

FINANCE UPDATE

5th June 2025

09:00 - 10:30

AGENDA

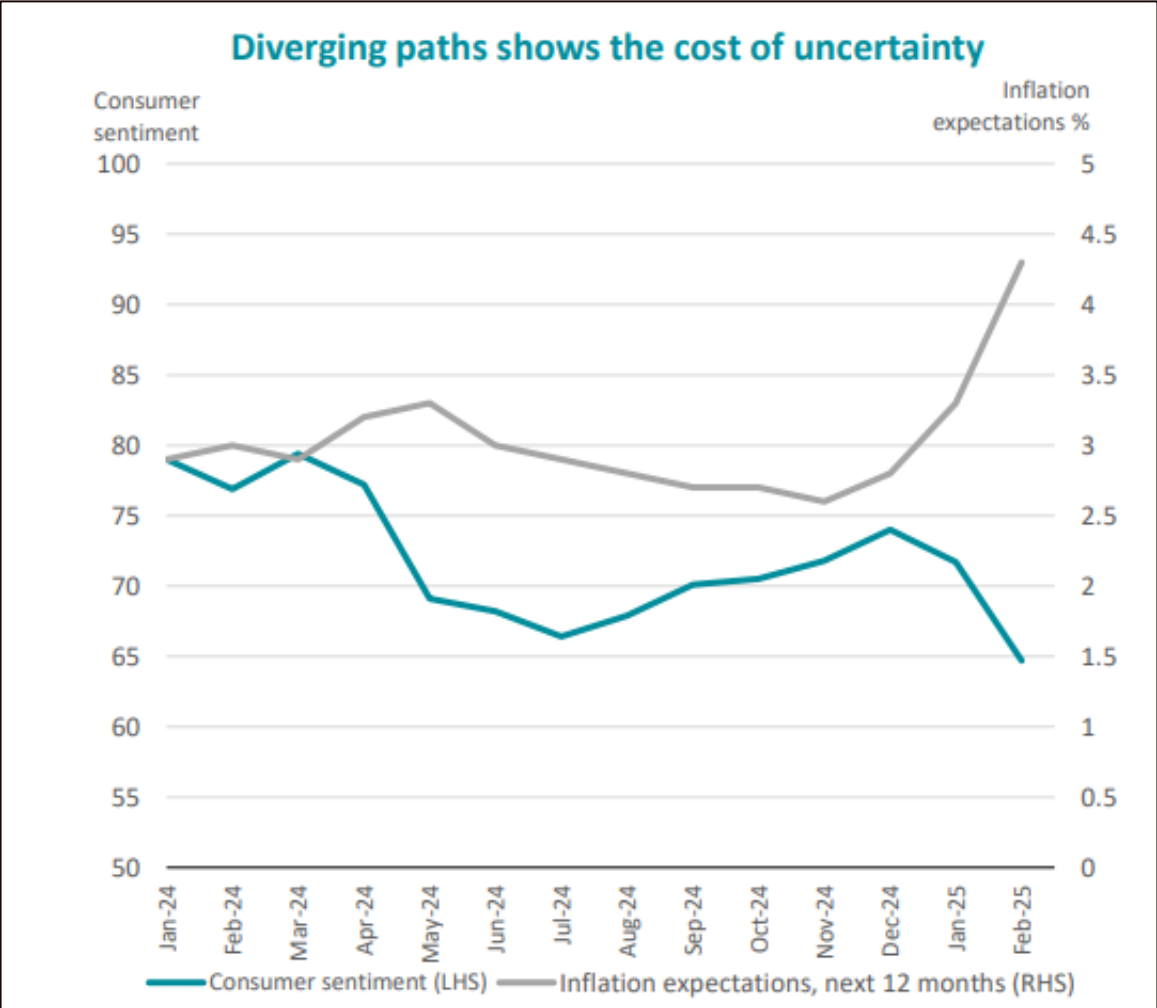
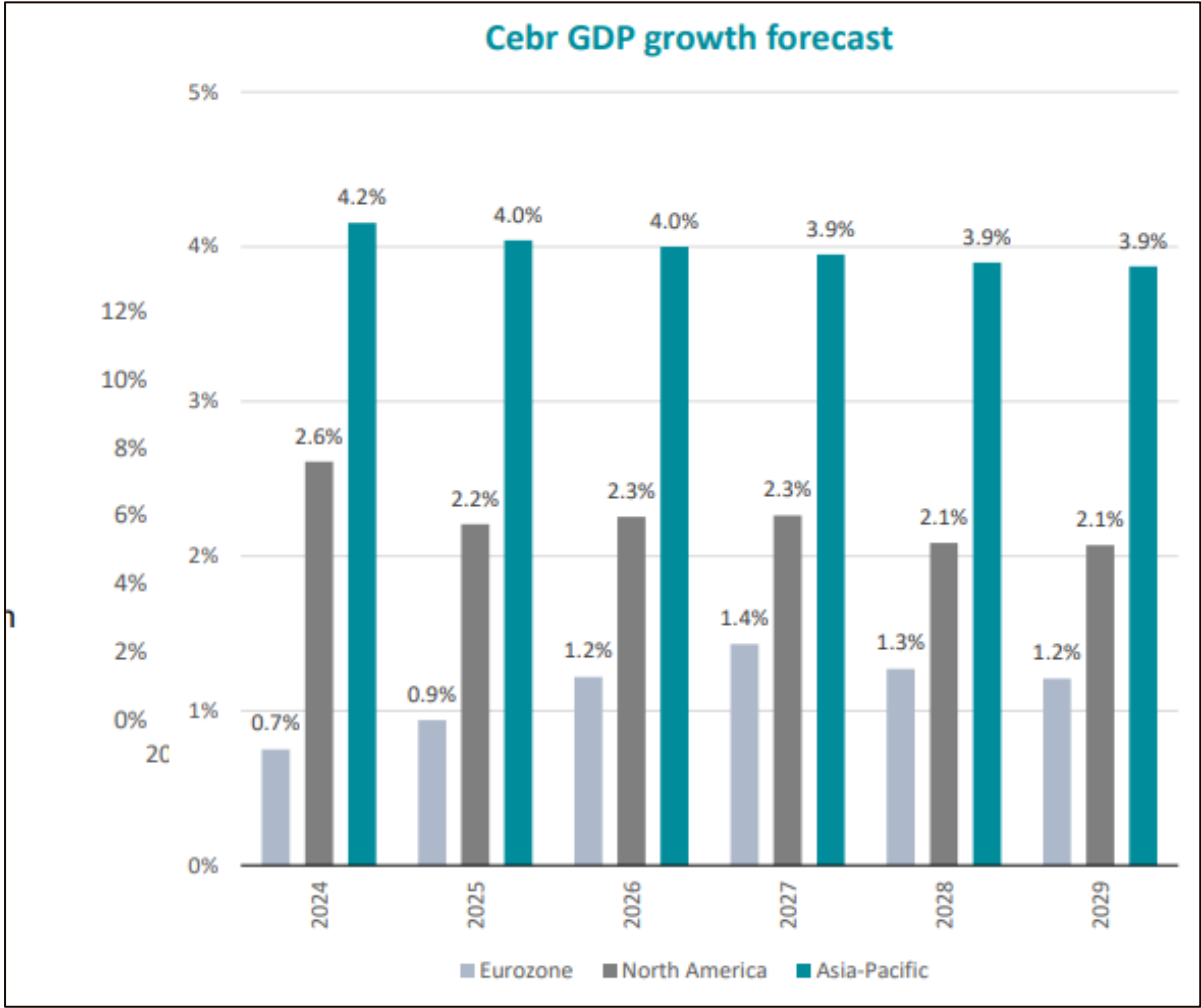
▶ Welcome	Jane Pendlebury
▶ Industry update	Mark RA Edwards
▶ Audit and accounting update	Mark RA Edwards
▶ Corporate Tax Update	Natasha Patel
▶ Employment Tax - Tips & Troncs and NMW	Jacqui Roberts
▶ UK Immigration	Tom Bateman
▶ Cyber Update	Jason Gottschalk
▶ Q&A	
▶ Networking	



