

Quarterly Article - Summary of Responses – 31 Dec 2014

During the fourth quarter of 2014, AAT has responded to 20 consultation documents and this summary provides a brief overview of our 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 22 Dec 14, AAT submitted a response to the Financial Conduct Authority consultation on [CP14/24: charges in workplace personal pension schemes](#)

The consultation document outlined proposed new rules for a charge cap for default funds used for automatic enrolment in workplace pension schemes and for banning certain charging practices.

In AAT's response we outlined that it is essential to the successful rollout of auto-enrolment that the schemes into which employees are enrolled have, and are perceived to have, charging structures that are fair, clear and transparent and so we supported the principles set out in this consultation.

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

[AAT response to the FCA consultation CP1424 changes in workplace personal pension schemes \(PDF\)](#)

On 18 Dec 14, AAT submitted a response to the International Accounting Standards Board [Exposure Draft Recognition of Deferred Tax Assets for Unrealised Losses \(Proposed amendments to IAS 12\)](#)

The Exposure Draft contains proposed amendments to IAS 12 Income Taxes which were in response to a request to the IFRS Interpretations Committee to clarify the recognition of a deferred tax asset that is related to a debt instrument measured at fair value in circumstances in which:

- 1) changes in the market interest rate decrease the fair value of the debt instrument below cost
- 2) it is probable that the debt instrument's holder will receive all the contractual cashflows if it holds the debt instrument until maturity
- 3) the debt instrument's holder has the ability and intention to hold the debt instrument until the decrease in its fair value reverses (which may be at its maturity)
- 4) the tax base of the debt instrument remains at cost until the debt instrument is sold or until maturity. The tax base of the debt instrument is not reduced by an impairment loss, because the criteria for recognising an impairment loss for tax purposes are not met
- 5) the probable future taxable profits of the debt instrument's holder are insufficient for the utilisation of all of its deductible temporary differences.

In its response AAT noted that the amendments were intended to provide clarification of interpretation and suggested that it would be helpful to users if IAS 12 included an executive summary which incorporates this clarification in the final document.

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

[AAT response to IASB exposure draft recognition of deferred tax assets for unrealised losses: proposed amendments to IAS 12 \(PDF\)](#)

On 26 Nov 14, AAT submitted a response to an HMRC consultation document on [Extra-statutory concessions: seventh technical consultation on draft legislation](#)

The consultation document covered draft legislation that sought to maintain the purpose and effect of the following ESCs:

- 1) D40: Non-resident trusts: definition of participator (Capital Gains Tax)
- 2) F15: Woodlands (Inheritance Tax)

ESC D40 is concerned with the charge to capital gains tax (CGT) under sections 86 and 87 of the Taxation of Chargeable Gains Act 1992 (TCGA 1992) in respect of gains made by the trustees of a non-resident trust. ESC D40 ensures a beneficiary is not treated as a participator in a company controlled by the trustees merely because of their status as beneficiary.

ESC F15 restricts the scope of a deferred estate duty charge for inheritance tax purposes in certain cases involving woodlands.

In its response AAT expressed satisfaction with the draft legislation put forward to replace ESC D40, the proposed insertions into section 96 and Schedule 5 of the TCGA 1992 as set out in the consultation document on pages 6 and 7. Similarly, AAT was satisfied that the draft legislation intended to replace ESC F15, and the proposed insertion and extension of paragraph 46 of schedule 19 to the Finance Act 1986 as set out in the consultation document on page 8 will achieve its objective.

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

[AAT response to Extra-statutory concessions: seventh technical consultation on draft legislation \(PDF\)](#)

On 25 Nov 14, AAT submitted a response to a Department for Work and Pensions consultation on the [Workplace pensions automatic enrolment: review of earnings threshold](#)

The consultation document reviewed the earnings thresholds for automatic enrolment into a workplace pension for April 2015 to March 2016.

