

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



# technically speaking...

## guidance published by HMRC

HMRC has recently published the following new guidance:

- updated guidance on the new CIS:  
[www.hmrc.gov.uk/new-cis/index.htm](http://www.hmrc.gov.uk/new-cis/index.htm)
- treatment of annuities paid to non-UK resident from 5 April 2007  
[www.hmrc.gov.uk/cnr/form\\_af.htm](http://www.hmrc.gov.uk/cnr/form_af.htm)
- employer's contributions to directors pension schemes: whether allowable as 'wholly and exclusively' for the purpose of the trade  
[www.hmrc.gov.uk/practitioners/registered-pensions.htm](http://www.hmrc.gov.uk/practitioners/registered-pensions.htm).

## exporters and importers

Under the EU Customs Security Programme, importers and exporters may be required to obtain a special security certificate to become an 'authorised economic operator'. The scheme will be phased in from January 2007. Applications from companies in the UK will be processed by HMRC. For further information visit:

- [http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm)
- [www.hmrc.gov.uk/home.htm](http://www.hmrc.gov.uk/home.htm).

## international accounting standards – UK tax implications

The following website includes a comparison between IAS and UK GAAP:

[www.hmrc.gov.uk/practitioners/int\\_accounting\\_index.htm](http://www.hmrc.gov.uk/practitioners/int_accounting_index.htm).

## public consultation on waste electrical and electronic equipment (WEEE) regulations

A public consultation was launched on 25 July 2006 and can be viewed at [www.dti.gov.uk/consultations/page32448.html](http://www.dti.gov.uk/consultations/page32448.html). The closing date for responses is 17 October 2006.

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

**Q** Please could you explain the key changes that have taken place as a result of The Occupational Pension Schemes (Administration and Audited Accounts) (Amendment) Regulations 2005 which came into effect for pension scheme reporting periods commencing on or after 22 September 2005.

**A** The key changes are:

- pension scheme trustees and their auditors should carefully review the amended regulations and the scheme rules to determine their respective responsibilities. In most cases it will be necessary to issue a new engagement letter
- the exemption for the appointment of an auditor to certain earmarked schemes (previously known as relevant earmarked schemes) and certain small self-administered schemes has been removed. Instead, the revised regulations allow exemptions for all schemes, both defined contribution and defined benefit, with fewer than 12 members where all members are trustees (or trustee directors), provided that they also meet the criterion of either (a) the provisions of the scheme provide that all decisions which fall to be made by trustees are made by unanimous agreement by the trustees who are members of the scheme or (b) the scheme has an independent trustee who is on the approved list maintained by the pensions regulator
- the amended regulations now require the auditor's statement to provide an opinion as to whether contributions have 'in all material respects' been paid 'at least' in accordance with the schedule. If there is no schedule in place (as previously) the amended regulations require the auditor to provide an opinion with reference to the scheme rules and where applicable, the recommendations of the actuary
- it should also be noted that because regulations exempt earmarked schemes from including audited accounts in their annual report, the amended regulations now place a requirement on trustees to provide on request a copy of the latest published accounts of the insurance company with which they hold the ear-marked policies of insurance or annuity contracts. Trustees are also required to provide each scheme member within 12 months of the end of each scheme year with a statement detailing the amount of contributions credited to the member during that scheme year.



**Q Below follows two in depth Q&As regarding Principal Private Residence (PPR).**

**Q1:** Our firm has been contacted by a firm of real estate agents. In order to offer more value to clients they are seeking guidance on some common tax issues they see in practice. Please advise on the taxation issues covering the key principal private residence exemption issue in the following two situations:

- second homes** – clients frequently have a city house which is occupied during weekdays and for weekends they have country residences. Spouses each own a separate residence as their principal private residence (PPR) for part of the year – claiming two PPRs.
- country houses** – higher end clients typically buy estate houses which are large houses, extensive grounds and outbuildings.

