POLICY LEADERSHIP BOARD:

KEY POLICY THEMES AND POSITIONS
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KEY POLICY THEMES AND POSITIONS

The following ICAS policy themes and policy positions are set out for the information of the ICAS Council and its Executive Team and staff, and to inform members, the public and policy developers. These themes and positions are established by the ICAS Policy Leadership Board and its expert panels, in accordance with the overall ICAS strategy determined by Council.

OVERALL POLICY THEMES

ICAS Approach
• Public interest: Acting in the public interest in accordance with our charter requirements and, where not incompatible with this, representing and protecting the interests of members.
• Building Trust through Ethics and integrity: Leadership role in promoting ethics and integrity and responsible corporate behaviour across business and the profession, and encouraging our members to take personal ownership and responsibility for ethical matters in their organisations, their professional and business lives and in all their actions.
• Engagement in public debates: Support and the provision of full information as a basis for the electorate making decisions on key issues – asking questions and making comments within our areas of expertise, but without taking sides or engaging in the political aspects of the debate.

Striving for a Better Business Environment
• Stable and supportive business environment: Promotion of a trusted business environment which balances the stability needed to promote longer term confidence and sustainable business investment and development with sensible and proportionate improvements to address societal and technological changes.
• Better regulation: Support for more focused and outcome oriented regulation, a principles not rules approach to standards and regulation involving the exercise of professional judgement, and for market based solutions wherever possible.
• Enterprise: Support for targeted measures to stimulate and support the economy, especially in relation to business start-ups and small business growth, and for larger companies through an economy which is (i) competitive internationally (ii) attractive to inward and domestic investment, and (iii) balances appropriate local features with proportionate adoption of international norms.

Improving Accountability and Decision Making
• Focused and holistic reporting: Support for improved performance reporting which covers impacts and dependencies on a holistic basis, highlights those aspects of most importance, and measures past and present performance as well as the drivers of future performance.
• Sound governance: Support for, and encouragement of, sound governance practices and procedures proportionate to the size and complexity of the organisation.
• Transparency and accountability: Promotion of transparency and accountability across all sectors in order to support the principle of holding decision makers to account.
SPECIFIC EXPERT PANEL POLICY POSITIONS

An indication of how the expert panel’s positions link to the Board’s overall themes is set out in brackets. Where there are policy conflicts between two expert panels, the secretaries should liaise promptly and seek an acceptable compromise policy position for ICAS to adopt. Such a compromise may result in a broader higher level policy position. In rare cases such conflicts may need to be referred to the Board for resolution.

Audit and Assurance Panel

• The development of a framework which supports auditors providing a positive opinion on company narrative reports and integrated reports. (Long term perspective; better regulation; principles not rules.)

• Support for enhancing the quality of information that is made available to shareholders and other stakeholders via corporate reports through enhanced and more transparent reporting, both by the entity and by the auditor. (Public interest; sound governance; corporate responsibility.)

• Seek to reduce the “expectation gap” through better communication with users. (Public interest.)

• Seek to identify and promote the skills and competencies required of the modern auditor. (Ethics and integrity; long term perspective.)

Business Policy Panel

• Focus on building trust in business. (Enterprise; sound governance.)

• Easier access to funding for SMEs and support for a private sector led recovery. (Enterprise)

• Create a positive environment for business and enterprise through better regulation and clear principles. (Better regulation; principles not rules.)

• Promotion of sound corporate governance. (Sound governance.)

Charities Panel

• Support for the development and roll out of arrangements which support a preventative spend agenda to achieve better outcomes for communities over the longer term. (Public interest; engagement in public debates; long term perspective; corporate responsibility.)

• Call for the establishment of a Committee of the Scottish Parliament to provide oversight and challenge to the Scottish Government on the impact of its policies on the charity sector. (Public interest; better regulation; transparency and accountability.)

• Support for high quality accounting requirements for charities set out in the Charities SORP(s) which are fit for purpose for all charities preparing true and fair accounts. (Public interest; better regulation.)

• Effective risk based monitoring by UK charity regulators to improve the overall quality of governance and stewardship of charitable assets across the UK charity sector. (Public interest; principles not rules; better regulation; ethics and integrity; sound governance.)

• Support for changes to the legal framework to enable charities which participate in multi-employer defined benefit schemes to manage their pension liabilities effectively. (Public interest; long term perspective; corporate responsibility; enterprise; better regulation; ethics and integrity; sound governance.)

• The efficient administration of charity tax reliefs and donor reliefs by HMRC and a consistent and therefore equitable approach to VAT compliance. (Public interest; better regulation; principles not rules.)
Corporate and Financial Reporting Panel

- Support for IFRS as a single set of high quality international standards developed under due process and in the public interest and adopted in totality to support transparent and consistent financial reporting on a global basis. (Public interest; transparency and accountability; principles not rules.)

