restructuring rental income include:

- **Deed of assignment:** transfers the right to receive income to a spouse (usually supported by Form 17);
- **Severing joint tenancy:** if the property is owned as joint tenants, this must first be converted to tenants in common before unequal ownership shares can be established;
- **Transfer of equity:** adds a spouse to the legal title. Lender approval is often needed, and stamp duty land tax may apply if a mortgage is involved; and
- **Sale and purchase:** one spouse sells the property to the other. Usually this is the most expensive route, as it may trigger capital gains tax, stamp duty land tax and legal fees, so is typically only used in broader estate planning.

Getting it right

Getting this right is crucial. While the rules are straightforward in theory, HMRC applies them strictly in practice. Couples must execute a Declaration of Trust before redistributing any income, submit Form 17 within 60 days of signing, ensure the ownership split reflects genuine beneficial ownership, and never attempt to backdate documents, as HMRC will disregard them.

When handled properly, transferring rental income between spouses through a Declaration of Trust is both legal and highly effective, unlocking significant tax savings. But if the paperwork or timing is wrong, couples risk HMRC challenge, unexpected tax liabilities and costly legal complications. ●

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The NSI Act

Edward Tran and *Oliver Williams* explain what accountants need to know about the UK's national security regime.

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The UK's National Security and Investment Act 2021 (NSI Act) introduced a comprehensive regime allowing the government to screen acquisitions of control over entities and assets that could affect national security. It applies regardless of deal value or investor nationality, meaning every UK transaction team – including accountants and company administrators – must understand when the Act is triggered and how to comply.

The NSI Act has become a standard checkpoint in due diligence. Accountants and company secretaries are often first to spot potential trigger events in share transfers, group restructures or share security arrangements, and are key to ensuring timely filings and accurate information.

In addition, because the NSI Act applies to transactions involving technology and AI, the key importance of these sectors to the UK economy will make this a highly significant consideration for the foreseeable future.

What transactions are covered?

The NSI Act applies when an acquirer gains control over a 'qualifying entity' or 'qualifying asset'.

- **Qualifying entities** include companies, LLPs and other corporate bodies (excluding individuals).
- **Qualifying assets** include land, tangible moveable property, and intangible assets such as ideas, IP and techniques with economic value used in connection with UK activities and supplies.

Importantly, there are no turnover or market-share thresholds, and UK investors are not exempt. The rules can also extend overseas if there is a sufficient UK connection – for example, a non-UK company supplying goods or technology into the UK.

A filing or review may be required due to a range of trigger events that involve acquiring control over qualifying entities or assets. These events can arise through share issues, intra-group transfers, enforcement of security or even shareholder agreement amendments. Administrators and finance teams must review share registers and transaction steps carefully to identify potential triggers.

Notification requirements

A range of sectors are subject to mandatory pre-completion notification, including advanced materials and robotics, AI, defence, computing hardware, data infrastructure, energy, quantum, satellite and space, transport and communications.

If a company's activities fall within these areas, any acquisition crossing the control thresholds must be notified and approved before completion. A transaction that completes without approval is legally void, exposing parties to significant penalties: up to the greater of £10 million or 5% of global turnover, and possible imprisonment for individuals.

For deals, this means that due diligence and sign-off processes must include an explicit NSI compliance check. Filing obligations can delay completion, so timing and conditionality should be built into transaction timetables.

If a transaction is not subject to mandatory notification but could still raise national security concerns – for example, where the target supplies a sensitive customer or handles critical data – a voluntary filing can offer greater certainty. Unlike mandatory cases, voluntary notices may be submitted before or after completion, but early engagement is strongly advised to avoid later intervention.

Even where no filing is made, the government can call in a transaction for review within six months of becoming aware of it; or up to five years after completion (unless a mandatory filing should have been made). The call-in power applies to any in-scope acquisition completed

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since 12 November 2020. In 2024–25, 56 deals were called in for full review – a rising trend that underlines the government's appetite to scrutinise transactions beyond the obvious defence or tech deals.

