

HMRC – Reporting Funds

List of Acceptable GAAPs

Offshore Funds Manual OFM13550

A Reporting Fund is required:

1. to prepare accounts in accordance with international accounting standards (IAS) (Reg 59(a)), or
2. to prepare accounts in accordance with the generally accepted accounting practice (GAAP) specified in the application (Reg 59(b)).
3. where it does not prepare its accounts in accordance with IAS –

- a) to provide a statement specifying the entries in the fund's accounts that equate to 'total comprehensive income for the period' as that expression is used in IAS (Reg 53(d)), and
- b) to include a statement specifying how the fund intends to comply with Reg 66(1)(b) or to calculate the adjustment required by Reg 66(2) (effective interest income or comparable amount) (Reg 53(e)).

The starting point, in accordance with Reg 63(1), for the calculation of reportable income for a period of account is:

- 'total comprehensive income for the period' where the accounts are prepared under IAS
- the entries that equate to 'total comprehensive income for the period' (see 3 a) above) where IAS is not used

Below is a list of GAAPs that HMRC will accept in respect of applications for Reporting Fund status. Further GAAPs may be added as applications are received from funds wishing to prepare accounts using GAAPs that do not yet appear on this list.

Where possible, terms under each GAAP that equate to 'total comprehensive income for the period' as that expression is used in IAS have also been identified. However, please note that some GAAPs may allow a degree of choice in applicable standards and that particular rules may apply to specialist entities such as OEICs. The entries on the list are based upon accounts seen to date by HMRC under the application process for the Reporting Fund regime. HMRC will therefore add detail to the list where other types of acceptable entries are identified under each GAAP. The ultimate responsibility for correctly computing its reportable income for each accounting period rests with the reporting fund.

Please note:

If an application is being considered using a different GAAP to those already listed, or using a different term to those already identified under a listed GAAP, it is important to explain why the entries identified in the application are considered to equate to 'total comprehensive income for the period' and, if relevant, please also explain how any major items in the accounts will be treated differently to IAS. Applicants may find it useful to discuss the relationship between that GAAP and IFRS, and in particular the identification of an equivalent figure to 'total comprehensive income', with HMRC in advance of formally submitting the application.

To do so, please contact:

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GAAPs by country

Austria

It is believed that there are no material differences between Austrian GAAP and IAS. The equivalent to 'total comprehensive income for the period' may be derived from the Statement of Changes in Fund Assets. Austrian GAAP does not account for interest using the Effective Interest Rate, so an adjustment will be required to comply with the requirements of Regulation 66.

Australia

It is understood that Australian GAAP complies with International Financial Reporting Standards as issued by the IAS Board. The term 'total recognised income and expenses for the year' should equate to 'total comprehensive income for the period' as that expression is used under IAS. Interest income is calculated using the Effective Interest Rate.

Belgium

There do not appear to be significant differences between Belgian GAAP and IAS, though there are some presentational differences. One term that therefore appears to equate to 'total comprehensive income for the period' is 'result for the financial year'. Belgian GAAP uses the effective interest rate method to account for interest.

Brazil

There may be differences between Brazilian GAAP and IAS in the valuation of securities and realised and unrealised gains/losses. Brazilian GAAP does not employ the effective interest rate method to account for interest, so that appropriate adjustments will be required in order to comply with IAS. The figure of 'Net Income' taken from the Statement of Evolution of Assets should equate to 'total comprehensive income for the period', subject to the adjustment required to account for interest.

Canada

The term 'Net change in net assets resulting from operations' may not be directly representative of 'total comprehensive income for the period' as that expression is used under IAS. To the extent that dividend expenses are deducted in arriving at 'Net change in net assets resulting from operations', they will need to be added back in order to arrive at the equivalent of 'total comprehensive income for the period'.

Denmark

There are no material differences between Danish GAAP and IAS. The term "Net Profit Before Tax" equates to "Total Comprehensive Income for the period" as that term is applied under IAS. Interest income is calculated using the Effective Interest Rate.

France

The equivalent to 'total comprehensive income for the period' is expected to be derived from net income for the year from the profit and loss account, realised and unrealised gains and losses, transaction fees and foreign exchange variances on the statement of changes in net assets. If the income statement includes a deduction for dividends/distributions this will need to be added back. French GAAP does not take account of the Effective Interest Rate, so that appropriate adjustments are required in order to comply with IAS.

