

Consultation response summary

January – March 2016

This summary document provides an overview of AAT's responses to the consultation opportunities that have arisen in the prior two months. AAT responds to consultations on behalf of the membership encompassing a variety of subjects including tax, business related issues and accounting standards.

During the first quarter of 2016 AAT has responded to 21 consultations and these are summarised below. If you would like to read any of the responses in full or find out more about the consultation, please click on the related link/s within each summary.

Consultation name	ED: Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks
Issuer	Financial reporting Council (FRC)
Submission date	14 Jan 16
Outline of consultation: <ul style="list-style-type: none"> ▪ The Financial Reporting Council's (FRC) was consulting on their draft guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks which incorporates recent developments in the corporate reporting framework, most notably the introduction of new UK and Ireland GAAP and the strategic report. ▪ In the FRC press release the objective of this guidance was stated as being to "enhance the quality and depth of information investors receive about the business over the longer term". 	
AAT's response observed: <ul style="list-style-type: none"> ▪ AAT fully supported this objective and considered it important for all users of financial statements to be sufficiently informed as to significant threats to solvency, liquidity or viability. Furthermore, where there are material uncertainties which cast significant doubt upon the suitability of the going concern basis of accounting, AAT supported the guidance given that while it is appropriate for financial statements to be prepared on a going concern basis, disclosure should be made of the uncertainties so that users can make their own judgement as to the potential impact of the uncertainties on the entity's financial position. ▪ Whilst supporting the publication of the proposed guidance AAT expressed the view that it would be helpful if it is made clear that it covers two primary concepts; one relating to identifying when the going concern basis of accounting is not appropriate and the other relating to the disclosure of information so that users of financial statements can understand significant uncertainties that impact on solvency, liquidity or viability 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Occupational and Personal Pension Schemes Miscellaneous Amendments Regulations 2016
Issuer	Department for Work and Pensions
Submission date	15 Jan 16
Outline of consultation: <ul style="list-style-type: none"> ▪ The consultation sought views on proposed minor and technical regulatory changes to 4 areas of pensions legislation, to ensure that the new pension flexibilities operate as intended: <ul style="list-style-type: none"> ○ pension sharing on divorce, including a requirement that, where an attachment order exists, schemes will have to write out to the former spouse at the point the member 	

<ul style="list-style-type: none"> applies to take their flexible benefits the final technical changes needed to reflect the pension flexibilities to operate in specific situations (for example, where a scheme is winding up) the Pension Protection Fund, including amendments to the Pension Protection Fund (Entry Rules) Regulations around schemes whose sponsoring employer cannot have an insolvency event disclosure of information, to place an obligation on trustees of occupational pension schemes to give generic risk warnings to scheme members who wish to take their benefits flexibly <ul style="list-style-type: none"> The consultation also sought views on how the government should simplify the valuation process for the purposes of the new advice requirement for pensions which contain a guaranteed annuity rate (GAR).
<p>AAT's response observed:</p> <ul style="list-style-type: none"> In conclusion, AAT expressed the view that occupational pension scheme members face significant new risks since the pension freedoms were introduced in April 2015, and welcomed the increased safeguards proposed in this condoc. However, AAT stated that they do not go far enough in respect of member protection, and looked to the outcome of the Financial Advice Market Review for new initiatives to address the challenge of ensuring pension scheme members, across both occupational and contract-based pension schemes, are not exposed to undue risks when withdrawing their benefits.
<p>More information on the consultation can be found here AAT's full response to the consultation can be found here</p>

Consultation name	Uncertainty over Income Tax Treatments: Draft Interpretation and Comment Letters
Issuer	International Accounting Standards Board (IASB)
Submission date	19 Jan 16
<p>Outline of consultation:</p> <ul style="list-style-type: none"> The International Financial Reporting Interpretations Committee (IFRIC) proposed an interpretation to provide guidance on how uncertainty about a tax treatment should be reflected in the accounting for income tax, as IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred tax liabilities or assets, but did not provide specific guidance. 	
<p>AAT's response observed:</p> <ul style="list-style-type: none"> In our response AAT agreed that IFRIC should deal with this issue in an interpretation given that there is diversity of approach in practice. The Draft Interpretation would provide useful guidance and would help to bridge the gap between the principles in IAS 12 and IAS 37 in a helpful and informative way. However, AAT questioned whether in all circumstances it would be right to reflect changes in facts or circumstances in the period of the change, particularly in circumstances where there has been an error as to the application of tax law, for example when a court overturns widely-accepted legal advice as to the acceptability of a tax treatment. 	
<p>More information on the consultation can be found here AAT's full response to the consultation can be found here</p>	

