

Bi-monthly consultation summary – April and May 2015

During April and May of 2015, AAT responded to 11 consultation documents. This summary is intended to provide an overview of AAT's responses to each of those consultations. If you would like to read any one of the responses in greater detail you can do so by clicking on the related link below.

On 26 May 2015 AAT responded to an email from the Financial Reporting Council (FRC) asking follow up questions to AAT's [response](#) to their previous consultation on [FRED 58: Draft FRS 105 - The Financial Reporting Standard applicable to the Micro-entities Regime](#).

FRC invited feedback on whether there is a preference for the performance model or accruals method and to explain the reasons for the preference.

AAT acknowledged and accepted FRC's wish to eliminate an accounting policy choice in this regard. However, AAT expressed the view that the only accounting treatment for micro-entities should be the accruals method on the grounds that

- it would provide a consistent approach to grant recognition for micro-entities that have transitioned from the FRSSE;
- the accruals method would retain simplicity as it is an established practice and is well known and understood; and
- it would more accurately reflect the value of the micro-entity's assets, liabilities and profit and loss as the capital grant will be deferred over the life of the asset to which it relates, rather than recognising the entire grant in the year of receipt with incremental costs flowing through to profit and loss over the life of the asset as the asset is consumed through depreciation.

On 22 May 2015 AAT [responded](#) to the HMRC request for comment in respect of their published [draft legislation: The Registered Pension Schemes \(Transfer of Sums and Assets\) \(Amendment No. 2\) Regulations 2015](#)

HMRC's draft Statutory Instrument and draft Explanatory Memorandum proposed a number of changes to cater for the new types of death benefits in the form of nominees' and successors' annuities, where these annuities are transferred from one insurer to another. AAT noted that to protect against complexity and unintended manipulation the draft regulations provided that nominees' and successors' annuities may only be transferred respectively to nominees' or successors' annuities issued by a different insurer. AAT agreed that the proposed regulations are appropriate and that they will achieve their stated purpose, as set out in the Explanatory Memorandum.

On 22 May 2015 AAT [responded](#) to the HMRC request for comment in respect of their published [draft legislation: The Registered Pension Schemes \(Provision of Information\) \(Amendment No. 2\) Regulations 2015](#)

HMRC's draft Statutory Instrument and draft Explanatory Memorandum proposed amending the Information Regulations and require scheme administrators to tell beneficiaries where the payment of an annuity is subject to the lifetime allowance charge. It also required that when beneficiaries annuities are transferred between insurance companies then the transferring insurance company must provide certain information to the receiving insurance company so that the correct tax treatment can be applied following the transfer.

AAT expressed the view that the draft regulations effectively amend the Provision of Information Regulations so that scheme administrators are required to notify beneficiaries when the payment of an annuity is subject to the lifetime allowance charge.

On 22 May 2015 AAT [responded](#) to the HMRC request for comment in respect of their published [draft legislation: The Registered Pension Schemes \(Audited Accounts\) \(Specified Persons\) \(Amendment\) Regulations 2015](#)

HMRC's draft Statutory Instrument and draft Explanatory Memorandum proposed that registered pension schemes should not be prevented from engaging an auditor to audit their accounts simply because a rule provides that a sponsoring employer of a scheme is prevented from being an auditor of it.

HMRC observed in their supporting documentation that very large multi-employer schemes have found it difficult to engage a statutory auditor who meets these independence requirements.

AAT supported the proposed changes contained in the draft regulations and noted that they mirrored in the Department of Work and Pensions regulations, to provide an exemption for very large trust-based multi-employer schemes with 500 or more employers.

On 22 May 2015 AAT [responded](#) to the HMRC request for comment in respect of their published [draft legislation: the Loan Relationships and Derivative Contracts \(Change of Accounting Practice\) \(Amendment\) Regulations 2015](#)

In its supporting documentation HMRC observed that IFRS 9 is mandatory for affected companies for periods of account beginning on or after 1 January 2018 (with early adoption permitted in certain circumstances). This will result in an increase of credit loss allowances in companies affected by the change.

The proposed measure amends existing Corporation Tax regulations to deal with transitional adjustments arising on adoption of IFRS 9 in respect of credit losses. The impact of the measure will be that all transitional adjustments relating to this accounting change will be spread over 10 years.

In its response AAT stated that the implementation of the proposed regulations were unnecessary as the proposed deferral of tax relief for credit losses arising from a realistic evaluation of the recoverable value of a long term financial asset would be unfair to the companies concerned. It was also AAT's view that as they have suffered a credit loss such companies should be entitled to claim tax relief that would be matched to the resultant loss.

On 21 May 2015 AAT [responded](#) to the Department for Work and Pensions' (DWP) consultation on [Employer debt in non-associated multi-employer defined benefit pension schemes](#)

The DWP consultation sought evidence in respect of the:

- operation of the employer debt regime for non-associated multi-employer schemes
- effectiveness of the current easements open to employers in such schemes
- the possible impacts of changes that had been suggested to the DWP.

