ACT enrols 10,000th student

Surjit Bhondi, a 34-year-old Assistant Manager at Lloyds TSB, has become the 10,000th student to enrol for the ACT's qualifications.

Richard Raeburn, Chief Executive at the ACT, said: "Reaching 10,000 enrolments is a great achievement and shows just how important and relevant our qualifications are to those who work in treasury around the world."

The work of treasury departments has changed significantly since the ACT was founded 26 years ago. Treasury now encompasses corporate finance, risk, liquidity management and even pensions, and the ACT's broad-based qualification enables students to specialise in the areas most relevant to them. An increasing number of bankers as well as corporates are also taking the qualification.

Stephen East, Deputy President of the ACT and Group FD at Woolworths, said the ACT's educational products could provide real benefits. He has worked in a number of industries and is keen for others to gain from an ACT educational grounding. "The ACT strives to provide relevant, timely qualifications that will develop careers and provide support and assistance to all. All ACT members and students can benefit from the opportunities this brings." ■

Cash and investment to rise

UK corporate treasurers have high hopes for 2006, expecting business investment growth to almost double in the first six months of the year, compared with 2005.

Research by Siemens Financial Services found that treasurers see business investment and building cash reserves as the key priorities in 2006.

Medium-sized company treasurers predicted that growth in investment in technology and facilities were set to rise by 3.7% by the middle of 2006 – twice as much as the same period of 2005.

Rod Tonna-Barthet, Director at Siemens Financial Services, said: "The investment outlook looks very healthy indeed, without being over-optimistic. But cash caution learnt through the tough years after the millennium has left its mark. That is no doubt why the use of financing techniques to fund technology acquisition continues to grow – that, and the tightening replacement cycles for technology."

Siemens' research, conducted during December, asked treasurers from UK medium-sized enterprises what their predictions were for investment in 2006 and how businesses would use profit throughout the year. ■

EC pushes for single EU payments area

The European Commission has made proposals for a single payments area in the EU which would save the EU economy between €50bn and €100bn a year.

Richard Raeburn

The Directive on Payments Services proposes removing legal barriers to improve payment processing times and reduce the risk of charges incurred by float time.

The directive aims to make cross-border payments of all kinds as cheap and secure as national payments within one member state.

Internal Market and Service Commissioner Charlie McCreevy said: "Being able to pay for goods and services anywhere in the EU as you would do at home will bring a whole new dimension to everyone's purchases and will make Europe even more an everyday reality for us all."

Currently the EC claims service providers are effectively blocked from competing and offering their services throughout the EU because of the cost incurred by making payments between member states.

ACT's Chief Executive, Richard Raeburn, said: "The European Commission has identified huge benefits from improving the existing fragmented payments systems across borders in Europe and we would agree with that view.

"However, behind the bold objectives there will need to be a lot of detailed work to get the right legal framework and the optimal payment systems designed and implemented within the very challenging timetables that exist."

While the new framework is being established, the European Payments Council is working on creating the specifications for the Single Euro Payments Area (SEPA). The ACT said that SEPA should feature the best aspects of current national systems to allow payments to be processed fast and efficiently. ■

See Technical Update p7 and Ask The Experts p10.

On the move...

- **Topi Jokiranta**, AMCT, has joined Cadbury Schweppes as Group Financial Risk Manager from Diageo where he was Manager for Markets and Execution.
- **Rajesh Maisuria**, AMCT, formerly Principal Product Manager at Oracle, has been appointed Treasury Consultant at Hewlett-Packard Global Treasury Organisation.
- **Mathew Slade**, MCT, formerly Assistant Treasurer at Reuters Group, has been appointed Deputy Group Treasurer at Imperial Tobacco Group.
- **Michael Crouse**, AMCT, formerly Group Treasurer at McCain Foods, has recently been appointed VP Financial Controller of Consumer Brands at Sobeys.
- **Nick Gross**, AMCT, formerly Treasury Analyst at Orange PCS, has joined Rank Group as Treasury Manager.

Mowlem's man: Ted Hoefling

- **Ted Hoefling**, FCT, has been appointed Group Treasurer at Mowlem. He joins the building company from Taylor Nelson Sofres where he was Group Treasurer and Tax Director.
- **Maria Elkin**, AMCT, has been appointed Assistant Group Treasurer at Rank Group. She joins the company from JohnsonDiversey where she was Global Finance Manager.