Risk factors

The Secretary of State considers key risk factors:

- **Target risk:** what the entity or asset does, its proximity to sensitive sites, and critical supply relationship.
- **Control risk:** the type and degree of control being acquired and whether it could be used to harm national security.
- **Acquirer risk:** the characteristics of the buyer, including previous conduct, ownership ties and exposure to hostile states.

UK nationality does not exempt a buyer; each case is judged on its facts. For accountants or administrators reviewing ownership structures or beneficial ownership declarations, documenting these details is essential.

The notification and review process

All filings are submitted via the NSI electronic portal to the Investment Security Unit (ISU) within the Cabinet Office. A representative, such as a law firm, may submit the form.

Once a notice is submitted, acceptance by the ISU typically takes about a week. Once accepted, the Secretary of State has 30 working days to clear the transaction or call it in for further review. If called in, there is an initial assessment period of 30 working days, extendable by 45 days if needed.

If a national security risk is identified and additional time is required to develop appropriate remedies, the parties may agree to a further voluntary extension. During the assessment period, the timeline may be paused if the Secretary of State issues information or attendance notices.

Throughout this process, the ISU may request detailed information about ownership, structure, customers and sensitive activities – areas where accountants and company secretaries play a critical evidentiary role.

If a mandatory filing was missed and the deal completed, the parties can seek a validation notice. If granted, the transaction is treated as approved and ceases to be void. However, the government may issue a call-in notice within six months of becoming aware of the deal. Swift voluntary disclosure is therefore the safer path.

Interim orders and information powers

During an investigation, the Secretary of State can issue interim orders to prevent completion or integration – for example, ordering the parties to refrain from sharing IP or other information. Breaching an interim order constitutes both a civil and a criminal offence.

The Secretary of State also has wide-ranging information powers, including the ability to compel interviews and documents from UK-linked individuals and businesses. False or misleading information is itself an offence – making careful review of filings and correspondence a key compliance function.

Following assessment, the Secretary of State may issue clearance, confirming no further action; or a final order imposing conditions such as access to sensitive sites or information, supply continuity, technology transfer or governance arrangements. In rare cases, deals can be prohibited or unwound entirely. Final orders are kept under review and can later be varied or revoked.

Sanctions and enforcement

Civil penalties apply for completing notifiable acquisitions without approval, breaching orders or failing to comply with information/attendance notices. For businesses, the maximum fixed penalty is the higher of £10 million or 5% of global turnover; for individuals, it is up to £10 million. Daily penalties may apply for continuing breaches.

Criminal penalties of up to five years' imprisonment apply for completing a notifiable acquisition without approval or breaching orders.

Government guidance

Comprehensive government guidance is available to help parties navigate the NSI regime, including sector definitions for notifiable acquisitions and instructions for notification forms. Early engagement with the ISU can help to clarify borderline cases and prevent avoidable delays. For many businesses, this is becoming part of normal pre-deal planning alongside tax and accounting checks.

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Practical takeaways for accountants

Build NSI screening into early due diligence: Check whether the target's activities fall within sensitive sectors and whether any ownership changes could trigger a filing. Be alert to adjacent activities and supply chain roles, and to indirect acquisitions through chains of ownership.
Allow for timing: Factor in up to 30 working days for screening, and potentially 75 days if called in, when structuring completion dates or funding arrangements.
Consider voluntary filings: When in doubt, early notification can protect against future disruption.
Maintain accurate records: Ensure all filings, ownership details and correspondence are complete and verifiable. False information can reopen cleared cases and expose individuals to prosecution.
Keep abreast of reforms: Ongoing consultation means the scope of mandatory sectors may expand. Staying informed helps businesses plan ahead.

CPD ON DEMAND

Are you looking for flexible, high-quality professional development that fits around your schedule? **AIA CPD On Demand** is your go-to resource for on-demand learning – giving you access to a wide range of webinar recordings anytime, anywhere.

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Here are just some of the recordings that you can find waiting for you on our website at: www.aiaworldwide.com/cpd/cpd-on-demand

UNDERSTANDING BUSINESS RECOVERY AND SOLVENT LIQUIDATION

A webinar by FTS Recovery focused on key aspects of business recovery and corporate solvency, tailored for finance professionals, accountants and business owners. This session provides practical guidance on recognising the early warning signs of financial distress and the steps to take before a situation becomes unmanageable.