INDUSTRY UPDATE

Mark RA Edwards
Head of Leisure & Hospitality

CEBR ANALYSIS



CONSUMER CONFIDENCE - YUGOV/CEBR ANALYSIS

YouGov/Cebr Consumer Confidence Index

Axis value is 100. A score of <100 represents a negative score; a score of 100 represents a neutral score; a score of >100 represents a positive score



YouGov

YouGov/Cebr Household Economic Activity Data, March 2025

IDEAS | PEOPLE | TRUST



CONFIDENCE INDICATORS - YUGOV/CEBR ANALYSIS

YouGov/Cebr: Underlying consumer confidence measures

A score of <100 represents a negative score; a score of 100 represents a neutral score; a score of >100 represents a positive score

	This month	Change from last month
Consumer Confidence Index	111.7	-0.8
Household finances (past 30 days)	91.0	-1.5
Household finances (next 12 months)	95.6	-3.7
House value (past 30 days)	118.8	-0.4
House value (next 12 months)	135.1	-1.5
Job security (past 30 days)	98.9	0.9
Job security (next 12 months)	116.8	-0.8
Business activity (past 30 days)	112.3	0.7
Business activity (next 12 months)	125.1	1.4

YouGov

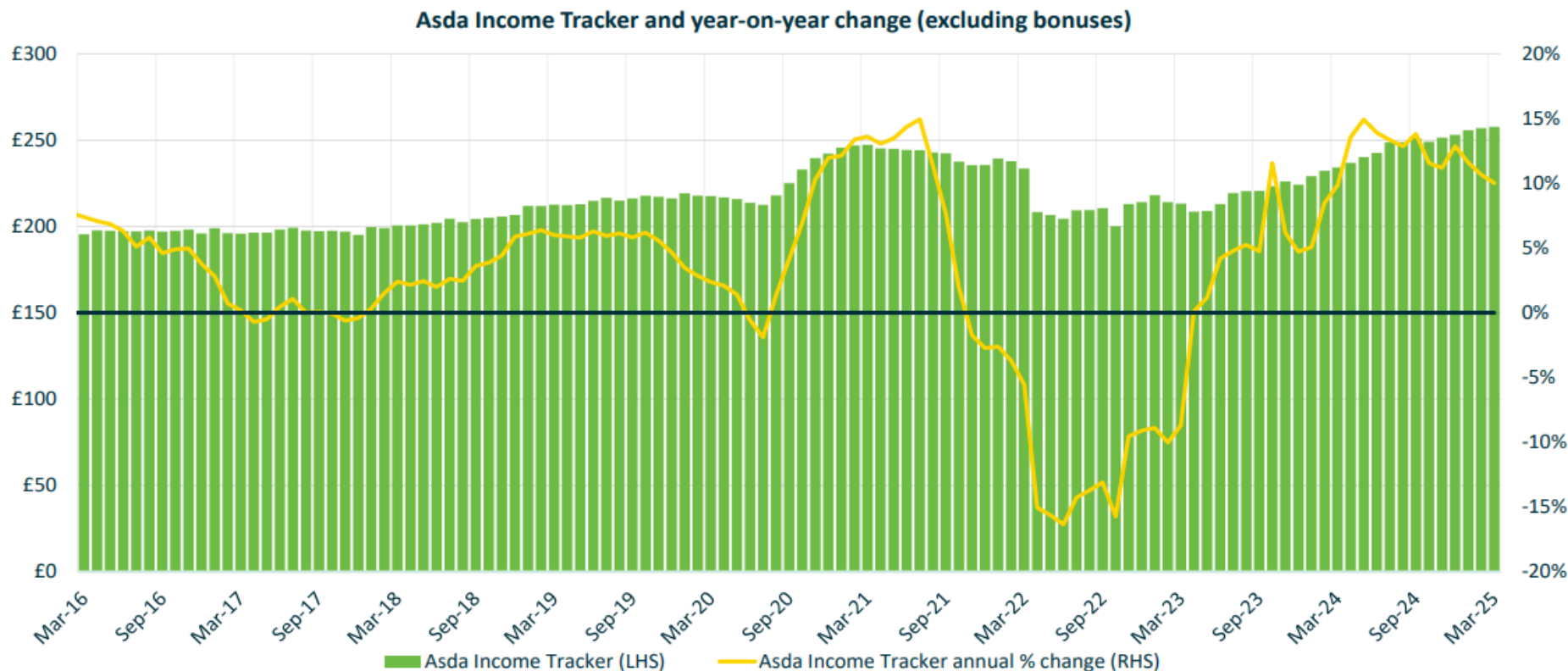
YouGov/Cebr Household Economic Activity Data, March 2025

