

**Notes of meeting - Accounting and Tax Group  
30 March 2011**

**Present**

Matt Blake	HMRC
Alison Bull	HMRC
Alison Ring	HMRC
Tony Linehan	HMRC
Peter Drummond	HMRC
James Barbour	ICAS (by phone)
Richard Martin	ACCA
Michelle Sansom	ASB
David Boneham	CIOT
Frank Haskew	ICAEW

**Apologies** – Roger Bath (HMRC), Lakshmi Narain (ACCA), Chas Roy-Chowdhury (ACCA), Robert Fort (CBI)

1. Minutes of the previous meeting were agreed and will be placed on the internet

**Future of UK GAAP**

2. The ASB's activities under its outreach programme were described. ASB had talked to the technical partners from the Big 6; the mid-tier firms; the representative bodies; and meetings with various user groups (credit unions, the banks, the building societies).
3. There had been some pressure to put into the FRSME some of the options allowed by the predecessor framework.
4. The reduced level of disclosure proposed was welcomed by the participants in the outreach programme.
5. Respondents had not generally been receptive to the "alternative view" in the Exposure Draft.
6. There had been some support for the abolition of the FRSSE, though feedback on this had not been sought.
7. The effective date of the FRSME was for periods of account beginning on or after 1 July 2013. For calendar year end companies that would mean 2014 would be the first full year under the FRSME, with 2013 as the comparator year, and the transition addressing the opening balance sheet as at 1 January 2013.
8. It would be possible to early adopt for 2012. The question was asked (but not answered) whether, if the FRSME became definitive in early 2012, it might be possible to early adopt for 2011.
9. Building Societies were concerned about proposals for effective interest rate, financial instruments and hedging.
10. It had been suggested that the existence of covenants might cause financial instruments to be classified as "complex". The ASB were looking at this.
11. There had been some discussion with the insurance industry. It was being argued that captives should not have to use full IFRS.

12. There were some concerns regarding the use of the FRSME (IAS41) approach in the farming industry. There was an “undue cost” exclusion, but there was a lack of consistency, internationally, in its application. A sub group of the HMRC Accountancy Tax Group on Biological Assets will meet to discuss this in June.
13. New material has been placed on the ASB website regarding revenue recognition. HMRC are keen to confirm that the revenue recognition proposals were understood by taxpayers. Were there any difficulties with the proposals? Was the treatment clear?
14. HMRC asked for feedback on the headline issues arising from the transition to the FRSME. Areas identified so far and discussed:
  - Financial instruments (including the IASB’s proposals for impairment losses and adjustments arising from the use of the effective interest method). There is though a legislative framework in place governing the transition. The Disregard Regulation and the Change of Accounting Practice Regulations are in the course of being reformed to cater for the transition to the FRSME and IFRS9.
  - Research & development and intangibles.
  - Grants – proposals are to bring in income when performance complete – this may result in transitional adjustments.

For each area HMRC would like to know

- Does the existing tax legislation work with the proposed accountancy changes?
- Is it clear what the tax implications will be?
- Do the accountancy proposals affect profit and the amounts brought into tax?

### **Leasing**

15. The IASB leasing standard is expected in June. It is possible that the nomenclature “finance lease” might be retained in some form.
16. The Finance Bill included provision for the corporation tax treatment of leasing. This retained the old accounting framework for corporation tax purposes, until more detailed proposals are developed.

### **Financial instruments**

17. A more definitive statement of the IASBs proposals in relation to hedging and impairment would be available later this year, at which time HMRC would consult on the corporation tax implications. A key aspect would probably be how robust models were in practice.

### **BIS proposals of 4 March**

18. BIS were pressing for micros to be taken out of the directive, either wholly or in part. The filing requirement might also be removed.
19. It was proposed to remove the accounts requirements for dormant companies that were supported by a parent company guarantee.
20. There was also a suggestion that the requirements for subsidiaries might be simplified, again where these were supported by a parent company guarantee.
21. In both cases it was thought that the requirement for a legally binding parent company guarantee might represent a stumbling block in practice.

### **Next meeting**

22. It was agreed the meeting on 18 May be postponed until early July. The meeting has now been arranged for 11 July.