

## Quarterly Article - Summary of Responses – 31 Mar 2015

During the first quarter of 2015, AAT responded to 33 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.

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On 25/03/2015 AAT submitted a [response](#) to the International Accounting Standards Board (IASB) consultation – “Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2 Share-based Payment)”.

Due to the fact that traditional methods of accounting for share-based payment transactions did not recognise an expense for such an arrangement since there is an absence of an associated cash flow, IASB consulted on the need for an amendment to current International Financial Reporting Standard 2 (IFRS 2) to address this issue.

AAT was in agreement with IASB's proposed amendments to IFRS 2 on the basis that it considered them to be practical and likely to reduce divergent practices in the application of IFRS 2. At the same time AAT expressed concerns in respect of the prospective application of the proposed amendments.

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On 20/03/2015 AAT submitted a [response](#) to the Financial Reporting Council's (FRC) Exposure Draft (ED) FRED 57: “Draft amendments to FRS 101 Reduced Disclosure Framework (2014/15 Cycle)”.

This ED set out proposed amendments to FRS 101 Reduced Disclosure Framework in order to provide an exemption against:

- Paragraph 18A of IAS 24 Related Party Disclosures.
- The requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards to present an opening statement of financial position.

Furthermore, it also sets out necessary amendments to the Application Guidance in respect of FRS 101.

Overall, AAT welcomed the draft amendments taking the view that it will make the existing standard easier to apply in practice.

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On 20/03/2015 AAT submitted a [response](#) to the FRC consultation “Auditing and ethical standards implementation of the EU Audit Directive and Audit Regulation”.

This consultation was issued in response to the European Commission's publication of Directive 2014/56/EU in May 2014, which set out specific requirements concerning aspects of the statutory audit of financial statements.

The consultation document identified and explained the range of positions the Financial Reporting Council (FRC) was considering with respect to Member State options, and whether it should have a delegated power to exercise them, and sought stakeholders' views.

In its response AAT observed that public confidence in audits would be better preserved through the provision of informative and useful audit reports, augmented by strong disciplinary procedures enforced by Recognised Supervisory Bodies (AAT is not a Recognised Supervisory Body for audit purposes) and supported by greater authority for audit committees.

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On 19/03/2015 AAT submitted a [response](#) to the Department for Business, Innovation & Skills (BIS) discussion document “[Auditor regulation: effects of the EU and wider reforms](#)”.

*This consultation is related to the FRC consultation document directly above.*

The published document asked for would-be respondents to share their views on a range of possible reforms designed to enhance public confidence and strengthen the audit regime. It looked at the structure for regulation, oversight and standards, taking into account new European requirements, recent Competition and Markets Authority measures and recommendations arising out of wider work underway in considering the refining of technical and ethical standards. Many of the proposals included in the discussion document were designed to publicly illustrate an ethical approach to audits.

AAT ventured the opinion that public confidence in audits is better established by providing informative and useful audit reports, together with strong disciplinary procedures imposed by Recognised Supervisory Bodies.

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On 16/03/2015 AAT submitted [comment](#) in respect of HMRC’s published [draft legislation: “the Income Tax \(Travel Expenses of Members of Local Authorities\) Regulations 2015”](#).

The draft legislation sought to ensure that individuals were not discouraged from serving as councillors by the tax treatment of their travel expenses.

The draft legislation sought to avoid inappropriate use of any change in the existing rules by ensuring members of local authorities would not be able to benefit from unlimited tax relief on their home to office travel expense claims.

In our response AAT’s view was that the draft Statutory Instrument would appear to achieve the stated objective. AAT also pointed out that from a strategic point of view there is a distinct possibility that this measure may lead to similar home-to-office travel expense claims arising from those involved with other voluntary bodies, such as charities.

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On 12/03/2015 AAT submitted a [response](#) to the consultation issued by HMRC on [Strengthening sanctions for tax avoidance](#).