AAT stated that as an employer's automatic enrolment responsibilities can be complex, a vital component to the success of auto enrolment is ensuring rules and definitions and earnings triggers are kept as simple as possible for all stakeholders. Simplicity will have a disproportionately higher impact and will be particularly significant for smaller employers and their employees. AAT also suggested that employers should be informed as soon as possible with regard to any proposed changes. The more notice that the key stakeholders have the better it will be in terms of successful planning and implementation.

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

[AAT response to Workplace pensions automatic enrolment: review of earnings threshold \(PDF\)](#)

On 20 Nov 14, AAT submitted a response to an European Financial Reporting Advisory Group (EFRAG) consultation document on the [Amendments to IAS 27 - Equity Method in Separate Financial Statements](#)

In the 2011 Agenda Consultation, the IASB received requests to reinstate an option, which was removed in 2003, that allowed an entity to report investments in subsidiaries or associates using the equity method (or cost or fair value) in its separate financial statements. This option had been removed as part of the IASB's improvements project to reduce the number of accounting policy options available. The IASB concluded that there was strong support from many interested parties to allow the use of the equity method in separate financial statements to account for investments in subsidiaries, joint ventures and associates.

The use of the "Equity Method" of accounting minimises the impact on such charges of estimation, subjectivity or the application of range of acceptable values, and as a consequence, the implementation of this amendment to IAS27 was supported by AAT.

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

- [AAT response to Amendments to IAS 27 - Equity Method in Separate Financial Statements - PART 1 \(PDF\)](#)
- [AAT response to Amendments to IAS 27 - Equity Method in Separate Financial Statements - PART 2 \(PDF\)](#)

On 20 Nov 14, AAT submitted a response to an European Financial Reporting Advisory Group (EFRAG) consultation document on the [Invitation to comment on EFRAG's assessments on Annual Improvements to IFRSs 2012–2014 cycle](#)

The Standards addressed in this consultation were:

Standard	Subject of amendment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal.
IFRS 7 Financial Instruments: Disclosures	Servicing contracts. Applicability of the amendments to IFRS 7 to condensed interim financial statements.
IAS 19 Employee Benefits	Discount rate: regional market issue.
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'.

While AAT was supportive of the conclusions reached by EFRAG in its assessment, it wished to place on record its view that, notwithstanding that all technical criteria are met, the implementation of improvements to IFRS's on an annual basis should only take place if the following overriding criteria are met:

- 1) The amendments comprise clarification or guidance only.
 - 2) The amendments are not such as to impose more stringent requirements than the current situation.
- Or
- 3) The amendment is absolutely necessary.

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

- [AAT response to Invitation to comment on EFRAG's assessments on Annual Improvements to IFRSs 2012-2014 cycle - PART 1 \(PDF\)](#)
- [AAT response to Invitation to comment on EFRAG's assessments on Annual Improvements to IFRSs 2012-2014 cycle - PART 2 \(PDF\)](#)

On 20 Nov 14, AAT submitted a response to an government consultation titled [Have your say on the Taxation of Pensions Bill](#)

At present, most people with defined contribution (DC) pension savings use them to buy an annuity. This is because pension tax legislation allows lump sum or flexible withdrawals only in limited circumstances. In Budget 2014, the government announced that from 6 April 2015, people aged 55 and over would be able to access their DC pension savings when and how they choose, subject to

their marginal rate of income tax. This Bill would make changes to pension tax legislation to implement this. It would also restrict and reduce certain tax charges applying to death benefits.

In its response AAT was generally supportive of the freedom and flexibility that, if enacted, the Bill will give retirees in respect of the spending of their pension pots. However, we believe that there are operational and fiscal issues which need addressing if the new pension regime is to be implemented successfully.