Key topics covered in the session include:

- recognising the early warning signs;
- solvent liquidation: members' voluntary liquidation; and
- hot topics in corporate governance.

Find out more about the course at: tinyurl.com/mrthxh7x

WHAT THE EMPLOYMENT RIGHTS BILL MEANS FOR YOU AND YOUR CLIENT

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. We'll cover:

- a breakdown of the Employment Rights Bill;
- key reforms in enhancing existing rights, pay, time off, contracts, equality and harassment; and
- the latest tribunal statistics, societal trends and what they mean for your role.

Find out more about the course at: tinyurl.com/4n979au4

IRELAND EMPLOYMENT LAW UPDATES (2025)

This presentation will examine important employment law developments during 2024-25, including restrictions on the use of non-disclosure agreements with employees, pension auto-enrolment and greater gender pay gap transparency.

This seminar is vital to all professional practices in terms of the employment obligations of those practices themselves and in terms of any relevant commercial issues that may arise for clients. Negotiating the terrain of employment entitlements can be particularly difficult when dealing with the various compensation scales and ceilings that apply.

Find out more about the course at: tinyurl.com/52e7u33n

UNDERSTANDING AML RISK

Richard Simms from AMLCC delves into the essentials of anti-money laundering (AML) risk assessments. Richard will guide you through statutory and practical risk areas, and how to create effective business-wide and client risk assessments. Learn about risk mitigation and how to integrate these practices into your daily operations.

This session is perfect for anyone looking to enhance their AML compliance and protect their business from criminal activity. Don't miss out on this opportunity to gain expert insights and practical tips from a leading authority in AML compliance.

Find out more about the course at: tinyurl.com/2nc374fk

AI ETHICS FOR ACCOUNTANTS

A webinar to raise your awareness of the current ethical risks of artificial intelligence (AI) and to enable you, as professional accountants, to manage those risks. Using practical examples, this webinar focuses on the things that matter to accountants as direct or indirect users of AI and as advisers or employees who can bring a valuable professional perspective to the ethical application of AI in business and other organisations.

Find out more about the course at: tinyurl.com/msp2dye

COMMUNICATION SKILLS FOR ACCOUNTANTS

Explore the art of Effective Questioning, an essential skill for accountants and business professionals. More than just fact-finding, strategic questioning helps you to uncover deeper insights, guide conversations with confidence, and achieve better outcomes for clients and colleagues. By integrating questioning techniques with active listening and language patterns, you'll learn how to foster meaningful discussions, encourage thoughtful responses and strengthen relationships.

Find out more about the course at: tinyurl.com/2zuvhxa2

WHAT CLIENTS REALLY WANT, NEED AND HIGHLY VALUE FROM AN ACCOUNTANT

A significant disconnect exists between what accountants typically provide and what business owners truly desire from their financial professionals. This session reveals the crucial difference between what clients 'need' and what they truly want and value. Through real-world examples, discover how successful firms have transformed their client relationships from transactional to truly valuable, resulting in higher fees, more engaged clients and a more rewarding practice.

Find out more about the course at: tinyurl.com/ycxw9svx

IFAC report finds nearly all MENA jurisdictions advancing on standards adoption

The International Federation of Accountants (IFAC) released the International Standards: 2025 MENA Insights Snapshot to benchmark international accountancy standards adoption and implementation trends across the Middle East and North Africa from 2019 to 2024. The report was launched at IFAC Connect MENA 2025 in Riyadh, co-hosted with the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

The snapshot, available in English and Arabic thanks to translation by SOCPA, shows that adoption of international standards has accelerated significantly across MENA in recent years.

Nearly all jurisdictions in the region have taken steps to align with International Standards on Auditing, International Financial Reporting Standards, and the International Code of Ethics for Professional Accountants. Several countries have made notable progress in embedding International Public Sector Accounting Standards into public sector reporting frameworks, reflecting growing recognition of the importance of transparency in government finances.

Differences in regulatory oversight, technical capacity and resourcing are opportunities for advancement, particularly in public sector reporting and among smaller professional accountancy organisations.