- Proper application of materiality in financial statement disclosures, so that disclosures focus on what is important and are not obscured by irrelevant detail. (Public interest; principles not rules.)

- Establishment of an improved model for corporate reporting which reflects:
  - better distinction between compliance information and communication of key messages;
  - better stratification of information for different types of user;
  - better use of web technology, especially for standing, routine or compliance oriented information;
  - better communication of how the company creates value and sustains that value creation over time;
  - the production of an integrated short-form summary document containing all the most important financial and non-financial information on the company’s performance and prospects, driven from its strategy and business model. (Public interest; transparency and accountability; sound governance.)

- Support for the integrated reporting framework as a single framework for a summary narrative report developed under due process and in the public interest, to support transparent and consistent narrative reporting on a global basis. (Public interest; transparency and accountability; principles not rules.)

Pensions Panel

- Support in principle UK government plans to introduce a legal and regulatory framework for defined ambition pensions, specifically collective defined contribution pensions which enable genuine risk sharing between employers and employees and between scheme members. (Public interest; long term perspective; principles not rules; better regulation.)

- Individuals, employers, trustees and governance committee members should have access to information which is properly designed to enable them to assess whether defined contribution pension products are delivering outcomes in line with their expectations. (Public interest; long term perspective; corporate responsibility; principles not rules; better regulation.)

- Support in principle for the Pensions Guidance Guarantee but with individuals receiving a range of income projections across a range of options and circumstances. The guidance guarantee requires more structure as there is a risk that it could be delivered to individuals in a piecemeal manner. (Public interest.)

- Concern over the ability of Independent Governance Committees to assess the value for money offered by contract-based pension arrangements and the likelihood that the proposed governance arrangements could reduce choice and encourage more passive investment strategies. (Public interest; better regulation; corporate responsibility; sound governance; transparency and accountability.)

- Support for freedom and choice in pension decumulation with the proviso that insurers will need to be confident that any new products they bring to the market will be able to operate without change over the long term. This requires a regulatory regime which is fit for purpose from the outset and reduces the risk that products are deemed to have been mis-sold. (Public interest; enterprise; long term perspective; better regulation.)

- Master trusts must develop and maintain governance arrangements which are fit for purpose and keep up with the demands of the implementation timetable for auto-enrolment. TPR has a key role in ensuring that master trusts deliver good outcomes for members. (Public interest; principles not rules; better regulation; sound governance.)

- In the context of the debate on the further devolution of powers to the Scottish Parliament, support for a unified UK savings market, including pension saving - and for financial services and pensions law and regulation remaining a UK matter, as should pension protection arrangements. Divergent regulations and income tax regimes across the UK would add further complexity for the employers, pension schemes and pension savers. (Public interest; engagement in public debates; long term perspective; better regulation.)
Public Sector Panel

- Minimising over-specialism and sharing cross-sector good practice where appropriate. Alignment with one international accounting framework for both the profit and not for profit sectors unless there is a clear, justifiable need of a material public sector specific matter which is not covered by the IASB. A principles based approach to addressing public sector accounting differences in a proportionate and targeted manner. (Principles not rules.)
- A proportionate approach to regulation, by and of public sector bodies, and alignment with overarching economic priorities to complement a private sector led recovery. (Better regulation.)
- Simplification and greater transparency of public sector reporting including matters of public interest, to hold decision makers to account more effectively. (Transparency and accountability.)

Sustainability Panel

- Encouragement for accountants in practice to adopt sustainable practices and to encourage their clients to embrace and embed sustainability within their organisation and to monitor and measure the increase in this practice. (Public interest; corporate responsibility; sound governance; ethics and integrity.)
- Engage with accountants in business to embrace and embed sustainability in all aspects of their organisation and to monitor and measure the increase in this practice. (Public interest; sound governance; corporate responsibility; ethics and integrity; long term perspective.)
- Support for wider economic, social and environmental reporting, and the related assurance, as a means of encouraging sustainable business practices. (Principles not rules; corporate responsibility; better regulation; longer term perspective.)
- Support for the continued inclusion of sustainability within the professional training syllabus, including continued professional development. (Corporate responsibility; ethics and integrity; long term perspective.)

Tax Board

Tax policy positions are aimed mainly at the UK Government and HMRC, but apply equally to the Scottish Government and Revenue Scotland, and any further jurisdictions acquiring devolved tax powers in future. (Where the term “ICAS member” is used it will also apply in due course to ITP affiliates who are not CAs.)