This consultation document sought to address the issue of the “small hard-core of tax avoiders who are determined to try to pay less tax at every opportunity.” It outlined that the government proposes to:

- Introduce new measures for serial users of tax avoidance schemes.
- Introduce specific penalties for cases where the General Anti-Abuse Rule (GAAR) applies.
- Widen the Promoters of tax Avoidance Schemes rule with a new threshold condition that would ensure that serial promoters fall within those rules.

In its response AAT supported the government’s approach of deterring the delaying tactics employed by serial tax avoiders and agreed that surcharges sufficient to counter any financial incentive to delay or avoid tax should be imposed.

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On 11/03/2015 AAT submitted a [response](#) to the HMRC consultation “[Tax Enquiries: Closure Rules](#)”.

The consultation document outlined a proposal to enable HMRC to refer a case to the First Tier Tribunal (FTT) with a view to achieving early resolution of one or more aspects of an enquiry into a tax return.

In principle, AAT supported the objectives as proposed.

Furthermore, AAT agreed with the proposal to introduce a sole-referral facility to the FTT. However AAT strongly recommended that both parties should have the statutory right to sole-referral.

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On 09/03/2015 AAT submitted a [response](#) to the BIS discussion document “[Late payment: challenging 'grossly unfair' terms and practices](#)”. This document sought views on extending the “powers to allow representative bodies to challenge all contractual terms or practices with regards to late payment considered “grossly unfair” on behalf of any business” and refine the definition of “grossly unfair”.

AAT expressed the view that the late payment of debt should be discouraged as it has a negative impact on the cash flow of Small and Medium-sized Entities (SMEs) which may result in restricting their growth.

AAT additionally recommended that consideration be given to the introduction of recourse to mediation.

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On 06/03/2015 AAT submitted a [response](#) to HMRC’s consultation “[Draft guidance for ESCs being withdrawn - F8, F11, F12, F15, F18](#)”.

The purpose of the proposed amendments to the guidance was to provide readers of HMRC’s Inheritance Tax manual further guidance once the ESCs have been withdrawn.

AAT’s response made a variety of suggestions and recommendations to assist in clarifying the guidance accordingly.

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On 05/03/2015 AAT submitted a [response](#) to HMRCs consultation “[Orchestra tax relief](#)”.

The consultation document stated, “*As with the other creative sector reliefs, this policy aims to provide generous support to orchestras in order to promote British culture in a sustainable way*”.

In its response AAT was supportive of the proposed operational aspects of the Orchestra Tax Relief (OTR).

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On 04/03/2015 AAT submitted a [response](#) to the HMRC consultation “[Draft Legislation: pension flexibility – annuities](#)”.

This particular consultation offered an opportunity to review and comment on the draft 2015 Finance Bill legislation relating to the tax treatment of annuities paid to beneficiaries on death, in particular a draft Schedule 1 to the Bill, and the related draft explanatory notes for a technical consultation.

AAT expressed the view that the text of the draft legislation appeared to provide an effective mechanism for ensuring that payments of annuities to beneficiaries can be made tax free on the death of an individual, subject to certain conditions.

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On 27/02/2015 AAT submitted a [response](#) to the Law Commission consultation “[General Statute Law Repeals](#)”.

The General Statute Law repeals proposed the repeal of some 56 obsolete Acts and the part repeal of 49 other Acts relating to topics as diverse as agriculture, criminal law, housing, merchant shipping and guard dogs.

The scope of AAT’s response was limited to section “Group 6 – Taxation” on pages 86 to 123. AAT could not foresee any adverse impacts from the repeals of the Acts.

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On 27/02/2015 AAT submitted a [response](#) to the HMRC consultation “[Improving access to Research and Development tax credits for small business](#)”.

This consultation focused on improving the accessibility of Research and Development (R&D) tax credits for small companies, by addressing the four main factors that affect whether companies make claims:

- Awareness of the credits
- Design of the rules
- Understanding of the rules
- Claims process/ administration

AAT expressed the view that awareness and publicity of the R&D credits is the key factor in SMEs accessing the relief.

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On 27/02/2015 AAT submitted a [response](#) to the draft Statutory Instrument (SI) “[Draft legislation: the Value Added Tax \(refund of tax to the London Legacy Development Corporation\) Order 2015](#)”.

