Written Submission to the Economic Affairs Sub-Committee on the Finance Bill 2009

Introduction

1.1 ACCA is the global body for professional accountants with 131,500 members and 362,000 students who we support throughout their careers, providing services through a network of 82 offices and centres around the world.

1.2 The expertise of our senior members and in-house technical experts allows ACCA to provide informed opinion on a range of financial, regulatory, public sector and business areas, including: taxation (business and personal); small business; pensions; education; and corporate governance and corporate social responsibility.

1.3 Our staff around the world have been working with members and others in the financial services sector to develop the network necessary to understand the credit crisis from the perspectives of governance, remuneration, regulatory and accounting stances.

Our comments on the Finance Bill

2.1 Foreign profits clause 34 and schedule 14

- ACCA acknowledges that the Treasury has listened to the profession and it is evident from this piece of legislation.
- The dividend exemption is welcomed and reflects commerciality.
- Consistency is essential to maintain business in the UK and this is a step forward.
- We are concerned that, once enacted, outside influences may cause this legislation to be abandoned and it may be necessary to abolish an acceptable distribution policy, which would be disastrous.
- We believe that small and medium-sized companies' definition could be aligned with companies legislation for consistency.
- We hope that the Treasury continues to consult with the profession.

2.2 Interest cap clause 35 and schedule 15

- These provisions introduce a restricted deduction for interest to the extent that UK debt costs exceed 75% of worldwide interest deductions, with a de minimis level of £3m.
- We are concerned that this may deter inward investment into the UK, as companies may need to gear up to maintain sufficient working capital particularly in a difficult economic climate.

- The major disincentive to inward investment is uncertainty and, while relieved that the proposed CFC rules have not been introduced, we remain concerned at the administrative burdens and uncertainty engendered.

2.3 Changes to tax relief on pension schemes clause 71 and schedule 35

- ACCA remains concerned about the administrative burdens and complexity. These will be felt particularly by small businesses, but will be a concern at all levels.
- Major group companies have been leaving the UK as a result of the lack of certainty in fiscal legislation.
- Whilst the provisions impact directly upon taxpayers with income in excess of £150,000, the implications will be felt far more widely.
- The higher-paid director may feel that, along with the loss of personal allowance, giving him a marginal tax rate of about 60%, he will also lose pension entitlement, it is not worth continuing to bother with the administrative problems of running a pension scheme for himself or for his employees. Perhaps the band between £100,000 and £112,950 (where the allowance disappears) could be widened to give a slower progression.
- It is not only those with income of £150,000 that are affected; those with income of £150,000 in either of the last two years will be within the charge; retrospective taxation is unacceptable.
- Will this be the last rites for pension schemes?
- The smaller companies often use their pension schemes as a source of investment (up to the permitted limits).
- Larger pension funds invest heavily in the stock market and this investment will inevitably be suppressed.
- There will be a charge under the benefit-in–kind provisions in respect of excess contributions:
    - Will this lead to wage inflation?
    - How will it be valued?
- The Special Annual Allowance Charge – 20% for 2009/10, 30% for 2010/11 and 50% thereafter – applies to pension savings in excess of the Special Annual Allowance. Protection from this is, however, available to civil servants.
- It is also available to other schemes, where weekly or monthly payments are made.
- This appears disadvantageous to the many small businesses that make annual contributions, based on the annual accounts.
- The extra compliance would be unlikely to benefit either the economy or our members, as the business owners may decide not to bother.

For further information, please contact:

Chas Roy-Chowdhury Head of Taxation Chas.Roy-Chowdhury@accaglobal.com Tel: +44 (0)20 7059 5976	Veena Hudson Head of Public Affairs Veena.Hudson@accaglobal.com Tel: 0207 059 5615