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

[AAT response to "Have your say on the Taxation of Pensions Bill" \(PDF\)](#)

On 19 Nov 14, AAT submitted a response to an HMRC consultation document on [Draft legislation: the Income Tax \(Pay AS You Earn\) \(Amendment No X\) Regulations 2015](#)

HMRC was consulting on a draft Statutory Instrument explaining the reporting requirements HMRC are introducing that will require an employment intermediary to provide details about themselves and any workers they have been involved in the supply of to end clients, when the intermediary has not operated PAYE when paying the workers.

AAT's view is that the requirement to submit statutory reports in the manner specified within the consultation document is a reasonable request to make of an intermediary. AAT added that for the purpose of these draft regulations partnerships should be treated in a similar manner to other types of business entities, such as companies, whereby the partnership's details are required to be supplied.

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

[AAT response to Draft legislation: the Income Tax \(Pay AS You Earn\) \(Amendment No X\) Regulations 2015 \(PDF\)](#)

On 14 Nov 14, AAT submitted a response to a Financial Reporting Council consultation document on the [Accounting standards for small entities - Implementation of the EU Accounting Directive](#)

The most significant change arising from the new Accounting Directive relates to the small companies regime, where accounting standards may not specify disclosure requirements in addition to the limited number of disclosures set out in the new Accounting Directive, even though entities must still provide any additional disclosures necessary to give a true and fair view.

In its response AAT outlined its support for the proposals in the consultation document and believes they offer a framework that will allow a small entity preparing financial statements to make relevant disclosures which are balanced and proportionate.

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

[AAT response to FRC "Accounting standards for small entities - Implementation of EU Accounting Directive" \(PDF\)](#)

On 6 Nov 14, AAT submitted a response to an HMRC consultation document on the [Pension Schemes Bill 2014-15](#)

The Pensions Schemes Bill (the Bill) to make provision about pension schemes, including provision designed to encourage arrangements that offer people different levels of certainty in retirement or that involve different ways of sharing or pooling risk and provision designed to give people greater flexibility in accessing benefits and to help them make informed decisions about what to do with benefits.

AAT is supportive of the aims outlined in the Bill in establishing a new legislative framework for private pensions, defining them on the basis of the promise they offer for members about their retirement benefits during the accumulation phase, with a view to facilitating the development of schemes that offer members some level of security of benefits while not burdening employers with a large amount of risk.

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

[AAT response to Pension Schemes Bill 2014-15 \(PDF\)](#)

On 31 Oct 14, AAT submitted a response to an HMRC consultation document on the [Tackling offshore tax evasion: A new criminal offence](#)

The consultation document sets out the government's plans to introduce a new strict liability criminal offence of failing to declare taxable offshore income and gains, and sought views on the design of the new offence.

AAT considered the proposal to be a serious step change in tax law. In responding to the questions AAT has sought to assist in developing the proposal from the "wider public benefit perspective of achieving sound and effective administration of taxes". Given that the proposal is a serious step change in the law we expressed reservations in respect of the statutory defences and believed that:

- 1) there should be a defence for a person to demonstrate that they had taken reasonable care in conducting their tax affairs
- 2) all the current statutory defences should be available in any strict liability offence. A defence of reasonable excuse should be available.

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

[AAT response to Tackling offshore tax evasion: A new criminal offence \(PDF\)](#)

On 31 Oct 14, AAT submitted a response to an HMRC consultation document on the [Tackling offshore tax evasion: Strengthening civil deterrents](#)

This consultation set out six options to strengthen civil sanctions for those evading tax by using non-UK territories to hide taxable income, gains and assets offshore.

AAT supported HMRC's objective of strengthening the civil deterrents available in tackling offshore tax evasion. However, we stated that there will be those who wish for a variety of reasons to put their taxation affairs in order. Therefore, we highlighted that there is a balancing act that we believed HMRC has to achieve of encouraging voluntary disclosure without making the consequential penalties too much of a disincentive.

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

[AAT response to Tackling offshore tax evasion: Strengthening civil deterrents \(PDF\)](#)

On 24 Oct 14, AAT submitted a response to a Department of Business, Innovation and Skills consultation document on the [EU Accounting Directive: financial reporting](#)

The EU Accounting Directive 2013/34/EU consolidates existing legislation on financial reporting. It also aims to reduce government regulatory control on smaller companies.