IDEAS | PEOPLE | TRUST

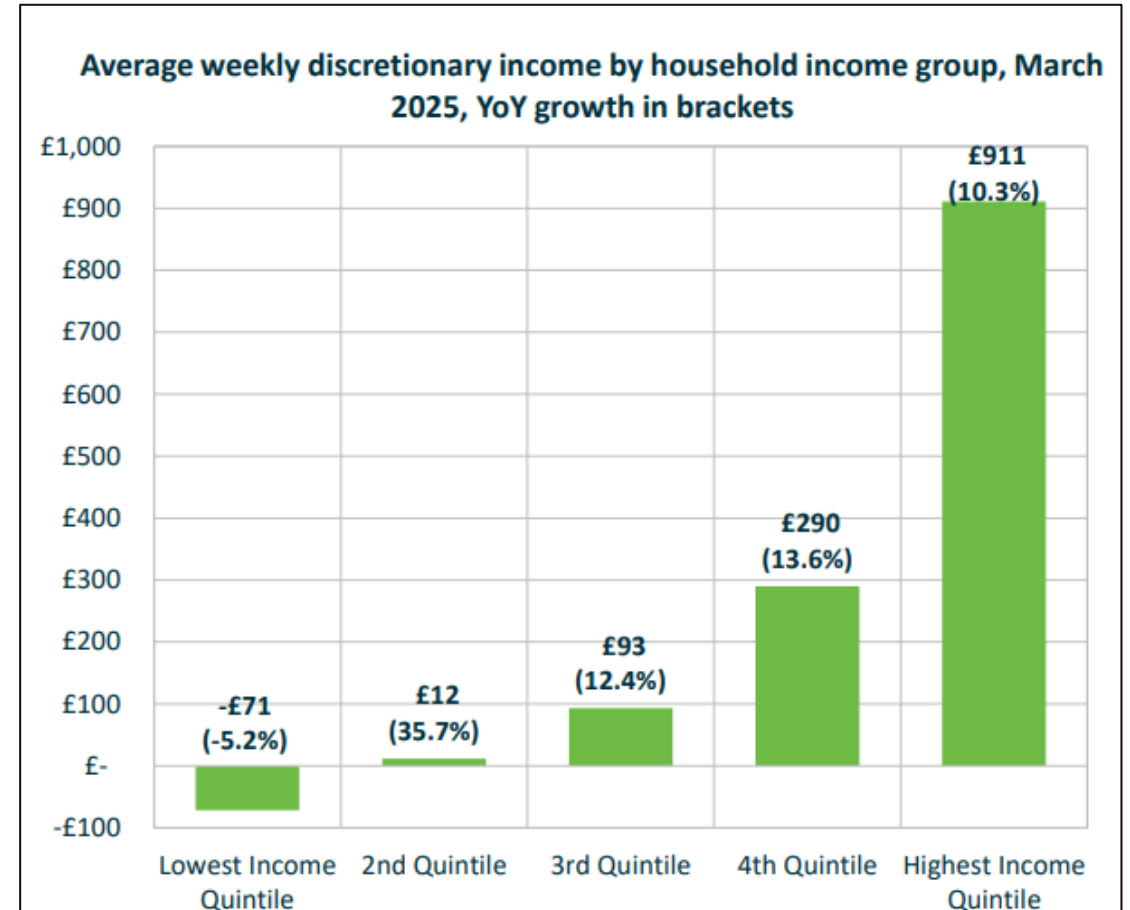
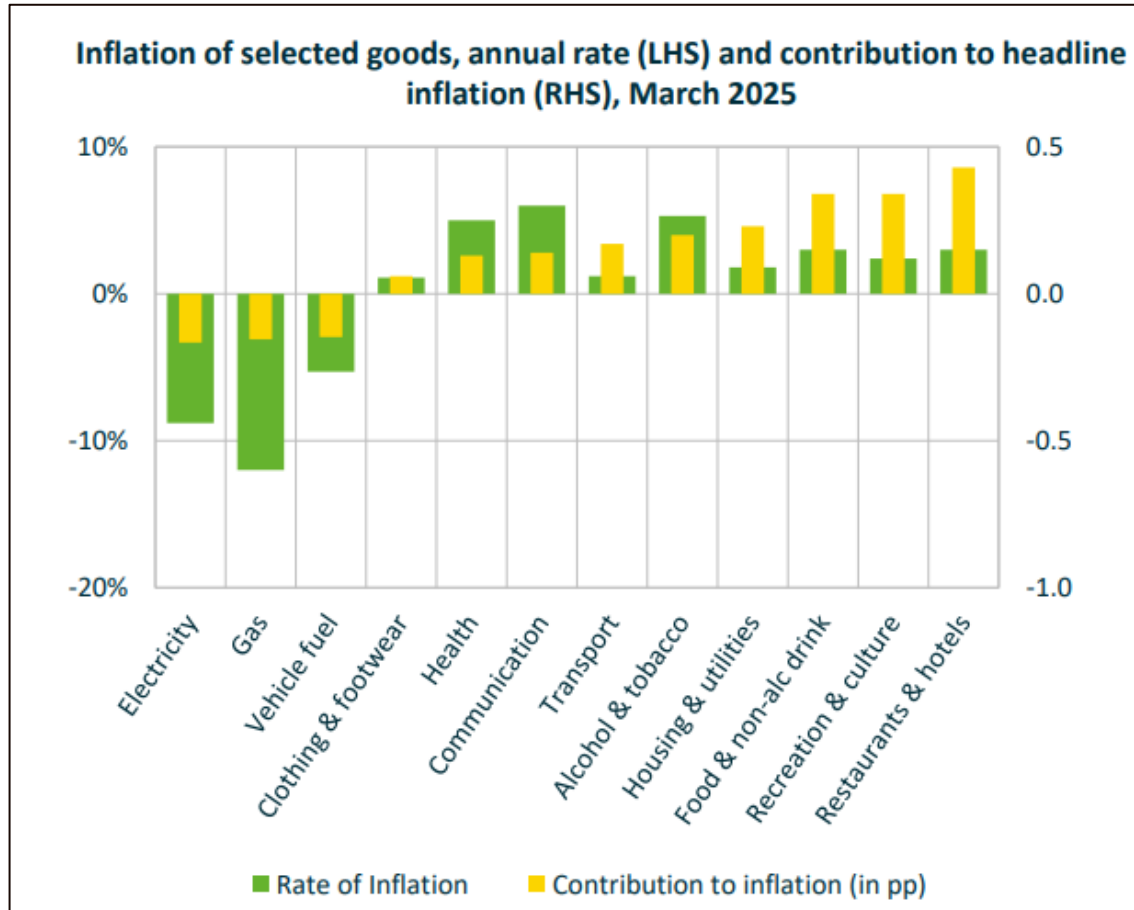