The text of the draft SI set out a mechanism for the London Legacy Development Corporation (LLDC) to obtain refunds in respect of VAT input-tax incurred for non-business purposes.

In principal AAT supported the draft SI because it is consistent with the main purpose of the LLDC, which is, to develop the Olympic Park in order to provide social, economic and environmental benefits for local communities.

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On 25/02/2015 AAT submitted a [response](#) to the HM Treasury issued discussion document “[Data sharing and open data in banking: call for evidence](#)”.

The document sought views on what benefits open data in banking could bring to consumers, and how an open Application Programming Interfaces (API) standard could best be delivered.

AAT expressed support for the development of an ‘open’ API standard. However, ‘open data’ should be strictly controlled to protect the rights of individuals against intrusion from third parties like credit rating agencies, commercial organisations and staff within government departments.

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On 24/02/2015 AAT submitted a [response](#) to HMRC's consultation document "Draft legislation: Promoters of tax Avoidance Scheme – Prescribed Information Regulations 2015 (second)".

The consultation document sought views on:

- Attributing the actions of a promoter to an associated or successor body (raised in the 2013 consultation *Raising the Stake on Tax Avoidance*, and announced by the government in the 2014 summary of responses document that it would implement this proposal as a matter of policy).
- How existing time limits for issuing Conduct Notices as a result of DOTAS failures should work.
- Ensuring the legislation includes the decisions of independent bodies (where they are separate from professional bodies themselves – e.g. the Taxation Disciplinary Board) in the professional misconduct threshold condition at Schedule 34 paragraph 8 Finance Act 2014.

AAT supports the proposed legislation. However, AAT expresses concern over the terms of Condition B in paragraph 6 of the draft legislation which extends "a person who fails to comply with Part 7 of FA2004" – disclosure of tax avoidance schemes – to a person who "the tribunal has determined for the purposes of section 118(2) of TMA 1970... to be deemed not to have failed to comply with the provision concerned as (the person) had a reasonable excuse for not doing the thing requires to be done"

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On 20/02/2015 AAT submitted a [response](#) to the HMRC consultation on "Draft legislation: the Individual Savings Account Regulations (surviving spouses)".

The draft Statutory Instrument, Tax Information and Impact Note and explanatory memorandum proposed allowing the transfer of Individual Savings Accounts (ISA) benefits to the surviving spouse or civil partner upon the death of the ISA holder. Whereby, the spouse or civil partner of a deceased ISA saver would receive an additional ISA allowance up to the value of the deceased's ISA savings at the time of death.

In principle, AAT welcomed the changes proposed as it was felt that they should ensure the continuation of the protection of a family's savings to all the tax advantages that can be enjoyed inside an ISA wrapper following the death of a spouse.

At the same time as lending its support AAT made a number of recommendations in respect of the operational practice of the proposals and called for clarification in respect of some areas.

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On 20/02/2015 AAT submitted a [response](#) to the FRC consultation on "Guidelines on Enforcement Measures Against Recognised Supervisory Bodies Recognised Qualifying Bodies".

The purpose of the guidelines is to ensure transparency and consistency in the determination of enforcement measures by the Board.

AAT commented on the need for the accountancy profession to maintain and uphold high standards of conduct in carrying out its statutory functions and it acknowledges the powers given to the FRC in this respect under the Companies Act. However, AAT did not believe that, as currently drafted, the enforcement measures represented a proportionate regime in the context of Recognised Bodies.

Note:

AAT will not be subject to the proposed Enforcement Measures as it is not a Recognised Supervisory Body or Recognised Qualifying Body.

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On 18/02/2015 AAT submitted a [response](#) to the HMRC consultation on the “[Future of the tariff classification helpline](#)”.

HMRC sought to explore options for providing future support for business customers that are sustainable and provide extra help for those customers who need it.

AAT's view was that the main benefit of any new approach would be to help HMRC reduce its costs, particularly if the Classification Helpline service was closed, as is suggested on page 6 of the consultation document under the heading 'Why we need to change'.

AAT also acknowledged that a potential disadvantage of the new approach was that it might result in an increase in classification errors if fewer taxpayers request assistance from HMRC in relation to classification issues.