There were 44 questions in the consultation which covered a diverse range of issues including:

- 1) Timetable for implementation
- 2) Transposition deadline
- 3) Early Adoption
- 4) Definitions including Public Interest Entities (PIEs)

- 5) Size Categories
- 6) Reference point for calculating thresholds
- 7) New small company regime
- 8) Medium-sized and Dormant Companies Regimes
- 9) Reduced options for Profit and Loss (P&L) account formats
- 10) Greater flexibility within layouts
- 11) Individual Accounts - Accounting for participating interests using the equity method
- 12) Changes in value adjustments including goodwill
- 13) Information on subsidiaries included within the consolidated financial statements
- 14) Audit
- 15) Removal of the requirement for Micro-entities to prepare a Directors' report
- 16) Implications for the UK's Approach to Statutory Audit³³
- 17) Audit Exemption
- 18) Audit Report
- 19) Group Reporting of Fees Paid for Non-Audit Services
- 20) Application to Charitable Companies

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

[**AAT response to BIS - EU Accounting Directive: financial reporting \(PDF\)**](#)

On 23 Oct 14, AAT submitted a response to an HMRC consultation document on the [**Strengthening the Tax Avoidance Disclosure Regimes**](#)

The consultation document considered proposals to further strengthen Disclosure of Tax Avoidance Schemes (DOTAS) and initial thinking about how the VAT Disclosure Regime (VADR) might be updated.

AAT generally agreed and supported the proposals in this consultation document. However, our response expressed concerns in some areas and in particular to the new draft Financial Products hallmark because it is too widely drafted.

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

[**AAT response to Strengthening the Tax Avoidance Disclosure Regimes \(PDF\)**](#)

On 16 Oct 14, AAT submitted a response to an HMRC consultation document on the [**Internationally mobile employees and earnings related securities**](#)

This consultation introduces a proposed legislative change to align the income tax and NICs treatment as far as possible. However, due to international social security treaties and agreements, a full alignment of income tax and NIC rules would create a risk of double charging for some internationally mobile employees

AAT expressed concerned that, if adopted, the draft legislation will have a disproportionate administrative impact on smaller scale employers, who nonetheless employ Internationally Mobile Employees (IMEs) and who may wish to award Employment Related Securities (ERS). Therefore AAT recommended that HMRC provide help and guidance to help employers of IMEs to mitigate the increase in administration they are likely to face and to ensure that they are in a position to meet the proposed April 2015 deadline.

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

[**AAT response to Internationally mobile employees and earnings related securities \(PDF\)**](#)

On 15 Oct 14, AAT submitted a response to a Financial Reporting Council consultation document on the [**Regulation of Auditors of Local Public Bodies**](#)

The consultation document asked for views on the way in which the FRC should give effect to three specific responsibilities delegated to it under the Order. These are to:

- make regulations on the reports, known as transparency reports, which the 2014 Act requires auditors of major local bodies to publish each year;
- make regulations about the keeping of the Register of Local Public Auditors;
- give statutory guidance to the RSBs on the level of competence and experience required for the approval of those individuals within a local public audit firm that are able to take

From a public perception and confidence viewpoint, AAT's view is that there should be a presumption that there is one set of standards applicable to all audits and a consistent quality of auditing across the entire spectrum of audits. AAT therefore welcomes these proposals to align the requirements for local public bodies' audits with other types of audits as an essential underlying concept of the Regulations and Guidelines.

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

[**AAT response to Regulation of Auditors of Local Public Bodies \(PDF\)**](#)

On 15 Oct 14, AAT submitted a response to an HMRC consultation document on the [**Draft legislation: The Income Tax \(Recommended Medical Treatment\) Regulations 2014**](#)

These draft regulations set out the additional conditions that expenditure by employers on recommended medical treatment must meet in order to qualify for the tax exemption at section 12 of Finance Act 2014

AAT expressed support for any appropriate assistance given to enable an employee to remain in work, or to resume work early after a period of absence, on the basis that timely and measured interventions benefit employees, employers and the wider society.