DISCRETIONARY INCOME TRACKER - CEBR ANALYSIS

Monthly Asda Income Tracker



ASDA INCOME TRACKER- CEBR ANALYSIS



AUDIT & ACCOUNTING UPDATE

Mark RA Edwards

Audit Partner

AGENDA

IFRS developments

- ▶ Overview of IFRS 18
- ▶ Other IFRS developments

FRS developments

- ▶ Overview of amendments to FRS 102
- ▶ FRS 102- Lease accounting

Other updates

- ▶ UK Sustainability Disclosure Reporting Framework

IFRS DEVELOPMENTS

IFRS 18 Presentation and Disclosure of financial statements

OVERVIEW



Effective Date

Annual reporting periods beginning on or after 1 January 2027



Transition

Restatement of comparative information required i.e 1 January 2026

Accounting impact

IFRS 18 will have a significant effect on how entities present their financial statements with emphasis on reporting of financial performance. The areas that will be significantly affected include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures

Read more
[IFRB 2024/04](#)

AREAS OF SIGNIFICANT CHANGE FROM IAS 1 VS IFRS 18



Categories in the statement of profit or loss



Line items and sub totals in the statement of profit or loss



Labelling, aggregation and disaggregation



Statement of cash flows: operating cash flows, and classification of interest and dividend cash flows



Management-defined performance measures

EXAMPLE STATEMENT OF PROFIT OR LOSS

A simple illustration of these requirements is presented below for an entity without specified main business activities (i.e. the entity does not invest in assets or provide financing to customers as a main business activity):

<u>Line item / sub-total</u>	<u>Amount in currency units (CU)</u>	<u>Classification of income and expenses</u>	<u>Explanation</u>
Revenue	1,000	Operating	
Cost of sales	(400)		'Cost of sales' line item must include inventories expensed (IAS 2).
Gross profit	600		IFRS 18 does not mandate the presentation of a 'gross profit' sub-total, however, IFRS 18 does not preclude this approach.
Salaries and benefits	(100)	Operating	
Operating profit	500		New mandatory sub-total: the sub-total of all income and expense classified as operating.
Share of profit from associates	25	Investing	Income or expense related to the application of the equity method are never classified as operating, which may be a change in practice for some entities.
Profit before financing and income tax	525		New mandatory sub-total: the sub-total of operating profit or loss and all income and expenses classified as investing.
Interest expense on bank loans	(50)	Financing	Expense classified as financing.
Profit before income tax and discontinued operations	475		Sub-total already required by IAS 1 / IFRS 5.
Income tax expense	(100)	Income tax	
Profit from continuing operations	375		Sub-total already required by IAS 1.
Profit from discontinued operations	10	Discontinued operations	Sub-total already required by IAS 1 / IFRS 5.
Profit	385		Total already required by IAS 1.

SOME PRACTICAL CONSIDERATIONS

While IFRS 18 does not change any recognition or measurement requirements in IFRS Accounting Standards, it may still have effects on systems and processes.



Financial reporting systems may not be designed to appropriately 'tag' and categorise income and expenses into the categories required by IFRS 18.



The requirement to categorise income and expenses into categories may change how systems and process's function



Groups may have entities with multiple main business activities, which change at the consolidated level.



Entities will need to review how they aggregate, disaggregate and label information based on the revised requirements of IFRS 18.

