



CCAB



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CCAB BODIES AND LAW SOCIETY WELCOME TAX RELIEF FOR PROVIDERS OF SERVICES

Ian Morris, Chairman of the CCAB, the UK accountancy profession's umbrella group, and Kevin Martin, President of The Law Society said: "The Chancellor in the Pre Budget Report has allowed the additional tax resulting from the adoption of UITF 40 to be spread over 3 years and not exceeding 6 years for those severely affected. Many suppliers of services, including businesses such as builders and electricians, will be badly hit by this extra tax charge and the ability to spread the extra tax will help cushion the financial blow to them."

The Consultative Committee of Accountancy Bodies (CCAB) and the Law Society wrote to the Government on 4 October 2005 and also had various discussions with HM Revenue and Customs and HM Treasury about the tax problems that would be caused by UITF 40 – a new accounting statement which changes the way that service providers may need to account for revenue and work in progress. This followed an earlier letter of 8 June letter sent by the CCAB.

Click [here](#) to view copies of the letters of [8 June](#) and [4 October](#) 2005 and of the copy of the [Memorandum](#) which accompanied the letter of 4 October 2005.

Ian Morris said: "Under UITF 40 many firms will need to recognise turnover in respect of ongoing professional work as that work progresses by reference to the proportion of the work completed, rather than only when contracts are completed. This will result in a one-off uplift in reported profits and a corresponding increase in the tax charge, without generating any additional cash to pay the tax. For some businesses, the change could cause a real crisis and erode their working capital, adversely affecting the business' financial and competitive position and in the worst case its ability to survive."

Kevin Martin, President of The Law Society, concluded: “The Government’s agreement to allow the additional tax charge to be spread should help ease the potential hardship. We very much welcome this announcement, which reflects a genuine willingness to listen to representations from business and take action so as to help UK businesses make the transition to this new accounting standard.”

-ENDS-

Notes to Editors:

1. CCAB comprises the six major accountancy bodies in the UK and Ireland:
 - The Institute of Chartered Accountants in England & Wales (ICAEW)
 - The Institute of Chartered Accountants of Scotland (ICAS)
 - The Institute of Chartered Accountants in Ireland (ICAI)
 - The Association of Chartered Certified Accountants (ACCA)
 - The Chartered Institute of Management Accountants (CIMA)
 - The Chartered Institute of Public Finance and Accountancy (CIPFA).
2. CCAB provides a forum for co-ordinating views on a wide range of issues of interest to the accountancy profession as a whole.
3. The Law Society regulates and represents the solicitors’ profession in England and Wales and has a public interest role in working for reform of the law.

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