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17 October 2017

Jenny Carter
Financial Reporting Council
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125 London Wall
London EC2Y 5AS

By email to: ukfrs@frc.org.uk

Dear Ms Carter

FRED 68 *Draft amendments to FRS 102 – Payments by subsidiaries to their charitable parents that qualify for gift aid*

Deloitte LLP welcomes the opportunity to comment on the Financial Reporting Council's FRED 68 *Draft Amendments to FRS 102 – Payments by subsidiaries to their charitable parents that qualify for gift aid.* We have set out our responses to the consultation questions in Appendix 1.

We agree with the draft amendments to FRS 102 as set out in FRED 68 except that early application should be permitted without the need to apply all of the other triennial review amendments at the same time (see Appendix 1).

If you have any questions, please contact Ken Rigelsford on 020 7007 0752 or krigelsford@deloitte.co.uk.

Yours sincerely

Veronica Poole
National Head of Accounting and Corporate Reporting
Deloitte LLP

Deloitte.

Appendix 1

Responses to detailed questions

Question 1 Do you agree with the proposed amendments to FRS 102 and that this will improve the relevance of information provided to users of the financial statements? If not, why not?

We support the proposals in FRED 68 which will eliminate the current diversity of practice with a solution which provides relevant and useful information to users of financial statements. The proposals usefully clarify that:

- the gift aid payment should be reported as a distribution within equity;
- a constructive liability to make the gift aid payment cannot be recognised despite perceived similarities to funding commitments made by PBEs;
- the tax effect of the gift aid payment is recognised in profit or loss even though the gift aid payment itself is recognised in equity; and
- the tax effect of the gift aid payment is recognised in the period in which it will be recognised for Corporation tax purposes so as to reflect the reality that the company is subject to a nil (or low) effective rate of tax on its profits.

All four of these areas are currently subject to diversity of practice. We agree that the proposals will provide more relevant and useful information to user than the alternatives which have often been applied in practice.

However, we disagree with the proposal that the amendments can be applied early only if all the other triennial review amendments are applied at the same time. If the amendments are viewed as changing rather than clarifying existing requirements of FRS 102, some companies may be forced to make two successive changes of accounting policy – first to comply with the unamended FRS 102 and then to apply the amendments. It is also preferable that companies should be encouraged to apply these beneficial changes as early as possible without waiting until they have had time to analyse the effect of all of the other triennial review amendments.

Question 2 In relation to the Consultation stage impact assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs and benefits of these proposals.

We agree with the Consultation stage impact assessment and have no comments on it. We are unable to quantify the costs or benefits but we believe that the long-term benefits of better and consistent accounting will outweigh any short-term costs of changing accounting policies.