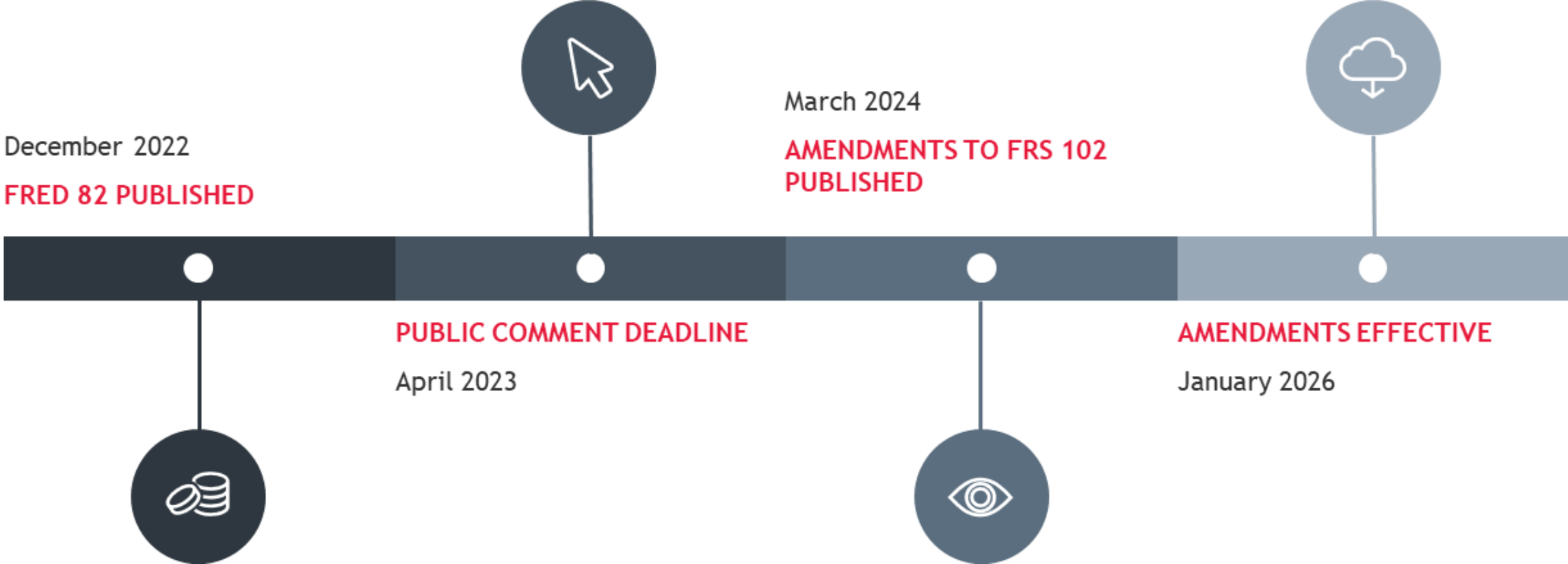


Entities will need to identify MPMs and determine which (if any) are within the scope of IFRS 18's disclosure requirements.

FRS DEVELOPMENTS

AN OVERVIEW OF AMENDMENTS TO FRS 102

PROJECT MILESTONES



OVERVIEW



New revenue
recognition based
on IFRS 15

New model of
lease accounting
based on IFRS 16

Various
incremental
improvement and
clarifications

FRS 102- LEASE ACCOUNTING

RECOGNITION EXEMPTIONS- LESSEE

Short term and low value leases

Aligned with
IFRS

Short-term leases

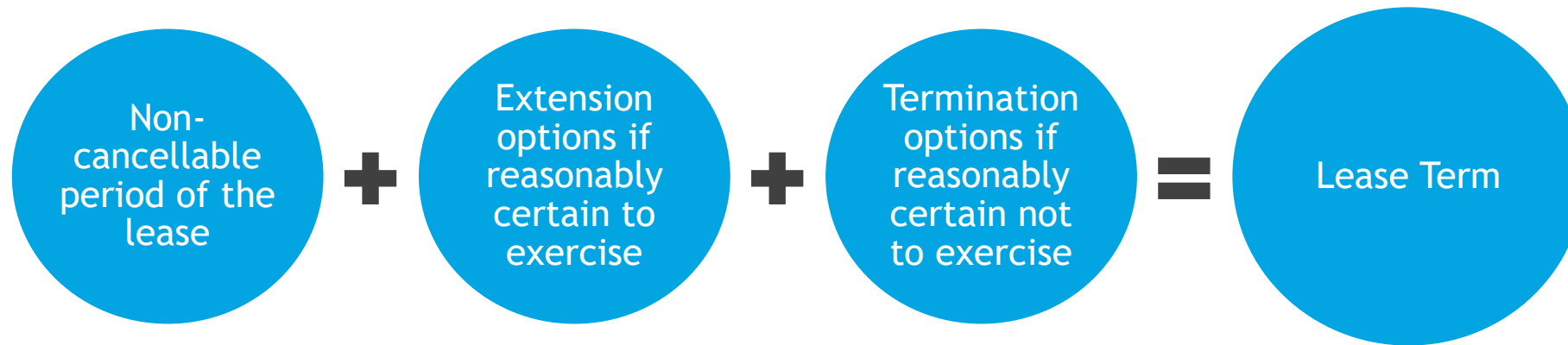
- ▶ Lease terms is 12 months or less
- ▶ No purchase option
- ▶ Factor in lessee options to terminate or extend lease if exercise is reasonably certain
- ▶ Apply consistently by class of underlying asset

Low value leases

- ▶ Assess based on value of an equivalent new asset
- ▶ Not judged by reference to materiality
- ▶ Made on a lease-by-lease basis
- ▶ The lessee can benefit from the use of the asset on its own or together with other resources readily available to the lessee
- ▶ Underlying asset is not highly dependent/interrelated to other assets

