

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 (condoc) 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.

AAT outlined that it was 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 it 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 contained proposed amendments to IAS 12 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 cash-flows if the debt instrument is held 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 earlier of sale or until maturity
- 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 suggested that it would be helpful to users if the revised IAS 12 was to include an executive summary, incorporating key aspect of the clarification.

If you would like to read AAT's full response it 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 condoc covered draft legislation that sought to maintain the purpose and effect of the following Extra-statutory concessions (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 and sought to ensure that a beneficiary is not treated as a participator in a company controlled by the trustees merely because of their status as beneficiary.

ESC F15 purpose has been to restrict 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 intended to replace both ESCs.

If you would like to read AAT's full response it 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 condoc reviewed the earnings thresholds for automatic enrolment into a workplace pension for April 2015 to March 2016.

In its response, AAT stated that 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.

AAT expressed that any simplification measures introduced would have a disproportionately greater benefit for smaller employers and their employees.

AAT also suggested that employers should be informed as soon as possible with regard to any proposed changes that might arise out of the consultation on the basis that advance notice will foster successful planning and implementation.

If you would like to read AAT's full response it 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 in respect of [**Amendments to IAS 27 - Equity Method in Separate Financial Statements**](#)

In the 2011 Agenda Consultation, the IASB received requests to reinstate an option, previously removed and 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.

In its response AAT stated that it was supportive of IASB's proposal to reinstate the use of the equity method in separate financial statements to account for investments in subsidiaries, joint ventures and associates.

If you would like to read AAT's full response it 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 in respect of [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, 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 it 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 buy an annuity. This is because pension tax legislation allows a lump sum or flexible withdrawals only in limited circumstances. In the 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.

While in its response to the issued condoc AAT stated that it was generally supportive of the freedom and flexibility that, if enacted the Bill will give future retirees in respect of the spending of their pension pots. AAT expressed concern over operational and fiscal issues yet to be addressed if the new pension regime is to be implemented successfully.

If you would like to read AAT's full response it 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 on **Draft legislation: the Income Tax (Pay AS You Earn) (Amendment No X) Regulations 2015**

The issued condoc was in respect of a draft Statutory Instrument (SI) explaining the reporting requirements HMRC were seeking to introduce and 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, in instances where an intermediary has not operated PAYE on payments made to such 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 it 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 in respect of **Accounting standards for small entities - Implementation of the EU Accounting Directive**

The most significant change arising from the proposed new Accounting Directive was in respect of 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 and stated that they offered a framework which was both balanced and proportionate.

If you would like to read AAT's full response it 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 in respect of the **Pension Schemes Bill 2014-15**

The Pensions Schemes Bill (the Bill) seeks to make provision about pension schemes, and it is 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.

In its response to the issued condoc AAT indicated that it was supportive of the aims to establish 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 it 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 in respect of 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 it 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 **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, AAT 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 it 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 in respect of 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) Removal of the requirement for Micro-entities to prepare a Directors' report
- 7) Application to Charitable Companies

If you would like to read AAT's full response it 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 in respect of **[Strengthening the Tax Avoidance Disclosure Regimes](#)**

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

While AAT generally agreed with and supported the proposals its response expressed concerns in some areas and in particular to the new draft Financial Products hallmark on the basis that it is too widely drafted.

If you would like to read AAT's full response it 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 in respect of **[Internationally mobile employees and earnings related securities](#)**

This consultation outlined a proposed legislative change intended to align the income tax and national insurance treatments as far as possible. While at the same time recognising that 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 concern that, if adopted, the draft legislation would have a disproportionate administrative impact on smaller scale employers engaging Internationally Mobile Employees (IMEs) and who might wish to award Employment Related Securities.

In order to address the concerns expressed AAT recommended that HMRC provide help and guidance to help employers of IMEs to mitigate the increase in administration they are likely to face in order to meet the proposed April 2015 deadline.

If you would like to read AAT's full response it 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 (FRC) consultation in respect of the **[Regulation of Auditors of Local Public Bodies](#)**

The consultation sought views on the way in which the FRC should give effect to three specific delegated responsibilities to:

- 1) make regulations on the reports, known as transparency reports, which the Local Audit and Accountability Act 2014 requires auditors of major local bodies to publish each year;
- 2) make regulations about the keeping of the Register of Local Public Auditors;
- 3) give statutory guidance to the Recognised Supervisory Bodies 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.

It is AAT's view that there should be a presumption that there is one set of standards applicable supported by a consistent quality of auditing applied across the entire spectrum of audits. As a result AAT, therefore, welcomed the proposals.

If you would like to read AAT's full response it 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 in respect of **Draft legislation: The Income Tax (Recommended Medical Treatment) Regulations 2014**

These draft regulations set out 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 the proposals, 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 it 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 in respect of **Inheritance Tax: exemption for emergency service personnel**

This consultation sought to consult over a proposal to extend an existing Inheritance Tax exemption in respect of members of the Armed Forces whose death is caused or hastened by injury while on active service to encompass members of the emergency services.

While AAT was supportive of the proposals made we recommended that other non-state emergency-responders, not included in the consultation, should also benefit from the same easement.

If you would like to read AAT's full response it 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 in respect of **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.

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, it could see the government's rationale for restricting the UK Personal Allowance for non-residents.

If you would like to read AAT's full response it 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 in respect of **Tax-Free Childcare: Draft Childcare Payments (Eligibility) Regulations and draft Childcare Payments Regulations 2015**

The consultation covered draft legislation which sought to introduce 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 it 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