Germany

It is believed that there are no material differences between German GAAP and IAS. The equivalent to 'total comprehensive income for the period' may be derived from the Statement of Changes in Fund Assets and will need to be adjusted for income and outflows relating to share/unit sales and redemptions. Premiums on the issue of debt instruments and significant discounts on issues are amortised as revenue, whereas the IMA SORP amortises discounts and premiums on purchase.

German GAAP does not account for interest using the Effective Interest Rate, so an adjustment will be required to comply with the requirements of Regulation 66.

Holland

For financial institutions there are no major differences between accounts prepared under Dutch GAAP and IAS. An adjustment will be required in order to recognise Effective Interest

Rate. There does not appear to be any single entry in accounts prepared under Dutch GAAP that will equate to 'total comprehensive income'. Each application for Reporting Fund status will therefore need to identify the specific entries that will make up the equivalent to 'total comprehensive income'.

Hong Kong

Hong Kong GAAP is closely aligned to IAS and there are not believed to be any significant differences between the two. Hong Kong GAAP applies the effective yield method in computing interest income, so that no further adjustment is required under Regulation 66. One entry in accounts prepared under Hong Kong GAAP that equates to 'total comprehensive income for the period' is 'profit for the period and total comprehensive income for the period'.

Ireland

The terms:

'Increase/(decrease) in net assets attributable to holders of redeemable participating shares from operations', and

'Increase/decrease in net assets resulting from operations'.

may not be directly representative of 'total comprehensive income for the period' as that expression is used under IAS. To the extent that dividend expenses are deducted in arriving at such results, they will need to be added back in order to arrive at the equivalent of 'total comprehensive income for the period'.

Irish GAAP does not account for interest using the Effective Interest Rate, so an adjustment will be required to comply with the requirements of Regulation 66.

Jersey

An example of the term in the accounts that equates to 'total comprehensive income for the period' as that expression is used under IAS is 'Total return before distributions', which is the term set out in the IMA SORP at paragraph 3.33.

Liechtenstein

It is believed that the major differences between Liechtenstein GAAP and IAS relate to disclosure. The term 'total profit' is considered to equate to 'total comprehensive income for the period'. An adjustment in respect of interest income will be required in order to comply with Regulation 66 as interest income is not recognised under Liechtenstein GAAP using the Effective Interest Rate.

Luxembourg

Examples of the terms in the accounts that equate to 'total comprehensive income for the period' as that expression is used under IAS are 'Net change in net assets as a result of operations' and 'Net increase/(decrease) in net assets as a result of operations'.

Luxembourg GAAP does not account for interest using the Effective Interest Rate, so an adjustment will be required to comply with the requirements of Regulation 66.

Norway

One term that may equate to 'total comprehensive income for the period' ('TCI') is 'Profit/loss for the year'. Another is 'Net income' but care should be taken to ensure that the line used is 'Net income' before allocations/distributions. Where there is a 'dilution levy' appearing in 'commission revenue from subscription and redemption of units', this should be deducted as a capital item in arriving at TCI.

Interest is not accounted for on an effective interest basis, so that appropriate adjustments are required in order to comply with IAS.

Spain

There are no material differences between Spanish GAAP and IAS. The term "Profit Before Income Tax" equates to "Total Comprehensive Income for the period" as that term is applied under IAS. Interest income is calculated using the Effective Interest Rate.

Switzerland

It is believed that there are no material differences between Swiss GAAP and IAS. The equivalent to 'total comprehensive income for the period' may be derived from the entry/entries equating to 'total income' under Swiss GAAP.

Interest income is recognised using a coupon/accruals basis and will need to be adjusted to comply with the requirements of Regulation 66.

United Kingdom

Terms and entries in the accounts that equate to 'total comprehensive income for the period' as that expression is used under IAS include:

- 'total return before distributions', which is the term set out in the IMA SORP at paragraph 3.33
- 'change in net assets attributable to unitholders from investment activities', adjusted to add back distributions
- 'Net deficit/surplus attributable to participating shareholders adjusted for financial costs (dividends)'

USA

An example of the term in the accounts that equates to 'total comprehensive income for the period' as that expression is used under IAS is 'Net increase/(decrease) in net assets as a result of operations'.