Consultation name	VAT - Changes to the reduced rate of VAT for the installation of Energy Saving Materials
Issuer	HMRC
Submission date	21 Jan 16
Outline of consultation: <ul style="list-style-type: none"> This consultation looked at proposed changes to the reduced rate of VAT for the installation of energy saving materials in compliance with a recent decision by the European Court. 	
AAT's response observed: <ul style="list-style-type: none"> In our response, AAT expressed the view that we were not aware of any reason why the legislation as drafted, and included in Annex B of the condoc, did not retain as much as possible of the relief provided for by the current legislation whilst ensuring that UK law is fully compliant with EU law. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Cash, tax evasion and the hidden economy: call for evidence
Issuer	HMRC
Submission date	21 Jan 16
Outline of consultation: <ul style="list-style-type: none"> The Call for evidence had identified a relative decline in the use of cash, as both consumers and businesses increasingly turn to alternative payment methods. This call for evidence was seeking a better understanding of what implications the trend away from cash has for tax compliance, and in particular evasion and the hidden economy. 	
AAT's response observed: <ul style="list-style-type: none"> AAT emphasised that for many businesses cash trading has been pursued perfectly legitimately by businesses and that not all cash businesses are involved in wilful tax evasion because often the non-compliance stems from things like poor record keeping. However, AAT noted that cash has nonetheless been a traditionally convenient medium by which to evade tax. Therefore, the trend away from cash diminishes but does not eliminate the opportunity. The decline in the use of cash may lead to a reduction in tax non-compliance. Conversely, the increase in the use of electronic transactions may increase tax non-compliance in ways yet to be conceived. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Company distributions
Issuer	HMRC
Submission date	3 Feb 16

Outline of consultation:

- The consultation document sought to address the government's concern that the current distributions rules may be used to secure a capital return in circumstances where that may not be justified and that the changes from April 2016 to the way in which dividends are taxed may provide an increased incentive. The changes will increase the incentive to arrange for returns from a company to be taxed as capital rather than income, attracting tax at lower Capital Gains Tax rates, rather than the new dividend tax rates.

AAT's response observed:

- AAT expressed the view that the document does not give sufficient indication as to the extent of active tax planning to withdraw money from a company as capital rather than as income and for taking action "to counter imbalances and reduce avoidance" in order to justify:
 - a fundamental change in legislation
 - government concerns that there may be an increased incentive from April 2016 (when changes are made to the way in which dividends are taxed).
- AAT had acknowledged that there was an exception to this in cases of phoenixism.

More information on the consultation can be found [here](#)
AAT's full response to the consultation can be found [here](#)

Consultation name	Employer provided living accommodation - call for evidence
Issuer	HM Treasury and HMRC
Submission date	12 Feb 16
Outline of consultation: <ul style="list-style-type: none">▪ The government had issued a call for evidence on the current tax treatment of employer provided living accommodation as the paper noted that the world of work has moved on whilst the tax rules for employer provided accommodation had not.	
AAT's response observed: <ul style="list-style-type: none">▪ AAT's response acknowledged that there is scope for improvement in both the rules for calculating the benefit in kind and the guidance for exempt accommodation. AAT recommended that further consideration should be given as to whether the notion of exempt accommodation remains viable.	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Draft Plan & Budget and Levy Proposals 2016/17
Issuer	FRC
Submission date	12 Feb 16
Outline of consultation: <ul style="list-style-type: none">▪ The FRC Draft Plan, Budget and Levy Proposals for 2016/17 sought stakeholders' views on FRC's priorities and resources for the first year of the new three year strategy. The key priorities are:<ul style="list-style-type: none">• on audit its major task is to establish and make the most effective use of the new role it has been given by Government as UK competent authority for audit regulation	

<ul style="list-style-type: none"> to focus on best practice, including through our work on corporate culture and promoting effective engagement between boards and investors on reporting the FRC will focus on embedding recent changes, influencing the development of IFRS and helping smaller listed and AIM companies with the quality of reporting to complete its update of the framework for actuarial standards by implementing a standard to cover a broader range of actuarial work and refocusing our specific Technical Actuarial Standards.
<p>AAT's response observed:</p> <ul style="list-style-type: none"> AAT applauded the progress the FRC has made in many areas of its work, particularly around corporate reporting and recognised the challenges facing the FRC. AAT shared some of the FRC's uneasiness with legislative changes in corporate reporting and audit at the smaller end of the market and suggested the FRC should monitor carefully the impact of the new requirements to ensure the public is properly protected.
<p>More information on the consultation can be found here AAT's full response to the consultation can be found here</p>