Lee White, IFAC Chief Executive Officer, said: 'The 2025 MENA Insights Snapshot demonstrates both the progress and the challenges in ensuring that adoption progresses into implementation. IFAC Connect MENA is the perfect platform to launch this work, because the discussions are focused on turning commitments into action, aided by the leadership of the accountancy profession. Adoption is a first step and real impact comes when standards are embedded in practice and serve the public interest.'

Dr. Ahmad Almeghames, CEO of SOCPA and IFAC Board Member, said: 'We're proud to see that Saudi Arabia is the only jurisdiction in the region to have adopted all seven baselines. This achievement reflects the Kingdom's commitment to advancing the profession and aligning with the highest international benchmarks, and serves as an example for the wider MENA region showing how strong leadership, investment in capacity, and collaboration across regulators, standard setters and the profession can accelerate progress.'

The report will inform IFAC's ongoing work with MENA member organisations, regulators and development partners to strengthen capacity, accelerate adoption and ensure consistent, high-quality implementation across the region.

INTERNATIONAL

Global public sector shift to accrual accounting steadies

The new International Public Sector Financial Accountability Index 2025 Status Report, published by the International Federation of Accountants (IFAC) and Chartered Institute of Public Finance and Accountancy (CIPFA) with support from the International Public Sector Accounting Standards Board (IPSASB), highlights steady, gradual progress in governments worldwide moving from cash to accrual-based financial reporting.

Accrual accounting provides governments with a clearer picture of their finances by recording the substance of transactions as they occur, rather than when cash transfers occur. This transparency helps to inform decision making and improves the ability to hold governments to account for their decisions.

Key findings of the report:

- By 2030, 56% of jurisdictions are projected to report on an accrual basis. This represents steady progress since the 2020 Index but at a slower pace than anticipated, reflecting the financial and operational strains that governments faced during and after the pandemic.
- In 2024, high-income jurisdictions made up the majority of accrual adopters (57%), but by 2030, the landscape will shift. As many as 60% of jurisdictions using accrual are projected to come from middle and low-income economies.
- By 2030, 81% of accrual-reporting jurisdictions are expected to be applying International Public Sector Accounting Standards (IPSAS) either directly, with modifications or as the foundation for national standards.

IFAC launches 'Opening Doors' principles to broaden access to the accountancy profession

The International Federation of Accountants (IFAC), supported by the Global Public Policy Committee (GPPC), has launched 'Opening Doors: Six principles of best practice to increase access to accountancy qualifications'. This initiative provides a clear and practical framework for IFAC's member organisations and other professional accountancy organisations (PAOs) to expand opportunities for aspiring accountants, remove unnecessary entry barriers, and modernise qualification pathways – while maintaining the high professional standards essential to public trust.

IFAC Chief Executive Officer Lee White emphasised the importance of inclusivity in shaping the future of the profession. 'The accountancy profession is enriched through talent drawn from the widest breadth possible,' he said. 'Opening Doors creates new opportunities to engage future talent, respond to evolving workplace needs, and build a profession that is broad-based, innovative and trusted.'

The initiative sets out six interconnected principles that PAOs can adopt and adapt to their local contexts and regulatory environments:

- Encouraging entry from diverse educational backgrounds.

- Recognising and valuing prior work experience.
- Removing unnecessary barriers to access.
- Offering flexible qualification formats and delivery methods.
- Enabling career step-off points to allow for flexibility and progression.
- Driving global reciprocity and mobility within the profession.

These principles are designed to help PAOs modernise their qualification systems and open pathways to candidates from a wide range of academic and professional backgrounds. They also support greater cross-border recognition of qualifications, helping to strengthen the profession's global relevance and mobility.

Several IFAC member organisations have already implemented aspects of these principles, demonstrating how they can work in practice to create more inclusive entry routes into accountancy. For others, Opening Doors offers a new opportunity to reimagine their qualification frameworks, strengthen engagement with future generations, and ensure the profession remains aligned with the rapidly changing demands of global business.

UK AND IRELAND

FRC publishes an Annual Review of Corporate Reporting

The Financial Reporting Council (FRC) has published its Annual Review of Corporate Reporting, showing that the quality of corporate reporting across FTSE 350 companies has been maintained during the 2024-25 monitoring cycle.