MEMBERS' DIRECTORY

Members' contact details are updated regularly at **www.treasurers.org**. *Email changes to Anna Corr:* **acorr@treasurers.co.uk**

CAREERS

For up-to-date treasury vacancies and careers articles, log onto: **www.treasurers.org/careers/index.cfm**

Corporates urged to assess Turner impact

The pensions report from the Pensions Commission has left companies speculating about how the proposals, if implemented, will impact their corporate treasury department. The Pensions Commission, headed by Lord Adair Turner, recommended the establishment of a national pension savings scheme into which workers would be automatically enrolled.

Although the proposals would be put into practice over a long period of time, some commentators have advised taking into account the possible impact on treasury.

Reg Hinkley, Chief Executive Officer of BP Pension Trustees, said: "Clearly there are a lot of implementation issues. We have to think about the report at a time when the corporate scene is changing anyway because of the effects of regulation, which is extremely significant.

"The corporate world will have to do a fair bit of thinking about what it can sensibly do in the sort of world that Turner is envisaging."

One question is what will happen to the current company pension schemes? The national savings scheme could replace the company pension.

Hinkley, however, said that many companies could do exactly the opposite: "Bigger companies will want to continue with their current scheme or some variant – for example, the company pension that goes beyond the minimum and has a fair degree of company specification rather than working to the national scheme if possible."

The long-term implications are hazy at present, but it is clear that, if put into practice, Turner's proposals will have an unequal impact on small and big companies.

Small companies that do not currently have a pension scheme could be crippled by the extra cost of an obligatory scheme. ■

See news analysis, page 8.

Is your interest exposed to gross up?

Treasurers will be aware that the payment of annual interest to a non-UK resident bank is subject to withholding tax at 20% unless the payment is to a UK branch of the bank. For most countries, the UK has a double tax treaty which reduces the tax rate – commonly to zero. However, permission to pay the reduced or zero rate must be applied for by the recipient and approved by HM Revenue & Customs (HMRC).

Since 1994, the Inland Revenue (now HMRC) has had a published practice, set out in Tax Bulletin 12, that if clearance was granted, it would be retrospective to the date the Revenue received the application. However, the Revenue started to move away from retrospection in early 2000 without publicising the change. Since then, clearances have generally not been retrospective.

Consequently, a UK company that pays gross without formal clearance can be charged interest for late payment of withholding tax (and possibly penalties for failing to file a correct form CT61 to report the withholding) even if the HMRC has to refund any withheld tax to the foreign recipient under the treaty. The HMRC published the change in practice only in a low key way in May 2005 as an annotation to Tax Bulletin 12 on its website.

Treasurers need to carefully monitor banks that are members of their lending syndicate, including any secondary purchasers of their bank debt. Any non-resident banks not holding the loan in a UK branch must file a treaty clearance application without delay. Ideally, no interest should be paid until treaty clearance is received from the HMRC.

Some time may be saved by using the Provisional Treaty Relief Scheme for UK Interest Payments introduced in 1999 and revised in 2003, but the scheme operates at the borrower's risk – any withholding tax relief provisionally allowed by the HMRC that proves unavailable on final review will be recovered from the borrower.

Clearly, it pays to have well-drafted loan documentation that requires the bank to file the clearance application and which addresses how to deal with interest due for payment before formal clearance is received. ■

Mohammed Amin. **See page 30.**

A puff for the profession

On a recent trip to Armenia, Peter Ratzer, FCT, spotted this interesting roadside advertisement in Yerevan. Unfortunately, he was unable to actually find a packet to send to the smokers at *The Treasurer*.

Nabil Hamami took the photograph. ■

Insolvency fears over Pension Protection Fund

The levy on companies set by the Pension Protection Fund may have been lower than expected but the fund's current deficit could grow unless companies responded positively to the prompts to improve scheme funding.

After the fund announced proposals of how it would calculate the risk-related levy for occupational pension schemes in mid-December, experts have been speculating on exactly what impact the changes will have.

Mercer Human Resources Consulting forecast that the cost would be less expensive than employers had originally expected.

And JPMorgan Cazenove said that although the levy would be an unwelcome cost for organisations, the extra cost would be minimal.

Deborah Cooper, Principal at Mercer, said: "The fund has set a lower risk-related levy than many people expected, but built in some features it hopes will incentivise good pension scheme funding behaviour. Employers now know they can benefit from a lower charge if they reduce their financial exposure to their pension scheme."

The Pension Protection Fund Board estimated the total levy it would need to raise in 2006/07 at £575m – a 90% increase on the £300m for 2005/06.

Global consulting firm Hewitt said the fund's finances relied more on optimism than on sound financial planning, and there was a risk it would remain solvent only if claims were low or it raised levies substantially in future years.

The final consultation period closes on 23 January and the levy will take effect from April 2006, although it is unlikely to be invoiced until late summer. ■