Headlines

- The Future of Tax Transparency: Public Country-by-Country Reporting
- HMRC's New Tool for Side Hustlers: What You Need to Know
- Preparing for the Employers' NIC Increase: Salary Sacrifice as a Solution

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The Future of Tax Transparency: Public Country-by-Country Reporting

The landscape of financial reporting is undergoing a transformation as public country-by-country reporting (PCbCR) gains traction globally. This new era of tax transparency aims to curb profit shifting and reduce the use of tax havens by requiring multinationals to disclose detailed financial and tax information for each country where they operate.

What's Driving the Change?

Recent legislative developments are pushing PCbCR into the spotlight:

- **Australia:** New rules mandate large multinationals operating in Australia to report country-by-country financials starting from the 2024–2025 financial year.
- **EU:** Thousands of multinationals will begin publishing tax data by 2026 under the EU's PCbCR Directive, which came into force in 2021.
- **US:** Changes in accounting standards will require many US-based multinationals to enhance tax disclosures, regardless of political outcomes.

These changes build on earlier PCbCR requirements in sectors like banking and extractives, which have already proven effective in boosting tax compliance and revenue.

Who Needs to Report?

The new rules primarily target large multinationals, with varying scopes depending on jurisdiction:

- **EU and Australia:** Multinationals meeting specific thresholds must disclose data publicly.
- **UK:** While the UK lacks a national mandate, UK-headquartered multinationals with subsidiaries in the EU or Australia must comply with local regulations.

Voluntary reporting is also on the rise, driven by standards like the Fair Tax Mark and growing investor demand for transparency.

How to Prepare for PCbCR

For country-by-country reporting to be meaningful, companies must disclose a range of financial data alongside clear narrative explanations to ensure accurate interpretation. Key elements include:

- Revenues (external and intragroup)
- Profit before taxes
- Taxes paid and deferred
- Employee numbers and costs
- Assets, liabilities, and reconciliations with consolidated accounts

Best practices are already emerging from leaders in the field, but challenges remain, particularly in providing clear narratives and deciding whether to compile data using a top-down or bottom-up approach.

Why It Matters

Public disclosures will serve diverse stakeholders, from tax authorities to institutional investors, by:

- Enhancing capital allocation and economic efficiency
- Promoting fair corporate tax practices
- Providing lower-income countries with access to vital data

As tax transparency becomes a cornerstone of responsible corporate governance, multinationals face growing pressure to ensure they pay the right amount of tax in the right place at the right time—ushering in a fairer global tax landscape.

This shift in transparency isn't just regulatory; it's an opportunity for companies to lead the way in responsible business practices and foster trust among stakeholders worldwide.

HMRC’s New Tool for Side Hustlers: What You Need to Know

HMRC has launched a new online tool to help individuals determine whether they owe income tax on earnings from side hustles or other additional income sources. This initiative comes ahead of new mandatory reporting rules for online platforms set to take effect in January 2025.

Who Will Be Affected?

The new rules will apply to anyone earning income through online platforms, including content creators, influencers, and those selling goods or services. Platforms like YouTube, Twitch, and various online marketplaces will be required to report transaction data to HMRC.

How the Tool Works

The tool begins by asking a series of questions about additional income sources, such as:

- Selling goods or services
- Renting out property or land
- Creating online content

If the tool determines that tax is owed, users are directed to register for or complete a Self-Assessment tax return. However, it does not currently account for historic income from prior years.

Key Dates to Note

- Digital platforms must report transaction data for the 2024 calendar year by **31 January 2025**.
- Individuals who need to file a Self-Assessment tax return must do so by the same deadline.

Expert Advice

Tax specialists recommend that individuals with unreported earnings from prior tax years bring their records up to date to avoid penalties or late payment interest, currently set at 7.25%. Voluntary disclosure may help mitigate potential fines.

Why This Matters

The increased transparency from platform reporting means HMRC will have greater insight into online sales and earnings. The new tool is a helpful step for those uncertain about their tax obligations, but it’s crucial to stay proactive about historic and future earnings to avoid surprises.

If you have additional income, now is the time to review your tax position and ensure compliance before these changes come into effect.

Preparing for the Employers’ NIC Increase: Salary Sacrifice as a Solution

From **6 April 2025**, the rate of Class 1 Employers’ National Insurance Contributions (NIC) will increase by **1.2% to 15%**, with the threshold for contributions dropping from £9,100 to £5,000. This change could cost employers **an additional £615 per employee**, making proactive planning essential.

Employers can take steps to mitigate these increased costs, with **salary sacrifice pension schemes** offering one of the most efficient solutions.

Why Salary Sacrifice Works

Salary sacrifice allows employees to exchange part of their salary for an equivalent employer pension contribution. This reduces the employee’s taxable income, saving on both employee and employer NIC.

Benefits of Salary Sacrifice:

- For Employers:

Employers save **15% NIC** on the sacrificed amount (from April 2025).

Example: An employer with 100 employees earning £50,000 each could save **£45,000 annually** by implementing a 6% salary sacrifice scheme.

- **For Employees:**

Employees save on NIC and enjoy tax relief on pension contributions at their marginal tax rate. Salary sacrifice can also help them stay below income tax thresholds, maximising take-home pay.

- **Retention and Incentives:**

Employers can share the NIC savings with employees, boosting pension contributions and improving talent retention.

Additional Considerations

1. Compliance with NMW:

Salary sacrifice reduces an employee's gross pay, so employers must ensure it doesn't bring pay below the **National Minimum Wage (NMW)**.

2. Impact on Borrowing and Benefits:

Lower gross pay might affect employees' borrowing capacity (e.g., mortgages) or salary-based benefits. Clear communication is key.

3. Implementation:

Proper setup is critical, including formal agreements before employees are entitled to earnings. Seek professional advice to ensure compliance.

4. Complementary Measures:

- **Other Salary Sacrifice Options:** Consider offering ultra-low emission vehicles (ULEVs) or a cycle-to-work scheme for additional savings and ESG benefits.
- **Review NIC Categories:** Ensure employees, such as apprentices under 25, are correctly classified to benefit from NIC exemptions.
- **Evaluate Existing Benefits:** Check if benefits in kind offer good value for money, especially with the NIC increase applying to Class 1A contributions.

Looking Ahead

The NIC rate increase, paired with the reduced threshold, presents a significant challenge for employers. However, **implementing or enhancing salary sacrifice pension schemes** can offset some of these costs, offering a win-win for employers and employees alike.

Planning ahead and taking advantage of these measures can help businesses navigate rising costs while supporting employee financial well-being.

Interesting Reads

- **The UK Patent Box Explained for Reduced Corporation Tax**

  The Patent Box Scheme was designed for UK companies to pay less corporation tax while protecting their intellectual property or IP.
- **What is the Higher Tax Bracket? 40% tax bracket explained**

Pay rises, bonuses, and landing new clients—these moments in your career are exciting and well-deserved!

- Sage 50 Review: Why Should Businesses Use Sage 50 Accounting Software?

Sage 50c is an established accounting software that is widely regarded for its ability to provide businesses with comprehensive financial management tools.