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By email to: john.conway@bis.gsi.gov.uk

21 December 2015

Dear Mr Conway

De-regulatory changes for Limited Liability Partnerships (LLPs) and Qualifying Partnerships

Deloitte LLP is pleased to respond to the consultation paper addressing the de-regulatory changes for Limited Liability Partnerships (LLPs) and Qualifying Partnerships. We have set out our detailed responses to the consultation questions in the Appendix to this letter.

Overall we support the proposals. Our key comments, which we expand on in the Appendix to this letter, are as follows:

- we believe that maintaining reporting alignment between companies and LLPs is generally efficient and cost effective in the long term and therefore support the proposals;
- we strongly believe that the regulation alignment should be implemented as soon as possible to allow early adoption of the updated regulations so as to reduce or eliminate any timing difference in application between companies and LLPs; and
- areas of accounting that have pre-existing differences that are currently in place to reflect the differing characteristics of LLPs compared to companies (such as merger accounting criteria) should not be updated to reflect the changes adopted in the company regulations.

We would be happy to discuss our letter and the draft proposals with you. If you have any questions, please contact Robert Carroll (020 7303 2458 or rcarroll@deloitte.co.uk) or Ken Rigelsford (020 7007 0752 or krigelsford@deloitte.co.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Poole', is positioned above a horizontal line.

Veronica Poole
National Head of Accounting and Corporate Reporting
Deloitte LLP

Appendix

Responses to detailed questions

Question 1 Do you agree that the Government should maintain the alignment between the accounting and audit regulatory frameworks for LLPs and limited companies as implemented by the 2015 Regulations?

Yes, in general we agree that alignment should be maintained between the accounting and audit regulatory frameworks for LLPs and companies. However we also believe that the Government should bear in mind and retain differences in the frameworks where there are clear differences in the characteristics of LLPs and limited companies.

For example we believe that the criteria for merger accounting in LLPs should not be aligned to the 2015 Regulations for limited companies since there are pre-existing differences between the two frameworks and the criteria for merger accounting in LLPs are currently satisfactory and reflect the differing characteristics of LLPs compared to companies.

Question 2 What opportunities or challenges do you feel maintaining the reporting alignments between LLPs and limited companies will present for preparers and users of accounts? For example, you may wish to comment on any line items that should be retained if small LLPs have the choice of preparing an abridged balance sheet and profit and loss account where this has been agreed by all members of the LLP.

In our capacity as professional advisers to LLPs, we believe that there is clearly a benefit available to LLPs as a result of maintaining the reporting alignment between LLPs and limited companies. Ongoing alignment means that professional advisers do not need to have two sets of specialists, training and resources, the costs of which would ultimately be passed on to our clients.

In addition many of our clients have companies and LLPs in the same group. Applying different requirements for different members of a group is costly to preparers. Any delay in updating the regulations should therefore be kept to a minimum.

We believe that any short-term costs associated with maintaining alignment would therefore ultimately be outweighed by longer term benefits to LLPs.

In our capacity as a large LLP, we do not believe that the changes would have a significant impact on us but believe that reporting alignment is sensible.

We believe that LLPs should have the same choices as those available to limited companies. We note that there are a number of differences between an LLP balance sheet and a limited company balance sheet, which reflect the differing characteristics of LLPs compared to companies, and advocate that those differences should be retained.

Question 3 It is anticipated that the regulations will come into force in the summer of 2016. Would LLPs and Qualifying Partnerships find it helpful if the regulations permitted early adoption of the revised framework for financial years commencing on or after 1 January 2015 where these had not been agreed prior to the regulations coming into force?

Yes we believe that LLPs and Qualifying Partnerships will find it helpful if the regulations permitted early adoption. Overall we believe that the sooner these changes are approved, the sooner LLPs and Qualifying Partnerships will be able to benefit from de-regulation.

