



& Company

HARRISON, LATHAM & COMPANY

Chartered Accountants & Registered Auditors

Neil A. Latham, F.C.A.

Our Ref: Office/NAL/GB

Your Ref:

97 Tulketh Street

Southport

Merseyside

PR8 1AW

Telephone: 01704 500960

Fax: 01704 500928

email: anyone@harrisonlatham.co.uk

11th November 2013

Mary-Louise Wedderburn,
Business Law Department,
I.C.A.E.W.,
Chartered Accountants Hall,
Moorgate Place,
London,
EC2R 6EA

Dear Ms. Wedderburn,

I have read technical release 01/10 and while I agree in principle with its aims in respect of external landlords. I do believe that it is excessive in respect of blocks where the freehold is held by the management company and every flat owner has a share in that management company and therefore a say. Even in the case where the flat owners have a share in the management company and that company does not own the freehold itself and no interest other than the ground rent is taken by the freeholder, the technical release would seem excessive.

In the past the situations referred to above have been adequately managed by preparing all the accounts via the management company on terms of the lease.

1. The detailed profit and loss account with modification at the bottom can double as service charge account.
2. Income can be taken by the management company to match the service charge expenses and any shortfall or over payment of service charges against cost is reflected in the balance sheet.
3. Any bank interest or other income can be either used to reduce service costs or held in the profit and loss account for future expenditure. This can be drawn down in future by waiving a service charge shortfall claim and making a loss in the profit and loss account.

As the above can be achieved the reason for the basis of accounting reflected in technical release 01/10 seems to be based on the fact that the Landlord and Tenant Act 1987 requires services charges to be held in trust.

If there is no need for the trust the above simpler accounting format which also does not require the notification of a trust to HM Revenue & Customs could apply.

- a) The trust itself being discretionary requires tax at 50% if income is over the £1,000 standard rate band. It also needs a special tax return completing.
- b) Separate trust bank accounts are required and need to be managed.



THE INSTITUTE
OF CHARTERED
ACCOUNTANTS
IN ENGLAND AND WALES

REGISTERED TO CARRY ON AUDIT WORK IN THE U.K. BY THE INSTITUTE
OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES.

y,
Whalley,