**A** Gains arising on the disposal of a dwelling house are exempt from CGT provided the house was the individual's only or main residence throughout the period of ownership and the house or part of it was not acquired for the purpose of realising a gain on its disposal. Where the house is not owner-occupied throughout the period of ownership falling after 31 March 1982, only the proportion of the gain attributable to the period of owner-occupation is exempt.

*second homes*

Where there are two or more residences that could be the main residence, the matter may be concluded by the claimant. The election must be made within two years of the beginning of the period to which it relates (*Griffin v. Craig-Harvey*).

Where spouses jointly own properties and wish to elect with reference to those properties then a joint election will be required. Where a husband and wife live together, only one residence may qualify as the main residence for relief (s222.(6) TCGA 1992).

*country houses and estates*

The exemption applies on the disposal of an interest in a dwelling house and land for the occupation and enjoyment of that dwelling house as its gardens and grounds up to an area of 0.5 hectares or such larger amount as can be shown to be required for the reasonable enjoyment of the house. Case law indicates that two tests need to be observed:

- the actual occupation of the ancillary building must increase the taxpayer's enjoyment of the main building
- and it must be possible to look at the main buildings to regard them as a single entity.

In one case (*Williams v Merrylees (1987)*) a lodge situated 200 metres from the main house qualified for the exemption. It could be shown that buildings together formed a dwelling house split into several buildings each performing different functions. Distance was not conclusive.

**Q2** I have been approached by my client who has asked me to advise him on potential gains – if any – on the disposal of his house, which he has owned for ten years. The house was owner-occupied in the first year, subsequent to this, one third of the house was let as residential accommodation for the next six years and the client occupying the other two thirds during those six years and there after fully occupied by the client. The indexed gain was £80,000 on the disposal on 9 July 2006. The capital gains annual exemption has been used to offset against other chargeable assets in the tax year 2006/07.

There is a further complexity to the issue as the client has **another house** which was let rent-free as the sole residence of a dependant relative of himself. Could he gain exemption on both the above properties as his PPR?

**A** Prior to 6 April 1988 – where an individual owned a house which was let rent-free as the sole residence of a dependant relative – he could claim exemption for that house as well as his own main residence. You need to check with your client whether the relative satisfies the definition of dependant relative for this purpose as any relative of the taxpayer or his wife who is unable to maintain the relative due to age, ill health etc. (s226(6))TCGA 1992.

You also need to check that the dependant relative occupied the property 'rent-free' (ESC D20). You also need to check that the property was first occupied by the relative before 6 April 1988. ■

The above is an in depth look at the issues surrounding PPR. If you would like the Technical Advisory Service to present a similar in depth overview of other subject areas please e-mail [supporting.practitioners@uk.accaglobal.com](mailto:supporting.practitioners@uk.accaglobal.com) with your suggestions.

To place an advertisement, write to or e-mail Pat Delbridge via the contact details on page 2. Responses to advertisements (quoting the relevant box number) should be sent to the same contact details and marked 'c/o Pat Delbridge'.

# practice marriage bureau

**Lancashire and Wigan area**

ACCA with extensive practice and commercial experience seeks sub-contract and part-time work within a 15 mile radius of Chorley.

**Box No. 73/1**

**South Manchester/Cheshire**

ACCA member with recent acquisition of a practising certificate and a wealth of knowledge and fully motivated, looking for an entry route for progression to partnership level. Additionally I would consider sub-contract, part-time or small block work, with a view to facilitate an exit route plan for a retiring practitioner.

**Box No. 73/2**

**South London/Surrey area**

FCCA seeks sub-contract or part-time work with small or medium sized practice. Wide experience in accounts preparation, auditing and taxation.

**Box No. 73/3**

**Central London insolvency practice**

Newly established practice seeks to acquire additional insolvency fees. Would suit practitioner planning retirement in London or South of England.

**Box No. 73/4**

**Croydon, Beckenham, Crystal Palace**

Accountancy and audit practitioner seeks expansion by acquiring small practice or block of fees from retiring practitioners. Will be flexible with any arrangement. Fees from £50,000 to £300,000 considered.