DETERMINING THE LEASE TERM - LESSEE AND LESSOR

Aligned with
IFRS

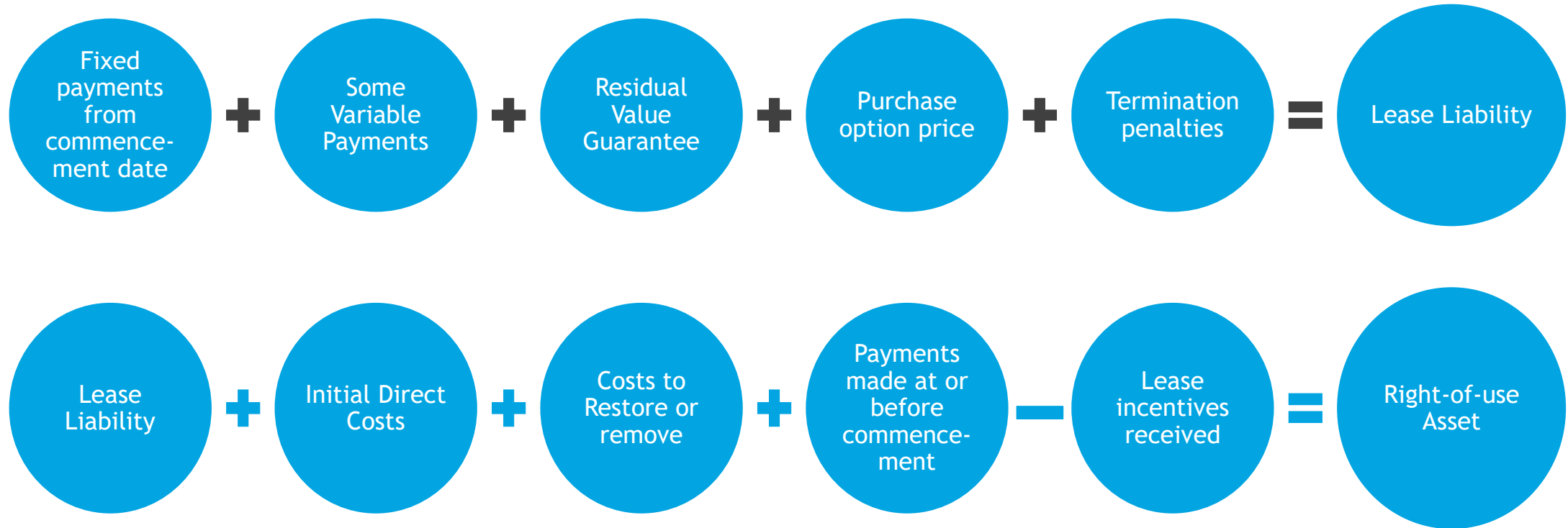


The lease term begins at the commencement date (i.e. the date on which the lessor makes the underlying asset(s) available for use by the lessee) and includes any rent-free or reduced rent periods provided to the lessee by the lessor.

INITIAL MEASUREMENT - LESSEE

Initial measurement of lease liability and right of use asset

Aligned with
IFRS



PRESENTATION OF LEASES

Aligned with
IFRS

Statement of Financial Position

- Right-of-use asset: present in its own line item or combine with property plant and equipment, with separate disclosure
- Lease liabilities: present separately or include with other liabilities and disclose which line item they have been included

Statement of Comprehensive Income

- Interest expense with other finance costs
- Amortisation of right-of-use assets

Statement of Cash Flows

- Cash payments for lease liabilities as financing activities.
- Cash payments for interest in accordance with requirements for interest paid.
- Short-term, low-value and variable lease payments within operating activities.

COMMERCIAL CONSIDERATIONS

- ▶ Taxation
- ▶ Dividends
- ▶ Profit-related contracts including HMAs
- ▶ Communication
- ▶ Debt covenant compliance
- ▶ Consequences of renegotiating lease contracts

OTHER UPDATES

UK SUSTAINABILITY DISCLOSURE REPORTING FRAMEWORK

The UK Government announced in May 2024 the establishment of two committees, an independent Technical Advisory Committee (TAC) and a Policy and Implementation Committee (PIC), that will assist with the assessment and endorsement of IFRS S1 and IFRS S2 as issued by the IASB and any resulting UK sustainability reporting standards.



The Government aims to make the UK-endorsed ISSB standards available in Q3 2025.



CORPORATE TAX UPDATE

Natasha Patel
Tax Director

WHAT WE ARE SEEING IN THE SECTOR

CORPORATE TAX

- ▶ Introduction to Corporate tax roadmap - Two transfer pricing consultations open until July 2025
 - 1st - removing UK to UK transactions, broadening those covered by TP
 - 2nd - "International Controlled Transactions Schedule", removal of SME exemption
- ▶ Super deduction clawbacks - be mindful when exiting leases or sites early
- ▶ Pillar 2 - Registration deadline approaching for the UK -30 June 2025
- ▶ WHT disclosures to HMRC on overseas lending
- ▶ Energy efficiency tax reliefs - capital allowances on eco-friendly infrastructure

EMPLOYMENT TAX UPDATE

Jacqui Roberts
Employment Tax Director

EMPLOYMENT TAX - THE LANDSCAPE

Employers NIC increased from 13.8% to 15% (includes Class 1A on P11Ds for 2025/26 and Class 1B on PAYE Settlement Agreements)

Decrease in NIC Employer Secondary Threshold reduced from £9,100 to £5,000 pa - 2025/26 to 2027/28 then CPI increases

Employment Allowance increased from £5,000 to £10,500 (no restrictions for larger businesses)

NLW over 21s rate increases from £11.44 to £12.21ph (6.7%) or £23,873.60 pa for a full-time worker

NMW 18-20-year-old rate sees the biggest ever increase from £8.60 to £10 (16.3%), up by £2,737 to £19,522 pa

Increases for 16-17 year olds and Apprentices to £7.55 per hour

Closing in on promoters of tax avoidance

Enhancing HMRC's ability to tackle tax advisors facilitating non-compliance

Better use of new and improved third party data

Behavioural penalties reform

Reforms to Umbrella Company compliance forthcoming

HMRC's Guide for Compliance publications GfC 1 PAYE Settlement Agreements; GfC 4 Off Payroll Labour; GfC12 Apprenticeship Levy/Employment Allowance (connected entities)

Significant increase in Employer costs - can be as much as c £1,000 per employee

Hospitality should focus on Governance, Remuneration Strategies and Keeping up to date with fast moving tax landscape

WHAT SHOULD A HOSPITALITY BUSINESS FOCUS ON?

