

Quarterly Article – 31 March 2014

During the first quarter of 2014, AAT has responded to a number of consultation documents and this summary provides a brief overview of AAT's responses to each of these consultations. If you would like to read the full responses to any of these consultations then these can be found on our website at [AAT public policy work](#) or accessed through the links provided below.

On 14 January 2014, AAT submitted a response to International Accounting Standards Board (IASB) Discussion Paper: "A Review of the Conceptual Framework for Financial Reporting".

The *Conceptual Framework for Financial Reporting* (the '*Conceptual Framework*') sets out the concepts that underlie the preparation and presentation of financial statements. The IASB's preliminary view is that the primary purpose of the *Conceptual Framework* is to assist the IASB by identifying concepts that it will use consistently when developing and revising IFRSs. Although the existing *Conceptual Framework* has helped the IASB when developing and revising IFRSs, the IASB had identified a number of problems with the existing *Conceptual Framework* such as:

- a) important areas are not covered. For example, the existing *Conceptual Framework* provides very little guidance on measurement, presentation, disclosure or how to identify a reporting entity.
- b) the guidance in some areas is unclear. For example, the existing definitions of assets and liabilities could be improved.
- c) some aspects of the existing *Conceptual Framework* are out of date and fail to reflect the current thinking of the IASB. For example, the existing *Conceptual Framework* states that an asset or a liability should be recognised only if it is probable that there will be a flow of economic resources. However, the IASB has concluded in some situations that recognising an asset or a liability would provide useful information even when a flow of economic resources is not probable.

Generally, AAT's response recognised that the needs of users of financial statements should be the primary consideration when establishing basic concepts for reporting, but that the needs in respect of listed or public entities are totally different to those of owner managed entities. AAT broadly supported the proposals, however, we recommended that the existing *Conceptual Framework* which was published in 2010 needs to revisit the concepts of "faithful representation" and "prudence".

If you would like to read AAT's full response this can be found at:

[AAT response to the IASB discussion paper on "A review of the conceptual framework for financial reporting"](#)

On 4 February 2014, AAT submitted a response to Finance Bill 2014 (FB14).

FB14 contained a diverse range of proposals and AAT responded to the proposals in the following areas:

- Income tax: charge, rate limits and personal allowance
- Income tax indexation
- Transferable tax allowances for married couples
- Share incentive plan limits
- Tax advantaged employee share schemes
- Unapproved employee share schemes
- Employee ownership
- Social investment tax relief

- Tax Relief for employer expenditure on health-related interventions
- Exemption threshold for employment related loans to be treated as earnings
- Pensions lifetime allowance: individual protection
- Capital gains tax private residence relief final period relief
- Inheritance tax (IHT): nil rate band
- Inheritance tax: simplifying charges on trusts
- Company car tax rates 2016-17
- Corporation tax rates
- Amending loss relief provisions
- Community amateur sports clubs
- VAT: place of supply and the introduction of the Mini One-Stop Shop
- VAT refunds to health service bodies
- Employment intermediaries
- Partnerships

We noted that the majority of FB14 affirms previous announcements. The move to pre-announcing changes is a very welcome step which affords a greater degree of certainty for UK taxpayers and businesses alike and helps both make plans for the future with a greater deal of certainty.

AAT recognised that there were a number of measures in FB14 that are targeted at individual taxpayers either directly or indirectly. This may have a cumulative negative effect on consumer confidence.

We noted that some proposals simplified tax legislation. However, we also noted that there were other proposals and changes that would require a significant amount of new legislation and transitional provisions.

AAT welcomed the proposals that encourage investment, for example the proposal regarding the share incentive plan limits and the tax advantaged employee share schemes.

If you would like to read AAT's full response this can be found at:

[AAT response to the Finance Bill 2014](#)

On 12 February 2014, AAT submitted a response to the Financial Reporting Council (FRC) consultation on FRED 52 draft amendments to the Financial Reporting Standard for Smaller Entities (effective April 2008) Micro-entities.

In November 2013 the Small Companies (Micro-Entities' Accounts) Regulations 2013 (SI 2013/3008) (the Micro-Entities' Accounts Regulations) were made to bring in to UK law the provisions of the EU Directive on the annual accounts of certain types of companies as regards micro-entities. The Micro-Entities' Accounts Regulations are effective in respect of financial years ending on or after 30 September 2013 for companies filing their accounts on or after 1 December 2013.

The Micro-Entities' Accounts Regulations permit micro-entities to take certain exemptions relating to the preparation of their financial statements, meaning that without amending the Financial Reporting Standard for Smaller Entities (effective April 2008) (FRSSE) a micro-entity could not state compliance with the FRSSE whilst taking advantage of the available exemptions.

Therefore the FRC was proposing draft amendments to the FRSSE to allow those micro-entities to take advantage of the exemptions available in law to continue to prepare financial statements in compliance with the FRSSE.

AAT acknowledged that the FRC was mandated by the requirements of the statutory instrument which are reflected in the draft amendments to the FRSSE. However, we expressed concern regarding the relaxation of the disclosure requirements which we considered to be material for micro-entities.

If you would like to read AAT's full response this can be found at:

[AAT response to FRC Council's "FRED 52 draft amendments to the Financial Reporting Standard for Smaller Entities \(effective April 2008\) Micro-entities"](#)

On 14 February 2014, AAT submitted a response to the HMRC consultation on "VAT: amendments to legislation - assistance with electronic filing of VAT returns"

On 30 September 2013, the First Tier Tribunal released its decision in joined appeals lodged against the requirement to file of VAT returns online by a number of VAT registered businesses (ref: TC 02910t: L.H. Bishop Electrical Co. Ltd. A F Sheldon t/a Aztec Distributors).