Consultation name	Automatic enrolment: technical changes
Issuer	HMRC
Submission date	12 Feb 16
<p>Outline of consultation:</p> <ul style="list-style-type: none"> This technical consultation invited views on proposals to introduce: <ul style="list-style-type: none"> simpler processes for the re-declaration of compliance and for employers to bring their staging date forward further exceptions to employer duties in certain circumstances. 	
<p>AAT's response observed:</p> <ul style="list-style-type: none"> AAT responded by supporting the aim of these draft measures and welcomed any moves to further ease the burden on employers in meeting their auto-enrolment duties. These draft measures are particularly important and timely given the fact that the rollout of auto-enrolment is impacting small and micro businesses that have limited payroll and HR resources, and who are therefore disproportionately impacted by the administrative burden of auto-enrolment. 	
<p>More information on the consultation can be found here AAT's full response to the consultation can be found here</p>	

Consultation name	Transfers of Investment Property: Proposed amendment to IAS 40
Issuer	IASB
Submission date	18 Feb 16
<p>Outline of consultation:</p> <ul style="list-style-type: none"> The Exposure Draft proposes a narrow-scope amendment to IAS 40 Investment Property to clarify the guidance on transfers to, or from, investment properties as paragraph 57 of IAS 40 provided guidance on transfers to, or from, investment properties. However, the issue raised was that it did not specifically address whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there is an 	

evident change in use.

AAT's response observed:

- AAT was fully supportive of the proposed amendments to paragraph 57 of IAS 40 (the IAS) as we also saw the amendment as an opportunity to provide additional guidance on the application of the IAS where complex conditions exist, for example where there is not clear evidence of a change of use at a particular point in time. Additionally, AAT agrees with retrospective application of the proposed amendment to the IAS subject to a concession that previous transfers which would be deemed to have been incorrectly made by the introduction of the proposed amendment.

More information on the consultation can be found [here](#)
AAT's full response to the consultation can be found [here](#)

Consultation name	Consultation on abolishing Class 2 National Insurance and introducing a contributory benefit test to Class 4 National Insurance for the self-employed
Issuer	HM Treasury and Department of Work and Pensions
Submission date	24 Feb 16
<p>Outline of consultation:</p> <ul style="list-style-type: none">▪ The consultation document considered abolishing Class 2 National Insurance contributions which means that instead of paying two classes of NICs (Class 2 and Class 4), the self-employed will pay just one (Class 4) in the future. This follows the recommendations of the Office of Tax Simplification and would simplify the NICs system for millions of people.▪ Currently, Class 2 NICs provides the self-employed with access to a range of state benefits (the Basic State Pension, Bereavement Benefits, Maternity Allowance and contributory Employment and Support Allowance). To ensure that the self-employed can continue to access these benefits through the NICs system, the consultation document considered how self-employed individuals could build entitlement through Class 4 NICs. It also identified where alternative options will be considered for those who would be unable to maintain benefit entitlement under a Class 4 NICs entitlement test.	
<p>AAT's response observed:</p> <ul style="list-style-type: none">▪ AAT expressed broad support for the proposal to change the Class 4 NIC to be one which fulfils a self-employed person's contributory requirements and with the use of a nil rate band, similar to Class 1 NICs, will place self-employed taxpayers on a more equal footing with employed taxpayers. However, AAT expressed concern that self-employed taxpayers will still have access to a less extensive range of benefits than employed taxpayers so this would maintain an inequality. Additionally, AAT was concerned that the proposal that voluntary Class 2 NICs is simply replaced by the standard Class 3 voluntary NIC will result in a five-fold increase in cost to the affected taxpayer with little or no benefit.	
<p>More information on the consultation can be found here AAT's full response to the consultation can be found here</p>	
Consultation name	IFRS Practice Statement Application of Materiality to Financial Statements: Exposure Draft and Comment Letters