The Corporate Reporting Review (CRR) team found that a lower proportion of reviews resulted in queries being raised with companies compared to previous years, with overall restatements prompted by reviews falling compared to the previous three years. The number of restatements affecting profit has also reduced.

The review demonstrates the FRC's continued commitment to upholding high standards of corporate reporting, which are important for maintaining investor confidence and supporting UK companies' access to the capital they need to scale and grow.

For the third consecutive year, impairment was the issue most frequently raised with companies, although no companies were required to restate their accounts for impairment matters. Cash flow statements and inconsistency of information between financial statements and other sections of the report and accounts continue to present challenges. The report notes that many common areas of challenge could be identified through sufficiently robust pre-issuance reviews, emphasising this remains a key expectation for companies' oversight processes.

There remains a quality gap between companies in the FTSE 350 and other companies, with the majority of restatements continuing to arise in companies outside the FTSE 350. The FRC is undertaking a thematic review focusing specifically on reporting by UK smaller listed companies.

For the 2025-26 reporting season, expectations remain consistent with recent years given stable reporting requirements and recurring themes. Companies are encouraged to focus on improving explanations of significant judgments and estimates, including disclosure of key inputs and assumptions.

FRC launches an Innovation and Improvement Hub to drive regulatory innovation and market growth

The Financial Reporting Council (FRC) has announced the launch of its Innovation and Improvement Hub, reinforcing its commitment to create an exploratory space for collaborative problem-solving with market participants, whilst supporting high standards and economic growth.

The Hub builds on the success of existing initiatives such as the Audit Sandbox and Scalebox programmes, bringing together cross-FRC approaches under one unified framework. It aims to provide stakeholders with increased choice of routes into regulatory support, moving beyond traditional supervisory relationships to foster collaborative conversations on common interests.

The FRC has identified three early priorities for the Hub's work:

- exploring how artificial intelligence might affect the future of audit;
- working collaboratively with companies to reduce the length of annual reports and accounts, which have grown significantly in recent years; and
- deepening cross-regulatory work to ensure there is a joined-up approach from the whole ecosystem.

Another initiative centres around the Scalebox programme, offering dedicated resources to smaller audit firms to help build their capabilities around quality management systems whilst enabling the FRC to learn about proportionate oversight for smaller audit firms in the PIE market.

Richard Moriarty, CEO of FRC, said: 'There is an important role for regulators to encourage improvement and enable innovation. The Innovation and Improvement Hub demonstrates our commitment to provide a space for industry participants to experiment and discuss issues, so we can drive innovation and support growth across the sector whilst maintaining our focus on quality and market resilience.'

The Hub's broader innovation agenda complements the FRC's recent work to reduce reporting requirements, including the updated UK Stewardship Code 2026 which introduced fewer principles for asset managers and more flexible reporting structures, alongside ongoing efforts to help auditors deliver more proportionate audits for small and medium-sized enterprises.

EUROPE

European supervisors tell financial institutions to stay alert to stability risks in uncertain and volatile times

The three European Supervisory Authorities (ESAs) – the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) – have issued their Autumn 2025 Joint Committee Report on risks and vulnerabilities in the EU financial system.

The Report highlights how tensions in global trade and the global security architecture have deepened geopolitical uncertainties. The authorities call for increased vigilance and urge financial entities to maintain adequate provisions in today's tense and unpredictable environment.

The ESAs caution that sudden structural changes in global trade and security have led to a deterioration in the economic outlook in the first half of 2025. Despite the initial moderate impact of the US–EU preliminary trade agreement, risks to financial stability and the risk of further corrections remain.

The European financial system has demonstrated its resilience. Banks continue to generate solid profits, insurers hold strong solvency positions, and pension funds remain well-funded. Market infrastructures and money market funds have also proven robust in the face of volatility.

Growing transatlantic tensions, however, are reshaping the risk landscape. Tariffs and currency shifts are impacting commodities and foreign exchange markets and create new channels through which risks can spread to financial institutions. Strong interlinkages with US financial markets deepen undertakings' sensitivity to these risks.