The Tribunal judge held that the failure of the VAT Regulations 1995 to take account of a person's ability to comply on account of:

- age,
- disability
- computer illiteracy (linked to age) or
- remoteness of location –

was a breach of the European Convention on Human Rights (ECHR).

The key point in our response is that the solution suggested in the consultation document does not remedy the breach of the European Convention on Human Rights (ECHR) evident in *LH Bishop Electric Company Limited, Allan Frederick Sheldon T/A Aztec Distributors, Winston Robert Duff Tay T/A Rhos Filling Station, and Brinklow Marina Limited* (TC02910) [2013] UKFTT 522(TC) (*LH Bishop*).

We proposed an amendment to regulation 25A(6) that provides an appropriate exemption from the requirements of regulation 25A(3) and therefore a remedy for the breach of the ECHR evident in *LH Bishop*.

If you would like to read AAT's full response this can be found at:

[AAT response to the HMRC consultation on "VAT: amendments to legislation - assistance with electronic filing of VAT returns"](#)

On 18 February 2014, AAT submitted a response to the HMRC consultation on "Legislative changes relating to Payroll Charitable Giving".

AAT was pleased to note that the time in which a payroll giving agency must pass over donations received from an employer was to be reduced considerably. Nevertheless we were disappointed in the 35 days pass-over time chosen, for the following two reasons:

- in this age of instantaneous financial transactions it is, in our view, reasonable to expect a payroll giving agency to swiftly identify, if not automatically at the time of receipt, which charity the receipt needs to be redistributed to and make electronic payment well inside of a 30 day period
- in the majority of industry and business sectors the usual creditor arrangement is settlement within 30 days. We do not believe that the redistribution of a cleared donation should, as a minimum, be more favourable than those relating to the terms of settlement of commercial debts.

If you would like to read AAT's full response this can be found at:

[AAT's response to the consultation on "Legislative changes relating to Payroll Charitable Giving"](#)

On 24 February 2014, AAT submitted a response to the HMRC consultation on “Tackling Marketed Tax Avoidance”

The proposal in the consultation document was to require individuals and companies to pay the tax in dispute during an enquiry or appeal relating to tax avoidance.

AAT supported the principle of tackling tax evasion and aggressive and contrived tax avoidance schemes, to that extent we supported the Government’s action to tackle tax avoidance by changing the economics of devising and entering into tax avoidance schemes.

However, we also consider that proposed legislation should be restricted to marketed tax avoidance cases disclosed under DOTAS and the most egregious GAAR cases.

AAT is concerned by the potential for “mission creep” as introduced within the draft legislation where it appeared to enable the Treasury to bring other taxes into scope by statutory instrument.

If you would like to read AAT’s full response this can be found at:
[AAT's response to the HMRC consultation on “Tackling Marketed Tax Avoidance”](#)

On 24 February 2014, AAT submitted a response to the HMRC consultation document "Raising the Stakes on Tax Avoidance - Summary of Responses and Draft Legislation"

By way of context with this consultation document it is important to note that we previously prepared and submitted a response to the earlier consultation on “Raising the Stakes on Tax Avoidance”, which was issued by HMRC in 2013.

AAT supports the Government’s commitment to robustly tackling and closing down tax avoidance schemes as well as improving the way that tax avoidance is detected and prevented. We accept the need for legislation in the avoidance arena in order to protect the public purse “from what HMRC acknowledges is a small number of promoters who create, market and sell tax avoidance schemes”.

However we expressed concern that legislation which, on introduction, was proposed to apply only to serious fraud cases is to be employed on a more routine basis.

Such ‘mission-creep’ may be detrimental to the tax system if, for example, the law intended to address one particular type of behaviour, in this case the actions of a small number of promoters is used more widely.

If you would like to read AAT’s full response this can be found at:
[AAT's response to HMRC consultation document "Raising the Stakes on Tax Avoidance - Summary of Responses and Draft Legislation"](#)

On 3 March 2014, AAT submitted a response to International Accounting Standards Board (IASB) Exposure Draft on "Proposed amendments to the IFRS for SMEs".

This Exposure Draft contained the IASB’s proposals for amendments to the IFRS for SMEs that had resulted from the initial comprehensive review of this Standard. The Exposure Draft proposed and listed 57 amendments.

AAT noted that the majority of the proposed amendments are matters of clarification or guidance, which we considered would be welcomed by both preparers and users.

AAT noted that the IASB had issued “A Review of the Conceptual Framework for Financial Reporting” and we considered it to be of fundamental importance that both the proposed amendments, and the IFRS for SMEs overall, should be consistent with the Conceptual Framework.

In our response we expressed concern that exemptions from disclosure requirements based on “undue cost or effort” should not be applied so as to deprive users of financial statements of essential information.

If you would like to read AAT’s full response this can be found at:

[AAT's response to the IASB Exposure Draft on "Proposed amendments to the IFRS for SMEs"](#)

At the time of writing this article AAT is also involved in preparing responses to the following formal consultation documents:

Consultation Document	Deadline
Simplification of Intrastat	08/04/2014
Discussion paper – approaches to preventing charities being set up to avoid tax	11/04/2014
Withdrawal of Extra Statutory Concessions	25/04/2014
The future of apprenticeships in England	01/05/2014
Developing and Reporting Supplementary Financial Measures— Definition, Principles, and Disclosures (IFAC)	26/05/2014

If you have any comments or views on any of the above consultation documents, and assuming that the deadline has not passed, then we would like to hear from you. Please email your comments to consultation@aat.org.uk

End of report