

FINANCE ACT 2012

EXPLANATORY NOTES

INTRODUCTION

Section 54: Changes of Accounting Policy

Background Note

9. Acceptable accounting policies for computing taxable profits are those contained within IAS and UK GAAP. The Accounting Standards Board (ASB) announced in October 2010 that it intends to significantly change what constitutes UK GAAP during 2012. There are a number of areas where the proposed new UK GAAP differs from current UK GAAP resulting in one-off accounting adjustments on transition.
10. Current tax legislation governing accounting transition adjustments arising from certain specified changes of accounting policy is at Chapter 14, Part 3 Corporation Tax Act 2009 and Chapter 17, Part 2 Income Tax (Trading and Other Income Act) 2005. The legislation provides that, in particular circumstances, on a change of accounting policy income is taxed once and once only and expenditure allowed once and once only. Current tax legislation would not apply to the accounting transition adjustments arising from the changes to UK GAAP.
11. This section will ensure that the legislation applies to all changes of accounting policy. The revised legislation will apply to the accounting transition adjustments arising from the changes to UK GAAP.