For example for any large LLPs adopting FRS 102 in the coming months, having to comply with two different sets of changes over the next two years seems to be administratively burdensome and we would therefore expect early adoption to be attractive in these circumstances.

Question 4 Do you agree that the Government should introduce a micro-entity regime for LLPs which will allow LLPs that meet the eligibility criteria to access a less burdensome regulatory and administrative regime than the small LLPs?

Yes we believe that micro-LLPs should have the same de-regulatory benefits that micro-companies have.

Question 5 Do you agree that the Government should introduce a micro-entity regime for Qualifying Partnerships which will allow Qualifying Partnerships that meet the eligibility criteria to access a less burdensome regulatory and administrative regime than small Qualifying Partnerships?

Yes, as with our response to question 4 we believe that micro Qualifying Partnerships should have the same de-regulatory benefits that micro-companies have.

Question 6 Do you agree that all LLPs that have transferable securities admitted to trading on a regulated market in an EEA State should be required to file an audit report in respect of their accounts?

Yes we agree. However, we are not aware of any LLPs with transferable securities admitted to trading on a regulated market in an EEA State. If there are any LLPs in this situation, then we would agree that they should be required to file an audit report in respect of their accounts.

Question 7 What one-off or recurring costs and benefits to LLPs, do you see arising from updating the reporting regime for LLPs? Please describe and if possible provide evidence of the scale of the identified costs and benefits.

As outlined in our response to question 2, we believe that there would be an overall long-term benefit in updating the reporting regime for LLPs, which we believe would be greater if early adoption were permitted.

Question 8 How will your organisation familiarise itself with the update of the LLP reporting regime and the introduction of a micro-entity regime for LLPs and Qualifying partnerships? Please provide details of who will be involved, how long you expect this task will take them and data on pay levels of those involved (if possible).

This question appears to be aimed at LLPs in general as opposed to professional advisers.

Question 9 What impact do you believe the reduction in the number of mandatory notes for small LLPs will have on your organisation? Please describe and (if possible) provide evidence of the size of this impact.

As above, this question appears to be aimed at LLPs in general as opposed to professional advisers. In our capacity as professional advisers, we believe that this will have an overall cost reduction as described in our response to question 2.

Question 10 If you are an LLP, do you believe your organisation would be likely to take advantage of the flexibility to prepare an abridged balance sheet and an abridged profit and loss account?

Although we are an LLP, we are not a small LLP nor would we qualify as a small LLP under the revised regulations. As such we would not be able to take advantage of the flexibility to prepare an abridged balance sheet and abridged profit and loss account.

Question 11 What one-off or recurring costs and benefits do you see arising from a micro-entity accounting regime for LLPs and Qualifying Partnerships? Please describe the cost benefits to these entities and others, and if possible provide evidence of the size of the identified costs and benefits.

As outlined in our response to question 2, we believe that there would be an overall long-term benefit in updating the reporting regime to include micro-entity LLPs and Qualifying Partnerships, which we believe would be greater if early adoption were permitted.

Question 12 What proportion of eligible LLPs and Qualifying Partnerships would you expect to take advantage of the micro-entity regime? Please provide supporting evidence for your view.

While we do not have any data on which to answer this question, we believe that the opportunity to apply a simplified FRS 105 regime will be attractive for those entities that qualify to apply it.

Additional comment: disclosure of related undertakings

We note that paragraph 7.25 of the consultation states that the Government will require that the notes to the consolidated financial statements of LLPs include information in relation to the subsidiaries included within the consolidation, in line with the recent change made for companies. Whilst in general we support maintaining consistency of legal requirements between companies and LLPs where practicable and appropriate, we observe that the requirement to include a full list of subsidiaries in the notes to the accounts is adding substantial volume to many companies' accounts without necessarily adding value. We therefore propose that, rather than impose the same requirement on LLPs, the Government should reconsider whether it is necessary for companies to provide full disclosure in the notes to their accounts rather than in another way, such as by a separate Companies House filing, which continues to be permitted under the European Accounting Directive.