

For immediate release: Thursday 30 June 2005

**CCAB IN DISCUSSIONS WITH UK TAX AUTHORITIES TO PROVIDE
RELIEF FOR BUSINESSES HIT BY TAX CHARGES ON NEW
ACCOUNTING RULES**

The Consultative Committee of Accountancy Bodies (CCAB) has written to the Government and also had preliminary discussions with HM Revenue and Customs about the tax problems that will be caused by UITF Abstract 40 – a new accounting statement which changes the way that service providers may need to account for revenue and work in progress.

Ian Morris, Chairman of the CCAB, the UK accountancy profession's umbrella group, said: "For those affected the new rules will cause major hardship for suppliers of both professional and trade services. This change could affect many ordinary businesses including for example builders and electricians."

Ian Morris continued: "Many firms will now 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 the corresponding tax charge. The change in the basis of accounting produces an uplift to the taxable profit in the year of change 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' competitive position and ability to survive."

Ian Morris continued: "We are seeking to minimise the tax impact of any change under UITF 40. On behalf of CCAB, I have written to the Chancellor requesting that any additional tax be spread over a period of ten years. We have also met with representatives of HM Revenue and Customs and HM Treasury to discuss the issues in more detail. The discussions are at an early stage but the meeting was positive and constructive. We do not know at this stage if tax relief will be given but we will

continue to press the case as hard as we can. We will provide a further update in due course.”

A copy of the letter is attached.

-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.

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