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On 11/02/2015 AAT submitted a [response](#) to the joint HM Treasury and HMRC consultation “[Tackling aggressive tax planning: implementing the agreed G20-OECD approach for addressing hybrid mismatch arrangements](#).”

The co-sponsored consultation set out UK plans for implementing the G20-OECD agreed rules for neutralising hybrid-mismatch arrangements.

AAT supported UK plans for the implementation of the G20<sup>1</sup>-OECD<sup>2</sup> agreed rules which are in the words of condoc 2.17 “mechanical in operation, do not require a purpose test and are intended to minimise compliance and administration costs for both taxpayers and tax administrations by providing certainty in their application.”

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On 04/02/2015 AAT submitted a [response](#) to the consultation on [Finance Bill 2015](#).

The Finance Bill 2015 was divided into the following 6 main areas:

- Income tax
- Corporation tax and diverted profits tax
- Indirect taxes and excise duties
- Other taxes
- Administrative provisions
- Secondary legislation.

In the response AAT commented on the majority of areas too many to cover in this summary.

However, two areas of particular note are:

- AAT welcomed the practical changes made to the original Direct Recover of Debt proposals.
- Where AAT expressed concern in relation to the proposal on 'Incorporation: restriction relief for internally-generated goodwill transfers between related parties'.

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<sup>1</sup> [The Group of Twenty](#) (G20) is the premier forum for its members' international economic cooperation and decision-making. Its membership comprises 19 countries plus the European Union.

<sup>2</sup> The [Organisation for Economic Co-operation and Development](#) (OECD) promotes policies that will improve the economic and social well-being of people around the world.

On 02/02/2015 AAT submitted a [response](#) to the BIS consultation "Business payment practices and policies: duty to report."

In this consultation BIS asked for views in respect of its proposals to make companies report on their payment performance to help foster responsible payment practices.

In its response AAT recognised that the culture of late payment remains a significant problem for UK businesses, particularly small and micro-entities. Whilst recognising the effect that large firms have on supply chains, AAT supported a clear desire for greater transparency around payment practices and a change in culture and therefore welcomed the proposal for a new reporting requirement on prompt payment practices.

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On 28/01/2015 AAT submitted a [response](#) to the Solicitors Regulation Authority (SRA) consultation "Proportionate regulation: reporting accountant requirements".

The document covered an issue affecting some Members in Practice; currently regulation 34 of the SRA Accounts Rules (2011) exclude AAT members from signing the Accountant's Report Form in respect of a solicitor's accounts.

In its response AAT recommended that consideration be given to the introduction of a middle tier of regulation where an accountant's report could be signed by a wider range of professional accountancy bodies members including appropriate licenced AAT's; for example those listed under the [Companies Act 2006 \(Consequential Amendments etc\) Order 2008](#).

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On 27/01/2015 AAT submitted a [response](#) to the HMRC consultation "Draft legislation: Promoters of Tax Avoidance Schemes - Prescribed Information Regulations 2015".

The draft regulations make provision for ongoing oversight of the behaviour of monitored promoters under the Promoters of Tax Avoidance Schemes legislation.

In its response AAT stated that it is supportive of all appropriate attempts to promote anti-avoidance within the UK tax system.

AAT made some operational recommendations for the inclusion of the definitions of 'tax advantage' and 'relevant arrangements' and suggested quoting the title of the Regulations on the form in addition to 'Regulation 5(2)'.  
  

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On 27/01/2015 AAT submitted a [response](#) to the Cabinet Office consultation "Charities: audit and independent examination."

This consultation explored a possible increase to thresholds determining whether charity accounts should be audited or examined.

AAT welcomed the proposed changes as they appeared to strike the right balance between addressing the effects of inflation and reducing the compliance cost for smaller charities, whilst maintaining an adequate level of assurance for the charity itself and the wider charitable sector.

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On 16/01/2015 AAT submitted a [response](#) to the IASB consultation “[Exposure draft: measuring quoted investments in subsidiaries, joint ventures and associated at fair value.](#)”

The IASB published for public comment an ED detailing proposals concerning the measurement of investments in subsidiaries, joint ventures and associates at fair value when those investments are quoted in an active market.

