

ACCA UK's Technical Advisory Service summarises recent points of interest.



technically speaking...

Companies Act 2006 and Charities Act 2006

The Company and Charity bills received Royal Assent on 8 November. The Acts will be available at www.opsi.gov.uk. Look out for articles in ACCA magazines and relevant professional courses during 2007. We await further details of the implementation timetable for both Acts.

So far we know:

- the Companies Act applies from January 2007 with the provisions on company communications to shareholders and others applying from January 2007. The DTI will consult in February 2007 on our detailed implementation plans, which will include some of the provisions for secondary legislation
- the Charities Act provisional timetable for the commencement of the provisions of the Act is expected shortly and will be available at www.charity-commission.gov.uk/spr/charbillprog1.asp.

The latter's timetable will include dates of commencement for all thresholds including the audit limit change. Provisions in the Act will begin to come into force in early 2007. The Cabinet Office's Office of the Third Sector is working closely with the Charity Commission on informing the sector of exactly what the Act will mean for them, including producing a plain English version in early 2007.

news from related professional bodies

ABTA

ABTA guidance on accounts rules and the provision of security for members and their professional advisers issued in August can be found at: www.abta.com/download/financialcriteria.xls.

Law Society

Solicitors' Accounts and Practice Rules have been amended (effective in 2007) to accommodate the introduction by the land registry of payment of application fees by direct debit. Accounts Rules 21, 23 and 30 of the Solicitors Accounts Rules 1998 have been amended. The updated Rules can be found at www.lawsociety.org.uk/documents/downloads/Profethics_SAR.pdf.

RICS

RICS members voted to amend the Rules under which they are governed at an EGM held on 17 October. The amended rules remove the requirement for a client account report. However, the current reporting rules are in place until RICS withdraws them at some point in 2007. The information can be found at: www.rics.org/AboutRICS/RICSProfessionalRegulationandConsumerProtection/. Further guidance will be issued.

continued over...

technically speaking (continued)

Arctic Systems

The House of Lords will hear HMRC's appeal against the decision of the Court of Appeal in the case of *Jones v Garnett* (Arctic Systems Ltd.) on 5 to 7 June 2007.

HMRC has issued amended guidance but has also commented it will oppose any application made to the commissioners for closure by any taxpayer with a similar case 'on the grounds that the appeal to the House of Lords constitutes reasonable grounds for not issuing a closure notice'. See

www.hmrc.gov.uk/practitioners/guide_sba.pdf

charity tax

HMRC has published a useful overview of how the tax system operates for charities and donors, see www.hmrc.gov.uk/charities/keyinfo/index.htm.

cis – regulation 22

HMRC has issued the following question to help clarify the confusion over regulation 22.

"Regulation 22 Income Tax (Construction Industry Scheme) Regulations 2005 excludes work done on own property where primary legislation makes a business a deemed contractor. Can you clarify whether a deemed contractor whose construction work is fully excluded from CIS by virtue of Regulation 22:

- can deregister from the scheme, or
- is required to submit nil monthly returns or a six-monthly statement?"

The full question and answer can be found at: www.hmrc.gov.uk/new-cis/deemed-contractors.htm.

HMRC interest rates changes

HMRC interest rates – covering quarterly instalment payments, and early payments of corporation tax not due by instalments – have changed, and from 20 November 2006:

- the rate of interest charged on underpaid instalment payments of corporation tax changes from 5.75% to 6%
- the rate of interest on overpaid instalment payments of corporation tax, and on corporation tax paid early (but not due by instalments) changes from 4.50% to 4.75%.

pre-budget report

The Chancellor's Pre-Budget Report took place on Wednesday 6 December. ACCA's views can be seen here: www.accaglobal.com/news/releases/uk/2830721.

vat – motor trade

HMRC has issued guidance to assist with the preparation of retrospective claims for VAT overdeclared by motor retailers following the Marks and Spencer European Court decision. Details can be found at www.hmrc.gov.uk.

vat – gaming machines

HMRC has announced that it "does not accept that the UK's tax treatment of gaming machines breached the principle of fiscal neutrality". It also states "if you nevertheless consider that your gaming machine takings have been treated differently from the takings of other identical or substantially similar machines, and that you are entitled to a refund of VAT, HMRC will consider your claim".