Governance - Tips, Service Charge and Troncs

- New rules wef October 2024 - Employment Bill governed by Employment Tribunals
- All tips/service charge contractual/discretionary to be distributed fairly to workers (including agency) in line with the Code Of Practice
- Troncs if operated robustly will satisfy legislation
- Benefit that tips exempt from Employees/Employers National Insurance Contributions
- Review tipping policies to understand what types of gratuities are received
- Remember any contractual and discretionary service, room or tray charges that must be distributed fairly.
- Careful with changing the name of Service charge to avoid legislation!
- New Tipping Policies are clear, transparent and readily available to customers, employees and agency workers alike.
- Clear process in place for handling employee queries and disputes quickly and efficiently,
- Employees must understand how to raise any questions to help prevent unnecessary claims made direct to the Tribunal.
- No longer able to share tips between multi-site businesses, separately identify tips from different premises and consider employees regularly working between sites
- Employment agencies do not understand the new rules and not equipped to distribute tips in a timely manner
- Intricacies with Holiday Pay - whether Tronc counts for HP will depend on exact circumstances - recommend HP process is reviewed
- Tronc arrangements - consider process being audited risks Employment Tribunal, Underpaid Tips, Underpaid NIC (interest and penalties)

WHAT SHOULD HOSPITALITY SECTOR FOCUS ON?

Governance - National Minimum Wage

- HMRC issued latest naming and shaming list
- 207 CM businesses out of the 518 on the list with arrears of over £3m for over 38,000 workers
- CM sector making up almost half of the named businesses
- Errors rather than fraud
- Salary scales are creeping closer to NLW rates; more employees near NMW rates - data is in the public domain
- HMRC are conducting reviews of businesses and looking at salaries £35k
- Employer must record hours worked - in the absence of records HMRC use worker testimony
- Hours include time worked not paid (overtime)
- NMW pay can exclude voluntary deductions from net pay - e.g deductions from pay for medical insurance
- as well as salary sacrifice reductions from gross pay
- Many of our clients have a Sponsored Workers Licence Registration NMW/VAT failures would revoke licence
- HMRC focusing on businesses in London as part of their latest Geographic Compliance approach
- HMRC writing to businesses and workers, highlighting common NMW risk areas and inviting worker complaints

WHAT SHOULD HOSPITALITY SECTOR FOCUS ON?

Governance - Payrolling Benefits in Kind

Postponed till April 2027

Complexities around making good, 50% rule, accommodation, loans

Now have time to prepare (2025/26 dry run)

Filing in pay period, possible reconciliation mid year/end of year

Manage employees' expectations

WHAT SHOULD HOSPITALITY SECTOR FOCUS ON?



Difficult choices for businesses with increased costs - increase fees, staff restructures, reduce costs, mitigate costs



All while retaining the best people and providing a robust reward structure



Remuneration strategies

Pension salary sacrifice - currently approved by HMRC but is in the Government's sights (Tax and/or NIC relief). Employer NIC savings can be retained or shared

Green car salary sacrifice - 1/3 Employers planning to introduce as significant savings compared to personally leased cars, tax free installation of charging going at home

Reduced PAYE/NIC on sacrificed pay, significantly lower company car benefit in kind

Care to review documents to ensure tax compliant, comprehensive employee communications and robust salary sacrifice documentation

Review of benefits - best ROI

WORKPLACE NURSERY SALARY SACRIFICE ARRANGEMENTS

- Income tax exemption for third party facilitated nursery
- With average full time childcare exceeding £18,000 p.a., we are seeing an increased level of interest
- The exemption allows unlimited tax exemption
- Employee saving £7,560 p.a
- Employer saving £2,700 p.a.
- There can be a significant tax risk should such an arrangement be set up and operated incorrectly



- There are 3rd party intermediaries facilitating the provision of salary sacrifice provision by working with your chosen nurseries
- 4 tax conditions, 3 are simply met being qualifying child, qualifying nursery, generally available to employees
- Final one requires active Employer involvement in the Management and Financing of the nursery - usually involving a representative of the Employer involved in Nursery - like a NED role.
- Varying quality arrangements out there
- Third parties/Employees actively approaching employers
- Careful implementation, quality paperwork, robust salary sacrifice arrangements.

UK IMMIGRATION UPDATE

Tom Bateman

Assistant Manager

THE UK GOVERNMENT'S WHITE PAPER

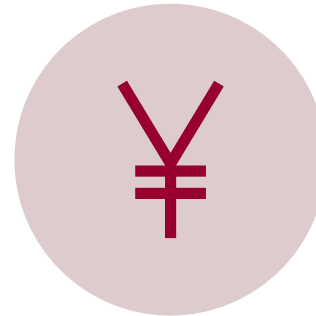
On the 12th May 2025 the UK Home Office published several proposed changes to UK immigration to **‘Restore Control Over the Immigration System’**.

The focus of the White Paper is to **‘Promote Growth’** of UK businesses but also aims to reduce net migration.