In its response AAT expressed the view that the use of a quoted price in an active market is not an appropriate basis for establishing the fair value of investments in subsidiaries, joint ventures and associates held by investing entities on the basis that the quoted price at the end of any accounting period is not likely to have any relationship to the ultimate realisable value of those investments, given:

- The investing entity’s ability to exercise influence over the activities of its investment entities.
- That the ultimate realisation of the investments through a quoted market is unlikely.

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On 15/01/2015 AAT submitted a [response](#) to the IASB discussion paper “[Reporting the Financial Effects of Rate Regulation.](#)”

The Discussion Paper described a type of rate regulation that contained elements of both cost recovery and incentive approaches, whereby this type of rate regulation is termed ‘defined rate regulation’ and called for comment on whether or not the distinguishing features of defined rate regulation, as identified by the IASB, sufficiently captures the types of rate regulation that have the most significant financial effects.

The Discussion Paper did not include any specific accounting proposals. Instead, it explored what information about rate-regulated activities is most useful to users of financial statements and outlined possible approaches.

In its response AAT set out its view that the financial statements for rate-regulated entities require sufficient disclosure to enable readers to fully understand the results disclosed without recourse to other sources of information.

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On 12/01/2015 AAT submitted a [response](#) to the FRC ED “[FRED 56: Draft FRS 104 Interim Financial Reporting.](#)”

The ED set out the Draft Financial Reporting Standard 104 Interim Financial Reporting, which is intended to replace the Statement Half-yearly financial reports issued by the Accounting Standards Board (ASB) in 2007<sup>3</sup>.

In its response AAT pointed out that taking into account entities with publicly traded securities were adopting FRS 102 with effect from 1 January 2015, FRS 104 should be published as soon as possible.

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On 09/01/2015 AAT submitted a [response](#) to the Better Regulation Delivery Office and BIS consultation “[Growth duty and Small Business Appeals Champions.](#)”

The consultation sought views on the extension of the growth duty and the application of the Small Business Appeals Champions policy.

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<sup>3</sup> ASB Statement Half-yearly reports



In its response AAT recognised that the growth duty will particularly benefit small business by making regulators' decision-making more proportionate. As a consequence AAT supported the appointment of Small Business Appeals Champions as such an action should improve accountability.

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On 09/01/2015 AAT submitted a [response](#) to the DWP consultation “[Workplace pensions automatic enrolment: simplifying the process and reducing burdens on employers.](#)”

This consultation sought views in respect of draft regulations intended to simplify the process for automatic enrolment (AE) into workplace pensions and, also, measures aimed at reducing the burdens on employers.

In its response AAT stated that many micro-business employers currently do not have a pension scheme in place and that these businesses also have limited, if any, dedicated HR function. Therefore, ensuring that the AE process is made as simple as possible is essential for the rollout of to those yet to be affected. For this reason AAT welcomed and supported many of the proposed easements.

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On 08/01/2015 AAT submitted a [response](#) to the BIS survey “[Proposals to change the Prompt Payment Code.](#)”

The survey asked for opinions on:

- Amending the code
- Monitoring and enforcement of the code
- Improving information on the code's website
- Funding the code for the future.

In responding to the questions posed, AAT was supportive of the proposals. However, AAT expressed concern regarding the proposal to host complaints on a public forum as there could be scope for vexatious complaints.

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On 08/01/2015 AAT submitted a [response](#) to the HMRC consultation “[Extra statutory concessions: withdrawal of three extra statutory concessions](#)”.

HMRC asked for evidence from those who have relevant data about the potential impact of withdrawal of the following three Extra-statutory concessions (ESCs):

- Professional remuneration (Income Tax) (EIM03002)
- Sports Testimonials (Income Tax) (EIM 64120)
- Capital Gains Tax: roll-over into depreciating assets (Capital Gains Tax) (ESC D45)

In its response AAT stated its objection to the proposed withdrawal of EIM 03002 as the ESC a on the grounds that the use of this concession is more widespread amongst medical and professional partnerships than HMRC appreciated

AAT supported the withdrawal of the ESC relating to Sports Testimonials and has no objections to the withdrawal of ESC relating to Capital Gains Tax as any gains are already exempted by the existing legislation thereby removing the need for this concession.

