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From: David Horne [REDACTED]
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To: ukfrsperiodicreview
Subject: FRED 82 Consultation

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To Whom It May Concern

The following note is in relation the changes to revenue recognition which are proposed within FRED 82.

The implementation of the five-step model governing revenue recognition will for many companies lead to the acceleration of deferred revenue regarding certain third-party contributions to capital projects. In turn this may accelerate corporation tax payments.

On adoption of the new accounting standard, a significant value of deferred revenue will be realised. It is our understanding that this will be accounted for as a transitional reserves movement and not be recognised in the profit and loss account of companies, but under existing tax legislation this will, in some circumstances, creates a significant tax liability which is realised immediately.

It is assumed that the accounting changes have not been proposed so as to disadvantage companies through the realisation of large tax liabilities, and so it is therefore suggested that a solution to this is considered by the FRC.

If you would like to discuss this further, please let me know.

Kind Regards

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