Issuer	IASB
Submission date	24 Feb 16
Outline of consultation: <ul style="list-style-type: none"> The exposure draft, in the form of a draft Practice Statement, had been developed in response to concerns that management are often uncertain about how to apply the concept of materiality and therefore use the disclosure requirements in the Standards as a checklist. The concern was that this can result in excessive disclosure of immaterial information that can obscure useful information and also make financial statements cluttered and less understandable. It could also lead to useful information being left out. 	
AAT's response observed: <ul style="list-style-type: none"> AAT broadly supported the guidance provided in the Practice Statement on "Application of Materiality to Financial Statements" but had made suggestions for ensuring that the guidance stresses that identifying users' needs is paramount in determining what is a material matter in financial statements. AAT's expressed the view that the needs of users of financial statements would benefit from greater information being provided by auditors in their formal reports, with changes in the procedures for the preparation of financial statements for audit exempt entities in order to provide users with greater confidence 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Domicile: Income Tax and Capital Gains Tax
Issuer	HMRC
Submission date	2 Mar 16
Outline of consultation: <ul style="list-style-type: none"> The consultation document covered the legislation that will deem certain persons, who would otherwise be non-domiciled in the UK as a matter of general law, to be domiciled here for the purposes of Income Tax and Capital Gains Tax. 	
AAT's response observed: <ul style="list-style-type: none"> AAT's response expressed support for the changes on the basis that it is fair and reasonable that long term Resident Non-Domiciles (RNDs) should be taxed on the same basis as UK domiciles. AAT's view, after reviewing the draft clause from an operational perspective rather than a legal evaluation, is that the draft clause appears to work. AAT noted the shift in language where for years, exposure to Income Tax and Capital Gains Tax has been linked to the concept of "residence" while "Domicile" at its simplest, has denoted exposure to IHT. It will take time to adjust to this change of language and the overarching concept of "domicile" that will affect all three taxes. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Business impact target, growth duty and Small Business Appeals Champion
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Issuer	Department for Business, Innovation and Skills (BIS)
Submission date	17 Mar 16
Outline of consultation: <ul style="list-style-type: none"> The consultation document had set out which regulators the Government proposes to bring within scope of the Business Impact Target, Growth Duty and Small Business Appeals Champion. It also sought views on draft statutory guidance that was intended to support implementation of the Growth Duty and the Small Business Appeals Champion. 	
AAT's response observed: <ul style="list-style-type: none"> AAT agreed that the regulators listed, in Annex A of the consultation document, should be brought within scope of the Business Impact Target, as it is likely to result in them having to design their services, policies and procedures in a way that: <ul style="list-style-type: none"> suits the needs of businesses promotes economic growth ensures that regulatory action is only taken when it is needed, and that any action taken is proportionate. AAT recommended that all anti-money laundering (AML) supervisory bodies should be in scope 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Tax exemption for trivial benefits in kind: draft guidance
Issuer	HMRC
Submission date	24 Mar 16
Outline of consultation: <ul style="list-style-type: none"> The draft guidance covers some measures that were included in the Finance Act 2016 that, from the start of the 2016-17 tax year, will give effect to a number of recommendations made by the Office of Tax Simplification in its 2014 Report "Review of employee benefits and expenses: second report". The recommended measures included the introduction of a definition and exemption for trivial benefits. 	
AAT's response observed: <ul style="list-style-type: none"> AAT welcomed the draft legislation and guidance which has been introduced and is pleased to note that the changes, as proposed by the OTS and consulted on in 2014, are being brought into law as quickly as was envisaged. In our response AAT expressed satisfaction that the language and content used in the guidance would not confuse or obfuscate the intention and meaning intended by the legislation. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	FRED 63: Draft amendments to FRS 101 'Reduced Disclosure Framework' - 2015/16 cycle
Issuer	Financial Reporting Council (FRC)

Submission date	24 Mar 16
Outline of consultation: <ul style="list-style-type: none"> Subsequent to the FRC considered of the 2015/16 annual review of FRS 101, this FRED proposed amendments to FRS 101 to provide certain disclosure exemptions in relation to IFRS 15 Revenue from Contracts with Customers and clarified a legal requirement relating to the order in which the notes to the financial statements would be presented. 	
AAT's response observed: <ul style="list-style-type: none"> AAT fully supported the principle set out by the Accounting Council's Advice to the FRC that "relevant" information should be disclosed, being that which is capable of making a difference to the decisions made by users of the financial information. Such a consideration should be paramount and override cost benefit considerations as well as any disclosure exemptions which arise from any FRS. On this basis it is difficult to envisage many situations where the disclosure exemptions provided by FRS 101 will not be over-ridden. Therefore, AAT's expressed the view that FRS 101 would only result in cost savings in a very small number of cases. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

Consultation name	Fee proposals for grants of probate
Issuer	Ministry of Justice
Submission date	31 Mar 16
Outline of consultation: <ul style="list-style-type: none"> The consultation had set out the government's proposals for reforming the fee payable for an application for a grant of probate. The proposed fee regime would move from a flat to a banded fee approach, proportionate to, and rising with, the value of the estate, and at the same time will increase the value of the estate below which no fee is payable from £5,000 to £50,000, lifting some 30,000 estates out of paying any fee. The proposals were intended to be fair and progressive. 	
AAT's response observed: <ul style="list-style-type: none"> AAT expressed the view that the proposed progressive scale and "slab system" banding of the probate fees is unrealistic and unfair. A prime example of the flaws in the proposed approach is the difference in the level of fees charges for an estate valued at £2m pounds of £12,000, and an estate valued at £1 more than £2m, which will incur costs of £20,000. That extra one pound of value would prove very expensive for those affected, especially the beneficiaries of the estate who will now be left with £7,999 less in the estate than expected for distribution. 	
More information on the consultation can be found here AAT's full response to the consultation can be found here	

End of report