Against this background, the ESAs advise national supervisors, financial institutions and market participants to:

- continue embedding geopolitical risks in their day-to-day business operations and risk assessments, including their dependencies on non-EU markets and service providers;
- prepare for short and medium-term challenges amid high uncertainties, such as market corrections, by maintaining adequate provisions and stress testing their liquidity positions;
- strengthen vigilance against cyber risks and their potential impact on operational and financial stability, also via third-party service providers;
- monitor contagion risks from crypto assets as the market expands and interlinkages between crypto markets and the traditional financial sectors deepen; and
- play an active role in supporting the Savings and Investments Union (SIU) initiative, while duly considering the liquidity characteristics and risk profiles of alternative investments and their suitability for retail investors.

Anti-money laundering and countering the financing of terrorism supervision of banks is improving, the EBA finds

The European Banking Authority (EBA) has published a Report that takes stock of the actions taken by all competent authorities to address the EBA's findings and recommendations.

This follows in-depth reviews carried out by the EBA of all 40 competent authorities approaches to tackling money laundering and terrorist financing (ML/TF) risks in banks in all EU/ EEA member states over the last six years, issuing recommendations when necessary to improve the effectiveness of anti-money laundering and counter terrorism financing (AML/CFT) supervision.

Overall, competent authorities have made significant progress over the past six years in adopting a risk-based approach to AML/CFT supervision. Despite the challenges which, in some cases, hampered their reform efforts, most competent authorities now have dedicated AML/CFT strategies, targeted supervisory plans, and manuals that guide supervisors and ensure consistency across the sector. They are also co-operating more effectively with relevant stakeholders at both national and international level.

Looking ahead, the new EU Anti-Money Laundering Authority (AMLA) will benefit from the EBA's work that has been instrumental in making AML/CFT supervision in the EU more effective.

In relation to AML/CFT supervision, competent authorities have taken notable steps to align national strategies and practices with the EBA standards. The findings suggest that supervisory manuals have been enhanced to ensure that AML/CFT supervision becomes more consistent and effective, and that most supervisors have taken significant steps to use all supervisory tools available to them in a more strategic way. However, in several cases, work is still underway to address recommendations stemming from these reviews.

Competent authorities also made substantial efforts to strengthen co-ordination and information exchange with the relevant public authorities within their respective member states, such as competent authorities with shared supervisory responsibilities, the financial intelligence unit and tax authorities.

The Report also highlights significant progress in relation to establishing sound and effective communication with competent authorities in other EU jurisdictions or third countries. Nevertheless, in some member states, further improvement is needed, for example in relation to effective co-operation mechanisms with prudential supervisors.

UNITED STATES

FASB issues a Standard on Derivatives Scope Refinements

The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) that responds to stakeholder concerns about how derivative accounting applies to certain contracts and how to account for share-based non-cash consideration received from customers. The new ASU provides targeted improvements to help reduce complexity, improve consistency in application, and better reflect the underlying economics of these transactions.

Issue 1: Derivatives Scope Refinements

During its 2021 agenda consultation and other outreach activities, the FASB heard from stakeholders about difficulties applying the guidance in 'FASB Accounting Standards Codification Topic 815, Derivatives and Hedging'. Topic 815 establishes the accounting requirements for contracts that meet the definition of a derivative based on specific characteristics – such as having an underlying, notional amount, and requiring little to no initial investment – unless they are explicitly excluded from its scope.

Because of the broad and evolving application of the derivative definition, entities often face uncertainty when determining whether certain contracts must be accounted for as derivatives. This challenge has been amplified by new and complex business transactions. Examples include:

- emerging arrangements such as bonds with interest payments tied to performance metrics; and
- longstanding transactions such as research and development funding or litigation funding arrangements.

In these cases, entities have found the current guidance difficult to apply consistently, leading to diversity in practice.

The ASU addresses these concerns by adding a derivative scope exception for certain contracts whose underlying variables are based on the operations or activities of one of the parties to the contract. This exception is intended to reduce cost and complexity in assessing whether contracts fall within the scope of derivative accounting; provide a more faithful representation of the economics of such contracts in financial statements; and reduce diversity in practice stemming from inconsistent interpretations of existing guidance and the evolving business environment.

