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Becoming a Fellow *Mohammed Amin describes the agony and the ecstasy*

KEY POINTS

- **Writing an FTII thesis is hard work, but is also a very rewarding personal experience**
- **Mohammed Amin believes that every associate has a thesis within them, and encourages readers to rise to the challenge**
- **The full text of the thesis discussed is available on the CIOT website at www.tax.org.uk [Since removed due to obsolescence]**

Writing an FTII thesis ruined three years of my life. Most of the three years was spent feeling guilty, knowing that I should be working on my thesis. A small part, about 12 man weeks, was spent actually doing it.

Last August, when I emailed the final version to my secretary at 1am from my "holiday", it felt like being let out of prison. In January, I was relieved to receive a letter from the CIOT that my thesis had been accepted so I could apply to become a fellow. The following day I was ecstatic after receiving another CIOT letter telling me that it was the best FTII thesis of 1999.

I want to explain why I did it and how I went about it. After reflecting on "How was it for me?" I would encourage others to do it; like fire walking you never know what you can achieve until you try.

Why did I do it?

It's very simple. The CIOT is the premier body for tax advisers, and fellowship is the highest qualification. I passed the associateship examination in May 1978 and planned to take the fellowship examination a year or so later. However, the Institute abolished it, introducing the thesis process.

For nearly 20 years, I could not think of a suitable subject. It had to be something that passionately interested me, since otherwise a thesis would be drudgery. However, the topics that really interested me (such as dual resident companies in the early 1980's) were also full of valuable intellectual property, not desirable to include in a public domain thesis.

Choosing a subject

With FA 1993 (forex), FA 1994 (derivatives) and FA 1996 (debt and interest) the UK transformed my speciality, the taxation of treasury transactions. In the summer of 1996, I realised that I had a subject. Loan relationships fascinated me, and their law was compact and self contained without historical baggage. Best of all, with such new law, I had less reason to worry about intellectual property.

The synopsis I registered is copied below:

"My goal is to review in detail the tax rules on Loan Relationships enacted in Chapter II of FA 1996 including the related Schedules, excluding Schedule 10 (Collective Investment Schemes) and Schedule 11 (Special Provisions for Insurers).

I propose to cover briefly the historical reasons why change was considered necessary by the Inland Revenue, and also disadvantages to taxpayers from the "old system." I will then consider in detail how the "new system" works, with particular emphasis on:

- Boundaries (e.g. what is a loan relationship)
- Internal coherence and consistency
- Interaction with the foreign exchange rules
- How the system fits with Company Law and UK accounting standards
- Anti-avoidance
- Tax planning possibilities

- Computational aspects, illustrating how “mark to market” and “authorised accruals” would be applied both to straightforward and to more complex situations.

Coverage of the transitional provisions will be restricted to matters having continuing effect, so that planning points requiring action prior to 31 March 1996 will not be covered.

The taxes covered will be income tax, capital gains tax, and corporation tax including corporation tax on chargeable gains. There will be no coverage of VAT or stamp duties, and I believe that inheritance tax and social security contributions are not in point.”

Note how I narrowed down the subject by excluding the transitional provisions, and further shrank it by excluding two whole schedules devoted to specialist areas, and by limiting it to only the taxes most relevant. With a rigid maximum word length of 25,000, this would allow me to concentrate on analytical depth instead of breadth.

Maximising commitment

Once I had registered my subject (10 September 1996), I did not keep the thesis secret within the firm or with clients. Telling everyone was a deliberate strategy, like invaders burning their boats. Quiet withdrawal or a negotiated deadline extension becomes impossible since “everyone knows” and failure is not an option.

Finding the time

I never expected to get any of the thesis done during working hours, and was proved right. My working hours mean that progress during weekday evenings is also impossible. Weekends, either at home or better still in the office were the only way to progress. However, it is hard keeping going. I would work for a few weekends, take “a weekend” off and suddenly realise that months had gone by without any progress. After 24 months, the CIOT sends you a helpful reminder letter about the deadline, in case you have forgotten.

