

Need to know

New requirements for micro-companies now in place

In a nutshell

- The government has finalised The Small Companies (Micro-Entities' Accounts) Regulations 2013 (SI 2013 No. 3008, "the Regulations"), which introduce a number of deregulatory measures for micro-companies.
- The Regulations are effective for periods ending on or after 30 September 2013, provided that accounts for such periods have not yet been filed.
- The Financial Reporting Council (FRC) has issued an exposure draft containing updates to the Financial Reporting Standard for Smaller Entities (FRSSE) as a consequence of the new Regulations.

The new Regulations

Companies eligible to follow the new Regulations are able to prepare and file 'abridged' accounts. This means that they can use simplified formats for the balance sheet and profit and loss account and are only required to provide notes to the financial statements concerning guarantees and other financial commitments and certain transactions with directors. A set of accounts will still need to be filed at Companies House, but the profit and loss account may be excluded. A key change is that the same 'abridged' accounts must be provided to the shareholders and filed at Companies House, making the old option to file 'abbreviated accounts' redundant for micro companies.

The definition of a micro-entity

The Regulations are only relevant to companies that qualify as 'micro-entities'. The definition of a micro-entity under the Regulations is a company (or group) that satisfies at least two of the following three requirements in relation to a financial year:

- Turnover: Not more than £632,000 (pro-rated appropriately where a company's year is shorter or longer than a calendar year).
- Balance sheet total (i.e. gross assets): Not more than £316,000.
- Average number of employees: Not more than 10.

As with the existing small company exemptions, a company must meet at least two of these limits in two consecutive years to qualify as a micro-entity and, once qualified, must exceed at least two of these limits for two consecutive years to cease to qualify.

The accounting regime for eligible micro companies is simplified from that for small companies.



Certain types of company are excluded from the micro-entity regime, including:

- those that are already defined as 'ineligible' in existing UK company law (CA 2006 s384), certain investment and financial undertakings, and charitable companies;
- parent companies that are required or choose to prepare consolidated financial statements; and
- subsidiaries of a group which prepares consolidated financial statements which include the company.

Charities, qualifying partnerships, limited liability partnerships and overseas companies may not apply the micro-entity regime.

The simplified accounting regime for micro-entities

The accounting regime for eligible micro-entities is simplified from that for small companies:

- one abridged set of financial statements may be prepared and filed, rather than a full set for the members of the company and an optional second abbreviated set for filing with the Registrar of Companies; and
- the abridged set of financial statements will comprise a simplified balance sheet and notes (which will be filed) and simplified profit and loss account (which need not be filed).

The amended law provides that the provision of this limited information is deemed to give a true and fair view and so there is no need to consider whether any additional notes beyond those specified are necessary for this purpose.

Consequential amendments to the FRSSE

In response to the new legislation, the FRC has issued an exposure draft (FRED 52) proposing revisions to the FRSSE to enable a micro-entity to state compliance with the FRSSE whilst taking advantage of the available exemptions brought in by the Regulations. The proposed amendments also avoid any potential conflict with the law under which the accounts are deemed to give a true and fair view without supplementary information. The amendments reflect the new primary statement formats referred to above and permit micro-entities to disapply all presentation and disclosure requirements of the FRSSE except those that are required by the Regulations.

Future developments

The EU Accounts Directive (2013/34/EU), which introduces new thresholds and simplified accounting requirements for small and medium-sized entities, has not yet been incorporated into UK law. When this happens, the FRC has indicated that it will comprehensively revise the FRSSE. At the same time, it is expected to reconsider how to present the requirements of accounting standards for micro-entities. This could involve issuing a separate accounting standard to the FRSSE which is specific to micro-entities.

Further information

If you have any questions about these Regulations, please speak to your usual Deloitte contact. Further information on the new Regulations, as well as other UK accounting, reporting and corporate governance news, can be found on www.ukaccountingplus.co.uk.

The new Regulations can be accessed at: www.legislation.gov.uk/uksi/2013/3008/contents/made

The FRC's proposed amendments to the FRSSE (FRED 52) can be found at: www.frc.org.uk

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2013 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 30310A