WHY ARE WE TELLING YOU THIS IN THE HOSPITALITY SECTOR?

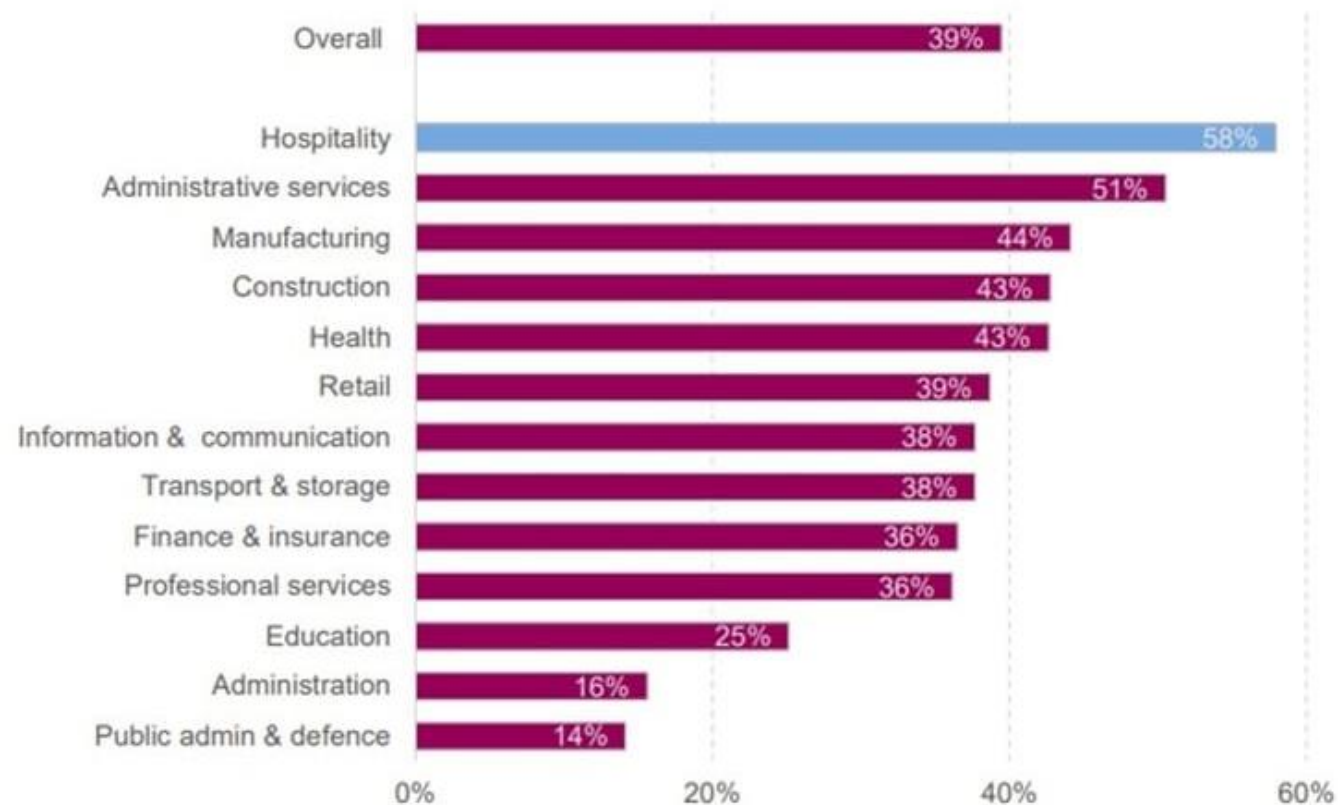


The White Paper will focus on sectors that rely on foreign workers



In 2024 KPMG estimated that nearly **24%** of workers within hospitality where workers from the EU, if you do sponsor your workers via a sponsor licence please take further considerations of the proposed changes on the next slides.

NON-UK NATIONAL PAYROLLED EMPLOYMENTS BY INDUSTRY LONDON RESIDENTS



Source: HMRC PAYE-RTI

PROPOSED CHANGES



Increasing the skill level for skilled workers to RQF Level 6 (the equivalent to a UK Bachelor's degree or equivalent), currently RGF Level 3 (A-level). The list of eligible job codes will be lowered to 180.



Salaries thresholds will rise again



Increase of Government Fees - the immigration skills charge will increase by 32%



English language proficiency will be increased from a B1 (intermediate) level to B2 (Upper Intermediate)



Doubling the time to apply for UK Settlement from 5 years to 10 years increasing the financial burden on both sponsors and their families



Reduce the Graduate visa from 2 years to 18 months

WHAT HAS HISTORY TAUGHT US

It is important to note that these proposals are not currently in force

It can take a long time for these changes to be implemented

The general rule of thumb when immigration rules change - that those currently on a visa will be unaffected by these changes. If you have people who do want to begin the route to settlement in the UK now and would intend to bring their family to the UK we will recommend they begin that process now before the new changes are implemented

WHAT TO DO NOW



Take part in consultations from the Home Office



Review your current visa population, if you have any workers who are in the pipeline to be sponsored perhaps it is worth starting their applications now before these changes come in

ITS NOT ALL DOOM AND GLOOM

The new UK - EU trade deal plans to introduce a new youth experience scheme to introduce a way for under 30s from across the EU come to the UK to work and study.

If brought in, this scheme will allow workers under 30 from the EU come to the UK to work/ study for up to 2 years



ADDITIONAL COMPLIANCE CONSIDERATIONS



The Home Office has begun to work with HMRC to ensure that sponsors are compliant from both a immigration and tax perspective. If you have any issues following the rules of national minimum wage with HMRC can now have repercussions if you also hold a sponsor licence



Deductions to salary, if you make any deductions from someone's salary you need to ensure they still match the required salary for their job role