AAT stated that the employer-debt-regime was in need of changed for non-associated multi-employer defined benefit schemes because the current system creates a somewhat perverse incentive for employers to keep open to future accrual defined benefit schemes that they may not be able to afford.

However, AAT did not agree that employers who close their scheme to future accrual should see the entirety of their scheme liabilities crystallised on a full buy-out basis, as employers

with standalone defined benefit schemes are not treated in this way as they are given the flexibility to pay down their liabilities as they fall due over an extended period.

AAT has [responded](#) to The Pensions Regulator (TPR) consultation document [Helping users of HMRC's Basic PAYE Tools \(BPT\) undertake automatic enrolment calculations](#).

The consultation sought views on the way micro-employers use the BPT system for payroll and how such employers, who are unlikely to have access to commercial software to assist them in fulfilling their Automatic-enrolment (AE) duties, would be helped by TPR providing a free-to-use AE tool for employers with fewer than 10 employees.

AAT commented that while it was highly desirable for TPR and HMRC to work together in order to produce a fully integrated payroll / AE software module, in the absence of such a collaborative approach taking place the next best thing would be for TPR to ensure that it made a fully-functioning free-to-use AE module available to micro-employers.

On 11 May 2015 AAT submitted a [response](#) to the HMRC discussion document on [HMRC penalties: a discussion document](#)

The discussion document looks at how HMRC currently applies penalties and is considering changing the penalty system with the aim of moving from services that are based around traditional tax regimes to services which are based around the customer in terms of:

- ease of use
- using data to help customers avoid errors through pre-population of forms
- enabling HMRC to risk assess customers based on past tax compliance across all tax regimes.

AAT acknowledged HMRC's concerns regarding fairness and proportionality in the way tax penalties are current applied and provided examples to support our comments. This is the first stage in the consultation process so at this stage AAT is supportive of the aims of the review.

On 30 April 2015 AAT submitted a [response](#) to the Financial Conduct Authority consultation on [DP15/2: Transaction Costs Disclosure: Improving Transparency in Workplace Pensions](#)

This Call for Evidence from the Financial Conduct Authority sought views on improving the reporting and disclosure of information about transaction costs in occupational and workplace personal pension schemes.

AAT welcomed this consultation on transaction costs and administration charges which both impact the size of a saver's pension savings. However, AAT expressed the view that the requirements for standardised, comparable disclosure of transaction costs should apply to all schemes as members of workplace pension schemes deserve consumer protection, irrespective of whether or not the schemes of which they are members are auto-enrolment schemes or not.

AAT noted the technical challenges to collecting the type of data that increased disclosure-obligations will bring. Nevertheless, AAT believes that improving transparency around transaction costs will significantly help to achieve the twin goals of increasing trust in the pension sector and boosting the returns of UK defined contribution pension investors, ultimately leading to better provision in retirement for UK workers and a reduced burden on the State in their retirement.

On 29 April 2015 AAT submitted a [response](#) to the Financial Reporting Council Consultation on [FRED 58: Draft FRS 105 - The Financial Reporting Standard applicable to the Micro-entities Regime](#)

FRED 58 sets out a proposed new standard to support the introduction of the micro-entities regime into UK company law in November 2013.

AAT agreed with a separate FRS for micro-entities on the basis that, whilst the recognition and measurement principles largely follow FRS 102 principles they are not entirely the same as further simplifications have been made. In addition, the disclosure requirements are significantly different from the small companies' regime and therefore it is sensible to have micro-entities reporting under a separate framework.

On 29 April 2015 AAT submitted a [response](#) to the Financial Reporting Council Consultation on [FRED 59: Draft Amendments to FRS 102 - Small entities and other minor amendments](#)

The consultation document proposed that the Financial Reporting Standard for Smaller Entities (FRSSE) be withdrawn and replaced with a new section of FRS 102 developed specifically for small entities. FRED 59 set out this proposed new section, Section 1A Small Entities.

AAT supported the proposal to withdraw the FRSSE (effective January 2015) for accounting periods commencing on or after 1 January 2016 as the FRSSE is no longer considered to be sustainable in its current form. Additionally, AAT supported the proposal to move all small entities which are not micro-entities, or that would qualify as micro-entities but choose not to report under the micro-entities regime, to fall under the scope of FRS 102 as applied to small entities.

On 29 April 2015 AAT submitted a [response](#) to the Financial Reporting Council Consultation on [FRED 60: Draft Amendments to FRS 100 and FRS 101](#)

In FRED 60 the FRC set out their proposed, minor amendments to FRS 100 "Application of Financial Reporting Requirements" and FRS 101 "Reduced Disclosure Framework" to ensure that recent changes to company law are taken into account.

In its response AAT supported the FRED 60 proposals contained on the basis that the amendments will ensure consistency with the revised company law requirements.