By refining the scope of Topic 815, the FASB aims to improve the operability of derivative accounting without changing the core definition of a derivative or the principles underlying hedge accounting.

Issue 2: Scope clarification for share-based non-cash consideration from a customer

The ASU also clarifies how entities should account for share-based noncash consideration – such as warrants, stock or other equity instruments – received from a customer as payment for goods or services. This issue involves the interaction between multiple areas of US GAAP, including Topic 606, Revenue from Contracts with Customers; Topic 815, Derivatives and Hedging; and Topic 321, Investments – Equity Securities.

Stakeholders noted that existing guidance did not clearly specify which accounting topic should apply when share-based non-cash consideration is received, creating confusion and inconsistency in practice. The amendments make it clear that Topic 606 applies to such transactions and that entities should evaluate any derivative or investment aspects of the consideration under the relevant Topics only after applying the revenue guidance.

This clarification is expected to improve the comparability of financial statements, give investors more consistent information, and reduce accounting complexity and related reporting costs for preparers and auditors.

ASIA PACIFIC

MASB launches a revised Malaysian Private Entities Reporting Standard

The Malaysian Accounting Standards Board (MASB) has officially launched the revised Malaysian Private Entities Reporting Standard (MPERS), marking another major advancement in Malaysia's financial reporting framework for private entities. The launch event was officiated by Dato' Zainal Abidin Putih, Chairman of the Financial Reporting Foundation (FRF), at the AICB Centre of Excellence.

Dato' Zainal highlighted the significance of the occasion, drawing parallels with the introduction of the original MPERS in 2015. He noted that the revised MPERS is based on the third edition of the IFRS for SMEs Accounting Standard issued by the IASB, reflecting the evolution of Malaysia's accounting practices in tandem with international standards.

The revised MPERS introduces updates across nearly all sections of the Standard, except for certain adjustments related to scope and terminology. One major change involves the removal of previous guidance on accounting for property development activities in Section 34. This section is now replaced by revenue recognition principles aligned with IFRS 15, which provides a more comprehensive and globally consistent approach to revenue accounting.

Dato' Zainal underscored that the revision is the product of extensive consultation and collaboration. 'MASB has not worked in isolation,' he stated. 'The Board engaged widely with SME preparers, auditors, regulators and professional bodies to ensure that the revised MPERS is both technically sound and practical for those applying it.' This approach aims to balance global consistency with local relevance, ensuring the Standard supports the realities of Malaysian private entities.

The revised MPERS will become effective for financial statements beginning on or after 1 January 2027, with early adoption permitted.

AIA Disciplinary Committee

15 October 2025 Disciplinary Committee Outcomes:

- Andreas Papaevripides (UK) was excluded from membership for breach of Public Practice Regulation 6.4(f).

20 August 2025 Disciplinary Committee Outcomes

- Dato' Dr Ronnie Silva (UK) was excluded from membership for breach of Public Practice Regulations 2022, Regulation 4.1(a), Continuing Professional Development Regulations 3.2, 3.4 and 4.2, and Membership Regulations 20.1.
- Kandiah Kamalanathan (UK) was excluded from membership for breach of Public Practice Regulation 6.4(f) and AIA Public Practice Regulation 4.1. Mr Kamalanathan has submitted an appeal.
- Matthew Odu (UK) was excluded from membership for breach of Complaints, Disciplinary and Appeals Regulation 3.1(g) and Public Practice Regulation 4.1(a).
- Isaac Cohen (UK) was reprimanded for breach of Public Practice Regulation 4.1(a) and Continuing Professional Development Regulation 3.5.
- Samuel Fakorede (UK) was excluded from membership for breach of Public Practice Regulation 19.5, Regulations Complaints, Disciplinary & Appeals Regulation 3.1(e).
- Joseph Cohen (UK) was reprimanded for breach of Public Practice Regulation 4.1(a), Continuing Professional Development Regulation 3.2 and Complaints, Disciplinary & Appeals Regulation 3.1(g). Mr Cohen has appealed.

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