vat – proposed reverse charge accounting for businesses

While HMRC had given 1 December 2006 as the planned implementation date for reverse charge accounting for businesses trading in mobile telephones, computer chips and certain other goods this has now been delayed. It states: "because EU discussions about the necessary derogation are still continuing, the reverse charge will not now be introduced on 1 December. The Government still intends to introduce reverse charge accounting for these goods as soon as the derogation has been agreed, in order to counter attempted MTIC fraud, but is also mindful that businesses will need time to prepare for its introduction. We will therefore give businesses about eight weeks notice of its introduction, and will provide further information as soon as possible."

fees and professional subscriptions

HMRC has updated the deductions for fees and subscriptions paid to professional bodies or learned societies list. View the list at www.hmrc.gov.uk/list3/list3.htm. The entries are listed in alphabetical order, with the main part of the title relating to either the profession, industry or activity of the body or learned society shown in bold type. For example, under Section C you will find **Certified Accountants**, Chartered Assn. of.

tips

HMRC has also updated Booklet E24 *Tips, gratuities, service charges and tronc* following legal advice regarding NIC liability. Clients should be asked to use the flowchart on p9 of the booklet to check if they have correctly operated the scheme. The booklet can be found at: www.hmrc.gov.uk/helpsheets/e24.pdf.

save as you earn share option schemes

Useful information for employees and employers is available at:

- www.hmrc.gov.uk/shareschemes/model-documents.htm
- www.hmrc.gov.uk/shareschemes/employee-guidance.pdf
- www.hmrc.gov.uk/shareschemes/employer-guidance.pdf

ethical standard for reporting accountants (ESRA)

The Standard is effective for investment circular reporting engagements commencing on or after 1 April 2007. It can be found in ACCA's Knowledge Library or at www.frc.org.uk/apb/publications/pub1186.html.

bank reports for audit purpose

The Auditing Practices Board (APB) has announced the publication of an interim revision of PN 16 *Bank Reports for Audit Purpose*. This will remain in place while further discussions take place between the audit profession and BBA. It is recommended the main account name and number are supplied by the auditor.

FRS 17

The Accounting Standards Board (ASB) expects to publish an amendment to Financial Reporting Standard (FRS) 17 *Retirement Benefits* during December. It will be effective for accounting periods beginning on or after 6 April 2007, although early adoption is encouraged. The amendment will align the disclosures in FRS 17 with those of the equivalent international standard, International Accounting Standard (IAS) 19.

The Technical Advisory Service is able to provide guidance to members on a range of matters, including the applicability of auditing/financial reporting standards, tax legislation/practice and company law matters. The Service also provides guidance on interpretation of ACCA's Rules of Professional Conduct and ethics issues generally. The Technical Advisory Service is not, however, designed to provide consultancy support. Enquiries may be made via: tel: 020 7059 5920 / e-mail: members@accaglobal.com.



Q A client has asked if their ACCA accountant can produce a profit forecast in relation to an insurance claim for a loss of profit incurred by a business resulting from an event for which there was an insurance policy in place to cover such loss of profit?

A The general situation is that an ACCA member would need to be registered under 'exempt regulated activities' to enable that firm to make a claim relating to the amount of an insured loss or assisting a client to settle a claim with the insurance company. In order to undertake insurance mediation work ACCA members need to ensure that:

- they hold professional indemnity insurance cover of the equivalent of £1.5m euros in the aggregate and £1m on each and every claim
- they have been placed on the FSA Register.

Providing information to an intermediary or insurance company after an introduction has been made is a regulated activity, but will be exempt from the increased professional indemnity insurance requirement. It is the firm's responsibility to provide ACCA with relevant information and to check that it has been entered on the register before undertaking any long-term care insurance and/or insurance mediation services. ACCA will provide the FSA with details of firms carrying on these services through the Designated Professional Body regime. The FSA register can be found at www.fsa.gov.uk. Further information can also be found on ACCA's website at: www.accaglobal.com/uk/members/technical/comment/mortgages/.