**Box No. 73/5**

**London and South East**

ACCA with over 15 years' small to medium size practice and commercial experience seeks sub-contract work.

**Box No. 73/6**

**North West London**

Small practice seeks experienced sub-contractor for book keeping, accountancy and audit assignments.

**Box No. 73/7**

**London SW1**

Established four partner practice looking for ACA/ACCA with a fee following and extensive practice experience with a potential view to partnership.

**Box No. 73/8**

**Kent/South West London**

Partnership prospects. Successful sole practitioner with three branches in Kent is seeking two qualified accountants with proven track record in practice environment.

**Box No. 73/9**

**North London/Harrow (Middlesex)/Herts and surrounding areas**

FCCA with extensive auditing experience available for support to your practice to carry out audits or file reviews; assist with monitoring and compliance issues.

**Box No. 73/10**

**East London**

A firm based in East London is looking to take on audits. We are looking to provide a practical cost-effective audit solution to all your clients that require one. It is envisaged that you will only be outsourcing the audit function to us, with accounts and tax work continuing to be done by you. This will of course be enforced in letters of engagement. With new independence rules coming into force, we are here to act as an audit function to your practice if you so need. We would also like to touch base with fellow practitioners in our area that are considering retirement as we are looking to expand our own firm.

**Box No. 73/11**

**Hertfordshire/London:**

'Right Hand man' required.

**Us** – Outgoing & fun, proactive, professional, Herts/LDN based

**You** – Technically competent, client focused, loyal, enthusiastic, reliable

**Result** – Good team, successful clients, flexible working, happy people.

Apply with CV answering the question: why you?

**Box No. 73/12**

**Due to the high demand for advertising space, advertisers can only advertise in two consecutive issues.**

# key dates

## October

1	National Minimum Wage increase comes into effect. Details of the new rates can be found on the DTI website: <a href="http://www.dti.gov.uk/employment/pay/national-minimum-wage/index.html">www.dti.gov.uk/employment/pay/national-minimum-wage/index.html</a> Employment Equality (Age) Regulations due to come into effect. Details at: <a href="http://www.dti.gov.uk/employment/discrimination/age-discrimination/index.html">www.dti.gov.uk/employment/discrimination/age-discrimination/index.html</a> Extension of Statutory Maternity and Adoption paid leave. Regulations due to come into effect in respect of births due on or after 1 April 2007. Further information: <a href="http://www.dti.gov.uk/files/file31572.pdf">www.dti.gov.uk/files/file31572.pdf</a>
5	Latest date for individuals who have a tax payment liability for 2005/06 but have not received a tax return to inform HMRC
19	Class 1B NIC and income tax under PSAs due for the year ended 5 April 2006

## November

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## December

30	Final date for submission of 2005/06 Tax Return over the Internet if tax owed is below £2,000 and is to be collected through PAYE coding
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### upcoming legislation

#### January

AIM listed companies to adopt IFRS for accounting periods commencing on or after 1 January 2007. See AIM Notice 15 issued 21 December 2005

FSA to end audit requirements for small firms further details: [www.fsa.gov.uk/pages/Library/Communication/PR/2006/074.shtml](http://www.fsa.gov.uk/pages/Library/Communication/PR/2006/074.shtml)

Waste Electrical and Electronic Equipment (WEEE) Regulations come into force; full producer responsibility begins 01.07.07. Further information: [www.dti.gov.uk/innovation/sustainability](http://www.dti.gov.uk/innovation/sustainability)

### other key deadlines

#### corporation tax

Payment of corporation tax – nine months and one day after the end of the accounting period. Normal due dates for companies required to make quarterly instalments:

<i>1st Instalment</i>	six months and thirteen days from the start of the accounting period
<i>2nd Instalment</i>	three months after first instalment
<i>3rd Instalment</i>	three months after the second instalment
<i>4th Instalment</i>	three months and fourteen days from the end of the accounting period

#### VAT

Filing of quarterly VAT returns – one month after end of VAT quarter  
Payment of VAT – one month after end of VAT quarter