- ICAS members, public interest and the role of the tax profession
  - ICAS members are bound by a Code of Ethics, supported by the Professional Conduct in Relation to Tax guidelines, the latest update of which was published in May 2015. These confirm the primary legal duty of care is to the client; they can also assist clients understand any ethical situations. (Ethics and integrity.)
  - Support for a level playing field between lawyers and ICAS members advising on the same area of tax law; professional privilege law may need to be changed. (Better regulation.)
  - ICAS members are subject to qualification and quality control measures which are considered to give important standard safeguards for HMRC and taxpayers. Accordingly we would not support further regulation of ICAS members; the unregulated sector should be encouraged to operate to regulated sector standards. (Better regulation; public interest.)
  - ICAS supports informed initiatives to increase the public understanding of tax. (Public interest.)
  - ICAS members support tax compliance and compliant taxpayer behaviour, make complex tax systems workable for businesses and reduce the risk of unexpected tax costs for all taxpayers. (Public interest; better regulation.)

- Tax avoidance
  - Support for clearer and better quality legislation, based on longer term principles rather than short term tinkering for political ends. (Public interest; long term perspective.)
  - Support for an international policy solution on tax frameworks, such as by the OECD, which are necessary to ensure the efficient taxation of modern business structures and operations. (Public interest; long term perspective.)
  - Support for the aims of the UK General Anti-Abuse Rule. The same principles apply to tax legislation passed in Scotland. (Public interest.)
- Support for any anti-avoidance measures introduced to be effective but not to result in a disproportionate administrative burden for businesses and taxpayers. (Public interest.)

- We have adopted six principles based on which we will work with the Professional Bodies that subscribe to the Professional Conduct in Relation to Taxation (PCRT) guidance for their members. These are set out in the Appendix.

- **Tax legislation**
  - Support for simplification measures and the work of the Office of Tax Simplification and for more of its recommendations to be taken forward in the form recommended. (Long term perspective; public interest.)
  - Support for good consultation processes so as to result in the enactment of better quality legislation. The impact of policy intentions should be clearly understood so as to improve the effectiveness and efficiency of policy implementation at a detailed level. Poorly considered and consulted legislative changes gives rise to greater complexity. (Long term perspective; public interest.)
  - Rejection of retrospective tax legislation; taxpayers should be able to achieve certainty in their tax affairs. (Long term perspective; public interest.)

- **Tax administration**
  - Support for a workable and efficient tax administration, including staff with sufficient knowledge of the tax system for the delivery role. (Public interest.)
  - HMRC and Revenue Scotland, as appropriate, should respect the role of the appointed tax agent as representative of the taxpayer. (Public interest; enterprise.)
  - Rejection of mandatory “online everything” in the tax system. (Public interest.)

The above does not preclude ICAS from addressing emerging issues and promoting other policy changes in the public interest or in the interest of the members.

ICAS will also commission research to respond to Board and expert panel requirements for information and evidence to provide an evidence base for ICAS policy positions, calls for policy change, and submissions. For further details see icas.com/research.

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SIX PRINCIPLES BASED ON WHICH WE ARE WORKING WITH THE
PROFESSIONAL BODIES THAT SUBSCRIBE TO THE PROFESSIONAL
CONDUCT IN RELATION TO TAXATION (PCRT) GUIDANCE FOR THEIR
MEMBERS

• **The law must work properly**
  We must have simpler, better legislation because it is the law passed by Parliament that the Courts apply and
determines the tax HMRC can collect. HMRC has no power to collect sums just based on money being tight, nor just
on prevailing practice by tax advisers, nor on a subjective concept of "fair share", but by what the law determines. The
accepted principle of us all paying the right tax at the right time has been overshadowed recently, but the right tax
means the law has to be right; this means clear and unambiguous drafting of Parliament’s intentions.

• **High standards of behaviour are required all round**
  From CAs, tax advisers, tax administrations, businesses and individuals; ICAS members are governed by a Code of
Ethics and the Professional Conduct in Relation to Taxation guidelines. ICAS supports measures being introduced by
government to ensure all those involved in giving tax advice should be qualified and part of the regulated environment.
Regulation will not solve the issue of poorly drafted tax laws.

• **Better information is needed**
  The public at large deserves to be better informed on tax, with clear explanations being given of business tax
complexities and current tax practices. The media bias towards historic and extreme cases is misleading taxpayers as
to current levels of tax compliance in the UK. ICAS also has a responsibility in educating and informing the public.

• **Tax policy needs clarity**
  Governments need to be clear on the underlying principles which govern their tax policy approach. They also need to
be clear on which taxpayers benefit from their tax policies and why; for example when tax relief for high earners or
large corporates supports business investment or employment creation.

• **Businesses need to be transparent**
  Businesses should consider providing accessible and coherent narrative explanations of their overall tax contributions
(not limited to corporation tax) in response to the demand for greater transparency in corporate reporting.

• **Criminal tax evasion needs greater focus**
  The debate on tax avoidance vilifies those operating in a legal fashion, whilst ignoring the systematic criminality of
those in the black economy. We need to get our priorities clear and focus on the fact that tax evasion costs a lot more
than tax avoidance. HMRC should publicise the top 10 things the public can do to tackle evasion, in the same way as
they did for avoidance.
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