When January 1999 started, I had 8 months to go, with about 8,000 words written. Unfortunately they were all preamble, being part of the tax history and an explanation of bond valuation. I had not yet written a word about loan relationships. I re-planned the task, allocating almost all weekends plus available vacation time. In May 1999 my wife and daughters holidayed in Greece while I analysed loan relationships in Manchester, on holiday as far as PricewaterhouseCoopers was concerned. My summer vacation was also spent chained to the desk. At one stage my wife dared to ask “Are you going to get it done in time?” My only response was “I don’t miss deadlines”. In typical tax adviser fashion, the thesis was submitted with only 2 weeks to go.

Writing a big document

The thesis was by far the longest thing I have ever written. I followed the recommended approach for all long documents, by specifying major sections and then subsections, before writing a word of body text. Having produced a structure, I then checked it for completeness against the Inland Revenue Loan Relationships manual before starting to write the text. Over the next three years, I gradually added text to the structural skeleton, with occasional structural modifications. The method worked. Throughout, the synopsis was my constant signpost regarding what I should be doing.

I knew that I could never write to a particular length (25,000 words) and accordingly determined to write what I felt was appropriate, and then edit it down. By the end of May 1999, I had virtually finished writing, but had 42,000 words. It took over 2 solid weeks of my summer holiday to edit that down to 24,995 words (as submitted) without killing the thesis. It was traumatic slaughtering material I had written with loving care. However it forced me to decide on the most important messages and to eliminate all extraneous waffle. The result was a much sharper document.

What resources do you need?

My key resources were the legislation (CIOT annotated versions of Finance Acts), Tax Cases including Harrison’s Index, Simons Taxes, and the Inland Revenue manuals. All of these are now readily available electronically at a reasonable price. I also used Hansard. Our firm’s electronic precedent systems were searched for published articles. (As tax is a relatively narrow field, a literature search could be carried out by hand in a good public library).

How did I tackle the subject?

The approach I took was as follows:

Tax history

Using Harrison's index, I found all the relevant cases regarding interest and discounts, and read each in full before writing about it. What I wanted to bring out was the piecemeal development of the old law leading to the complex mess that was swept away by FA 1996.

Bond valuation

The loan relationship rules were introduced for a purpose, to enable gilt stripping. Accordingly I wanted to explain why anybody would want to strip a gilt. This first required a basic explanation of bonds and bond valuation since you need to understand the financial economics to see what FA 1996 is trying to achieve. With a strong personal interest in treasury and investments, this is what I wrote first.

Loan relationships

I systematically worked through FA 1996. This involved explaining the legislation, not just what it says but why the tax law contains the provisions that it does. Overall it is very well drafted and I gained a new respect for the parliamentary draftsman.

Only after I had finished did I review secondary sources such as the Inland Revenue manual, Simons Taxes and Tolleys 'Taxation of Corporate Debt'. I checked these after writing the 42,000 words to see if I had got things wrong or missed out vital points. However I didn't look at them first. If I had done so, I would never have been able to read the legislation independently and critically.

What did I learn?

My word processing skills advanced enormously. Most of the text was typed by my secretary, with the rest produced using dictation software. I did the advanced word processing including the automatic table of contents, internal cross references and footnotes because I was working at home, inserting the text once typed. Using the word processor to handle all of the numbering and cross references meant that near the end I was able to move whole sections around (in outline mode) when I realised that the original skeleton needed reordering without having to change a single section number or cross reference.

The thesis reminded me why it is essential to read tax cases in full, including the case stated. I had often previously looked at *Lomax v Peter Dixon & Son Ltd*, but it was only while reading it for my thesis that I realised that the company had (in my view) carried out a blatant tax avoidance exercise, which however succeeded spectacularly.

Finally, I now have a much better understanding of some law which is directly relevant to me. This is why it pays to pick a thesis topic relevant to you.

Conclusion

I found the exercise immensely valuable, even if painful at the time. A task like this teaches you something about yourself. Also, while clients look for many things in a tax adviser, they do feel comforted if there is some evidence that he actually knows his subject.

I would recommend seeking fellowship to every associate. Writing a thesis forces you to get to grips with a subject in depth, and teaches you how to cope with writing a large complex document. It's good for the soul.