At the time of writing this article AAT is also either considering whether to, or is involved in, drafting responses to the following:

| Consultation document   |   | Closing Date |
|---|---|--------------|
| Creating a secondary annuity market: call for evidence  | HM Treasury, Department for Work and Pensions | 18/06/2015   |
| Purchasing goods and services: protection of small businesses   | Department for Business, Innovation & Skills  | 15/06/2015   |
| Business rates review: terms of reference and discussion paper  | HM Treasury                                   | 12/06/2015   |
| Changes to accounting direction   | Homes and Communities Agency                  | 12/06/2015   |
| Classification of Liabilities (Proposed amendments to IAS 1)  | IFRS Foundation                               | 10/06/2015   |
| Amendments to IAS1 classification of liabilities  | European Financial Reporting Advisory Group   | 03/06/2015   |
| FRED 61 - FRC consults on limited amendments to FRS 102   | Financial Reporting Council                   | 01/06/2015   |
| Draft legislation: The Registered Pension Schemes (Transfer of Sums and Assets) (Amendment No. 2) Regulations 2015              | HMRC  | 29/05/2015   |
| Draft legislation: The Registered Pension Schemes (Provision of Information) (Amendment No. 2) Regulations 2015                 | HMRC  | 29/05/2015   |
| Draft legislation: The Registered Pension Schemes (Audited Accounts) (Specified Persons) (Amendment) Regulations 2015           | HMRC  | 29/05/2015   |
| Draft legislation: the Loan Relationships and Derivative Contracts (Change of Accounting Practice) (Amendment) Regulations 2015 | HMRC  | 22/05/2015   |
| Employer debt in non-associated multi-employer defined benefit pension schemes  | Department for Work and Pensions              | 22/05/2015   |
| Helping users of HMRC's Basic PAYE Tools undertake automatic enrolment calculations   | The Pensions Regulator                        | 19/05/2015   |

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](mailto:consultation@aat.org.uk)

Please find below the response already submitted post 31 March 2015 and details relating to these responses will be provided in the next quarterly update:

| Consultation document - WIP and Completed   |                                  | Closing Date |
|---|----------------------------------|--------------|
| Consultation on changes to the Investment Regulations following the Law Commission's report 'Fiduciary Duties of Investment Intermediaries' | Department for Work and Pensions | 24/04/2015   |
| Draft legislation: The Value Added Tax (Amendment) (No) Regulations 2015 - deductible VAT relating to foreign branches                      | HMRC                             | 10/06/2015   |
| HMRC penalties: a discussion document   | HMRC                             | 11/05/2015   |
| DP15/2: Transaction Costs Disclosure: Improving Transparency in Workplace Pensions  | Financial Conduct Authority      | 04/05/2015   |
| FRED 58: Draft FRS 105 - The Financial Reporting Standard applicable to the Micro-entities Regime   | Financial Reporting Council      | 30/04/2015   |
| FRED 59: Draft Amendments to FRS 102 - Small entities and other minor amendments  | Financial Reporting Council      | 30/04/2015   |
| FRED 60: Draft Amendments to FRS 100 and FRS 101  | Financial Reporting Council      | 30/04/2015   |
| Ensuring a fair contribution from non-UK domiciled individuals: consultation on a minimum claim period for the remittance basis charge      | HM Treasury, HMRC                | 16/04/2015   |

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### 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.

In view of the above; while we do already have a large pool of willing volunteers, we are always looking for additional enthusiastic and engaged members to help assist HMRC with user testing of new systems, for example on the Agent Online Self-Serve (AOSS).

If you think that helping AAT to build a better delivery system for agents is of interest why not put your name forward – you won't regret it. Not only will get an early insight into forthcoming agent-facing developments it is also an opportunity for personal development You really won't regret putting your name forward.

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](mailto:aleemi@aat.org.uk)

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**End of report**