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

[**AAT response to Draft legislation: The Income Tax \(Recommended Medical Treatment\) Regulations 2014 \(PDF\)**](#)

On 15 Oct14, AAT submitted a response to an HMRC consultation document on the [**Inheritance Tax: exemption for emergency service personnel**](#)

This consultation document was consulting on extending the existing Inheritance Tax exemption for members of the Armed Forces whose death is caused or hastened by injury while on active service to members of the emergency services.

AAT supports this move and would applaud such a proposal, which is seeking to recognise the valuable service individuals working in the emergency service undertake in our society today.

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

[**AAT response to Inheritance Tax: exemption for emergency service personnel \(PDF\)**](#)

On 6 Oct 14, AAT submitted a response to an HMRC consultation document on the [**Restricting non-residents' entitlement to the UK personal allowance**](#)

The consultation considered whether entitlement to the UK Personal Allowance should be restricted for non-residents and how this might be done. The consultation will be used to help the government understand the impacts and feasibility of any change and to make a balanced decision as to the desirability of a policy change.

AAT concluded that, as the UK does not generally have an economy comparable to countries offering a favourable tax regime and HMRC has estimated a loss to the Exchequer of approximately £400m a year, we can see the government's rationale for restricting the UK Personal Allowance for non-residents.

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

[AAT response to Restricting non-residents entitlement to the UK personal allowance \(PDF\)](#)

On 3 Oct 14, AAT submitted a response to an HMRC consultation document on the [Tax-Free Childcare: Draft Childcare Payments \(Eligibility\) Regulations and draft Childcare Payments Regulations 2015](#)

The consultation covered draft legislation which introduces the Tax-Free Childcare Scheme to provide financial support with the cost of childcare for working families.

AAT welcomed this initiative targeted at increasing the support available to parents enabling them to achieve an appropriate balance between their domestic responsibilities and career aspirations.

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

[AAT response to Tax-Free Childcare: Draft Childcare Payments \(Eligibility\) Regulations and draft Childcare Payments Regulations 2015 \(PDF\)](#)

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

Consultation document - WIP and Completed	Closing Date
Auditor regulation: effects of the EU and wider reforms	19/03/2015
Tax Enquiries: Closure Rules	11/03/2015
IASB - Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2 Share-based Payment)	25/03/2015
FRC - Guidelines on Enforcement Measures Against Recognised Supervisory Bodies Recognised Qualifying Bodies	20/02/2015
Future of the tariff classification helpline	18/02/2015
Tackling aggressive tax planning: implementing the agreed G20-OECD approach for addressing hybrid mismatch arrangements	11/02/2015
Finance Bill 2015	04/02/2015
BIS - Business payment practices and policies: duty to report	02/02/2015
SRA - Proportionate regulation: reporting accountant requirements	28/01/2015
Draft legislation: Promoters of Tax Avoidance Schemes - Prescribed Information Regulations 2015	27/01/2015
Charities: audit and independent examination	27/01/2015

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

Volunteers – for HMRC Forums, subgroups and workshops

From time to time HMRC approaches AAT looking for volunteers for one of their forums, subgroups or workshops. We already have a number of members who help us in this regard but we are looking to bolster this number to ensure we can continue to raise our profile through collaboration with HMRC.

Currently, we are looking for volunteers to assist HMRC with user testing of new systems, for example on the [Agent Online Self Serve \(AOSS\)](#).

If you would be interested in getting involved please email your contact details (email address, mobile phone number and membership number) to aleemi@aat.org.uk

At this time we would particularly like to hear from Members in Practice who specialise in Employment-related securities, capital taxes or inheritance tax.

End of report