STATUTORY INSTRUMENTS

2016 No. 575

LIMITED LIABILITY PARTNERSHIPS
PARTNERSHIP
COMPANIES

The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016

Made - - - - 10th May 2016

Coming into force in accordance with regulation 2(1)

The Secretary of State is a Minister designated(**1**) for the purposes of section 2(2) of the European Communities Act 1972(**2**) in relation to the creation, operation, regulation or dissolution of companies and other forms of business organisation, and in relation to auditors and the audit of accounts.

The Secretary of State makes the following Regulations in exercise of the powers conferred by section 2(2) of that Act, sections 15 and 17 of the Limited Liability Partnerships Act 2000(**3**) and section 396(3) of the Companies Act 2006(**4**).

In accordance with paragraph 2(2) of Schedule 2 to the European Communities Act 1972(**5**), section 17(4) and (5)(b) of the Limited Liability Partnerships Act 2000(**6**) and sections 473(3) and 1290 of the Companies Act 2006, a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

(**1**) S.I. 2007/193, to which there are amendments not relevant to these Regulations, and S.I. 2007/1679.
(**2**) 1972 c.68; section 2(2) was amended by section 27(1)(a) of the Legislative and Regulatory Reform Act 2006 (c.51) and by Part 1 of the Schedule to the European Union (Amendment) Act 2008 (c.7). The enabling powers of section 2(2) were extended by virtue of the amendment of section 1(2) by section 1 of the European Economic Area Act 1993 (c.51).
(**3**) 2000 c.12.
(**4**) 2006 c. 46.
(**5**) Paragraph 2(2) of Schedule 2 was amended by section 27(c) of the Legislative and Regulatory Reform Act 2006.
(**6**) Section 17(5)(b) was substituted by S.I. 2009/1804, regulation 85 and paragraph 7(1) and (3) of Part 1 of Schedule 3.

PART 1

Introduction

Citation and interpretation

1.—(1) These Regulations may be cited as the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016.

(2) In these Regulations—

"the Act" means the Companies Act 2006(**7**);

"the Large and Medium-sized Companies Accounts Regulations" means the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008(**8**);

"the Small Companies Accounts Regulations" means the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008(**9**);

"the 2008 Regulations" means the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(**10**); and

"LLP" means a limited liability partnership registered under the Limited Liability Partnerships Act 2000.

Commencement and application

2.—(1) These Regulations come into force on the seventh day after the day on which they are made.

(2) The amendments made by Parts 2 to 4 of these Regulations (other than regulations 26, 46 and 62) have effect in relation to—

(a) financial years beginning on or after 1st January 2016; and

(b) a financial year of an LLP beginning on or after 1st January 2015, but before 1stJanuary 2016, if—

(i) the members of the LLP so decide; and

(ii) a copy of the LLP's accounts for that financial year has not been delivered to the registrar in accordance with section 444, 445 or 446 of the Act as applied to LLPs by the 2008 Regulations(**11**) (filing obligations of LLPs subject to small LLPs regime, of medium-sized LLPs and of large LLPs) before the date on which these Regulations come into force.

(3) But where—

(a) by virtue of paragraph (2)(b), the amendments made by Parts 2 to 4 of these Regulations have effect in relation to a financial year beginning on or after 1st January 2015, but before 1st January 2016, and

(b) as a result the LLP qualifies as a small LLP in relation to that year,

(**7**) 2006 c.46. Provisions of Parts 15 and 16 (accounts, reports and audit) were applied with modifications to LLPs by S.I. 2008/1911 and to qualifying partnerships by S.I. 2008/569.
(**8**) S.I. 2008/410, amended by S.I. 2015/980; there are other amending instruments but none is relevant. Provisions of S.I. 2008/410 were applied with modifications to LLPs by S.I. 2008/1913 and to qualifying partnerships by S.I. 2008/569.
(**9**) S.I. 2008/409; relevant amending instruments are S.I. 2013/3008 and 2015/980. Provisions of S.I. 2008/409 were applied with modifications to LLPs by S.I. 2008/1912 and to qualifying partnerships by S.I. 2008/569.
(**10**) S.I. 2008/1911; relevant amending instruments are S.I. 2009/1342, 2009/1804, 2011/99, 2012/1439, 2012/2301, 2013/472.
(**11**) Section 444 as applied to LLPs is amended by regulation 12 of these Regulations. Section 445 as applied to LLPs is amended by regulation 13 of these Regulations.

the LLP is not exempt from the requirements of the Act as applied to LLPs by the 2008 Regulations relating to the audit of annual accounts for that year if the LLP would not have been so exempt had the amendments not had effect in relation to that year.

(4) In determining whether an LLP or group qualifies as small or medium-sized under section 382(2), 383(3), 465(2) or 466(3) of the Act as applied to LLPs by the 2008 Regulations(**12**) (qualification in relation to subsequent financial year by reference to circumstances in preceding financial years) in relation to a financial year in relation to which the amendments made by Parts 2 to 4 of these Regulations have effect, the LLP or group is to be treated as having qualified as small or medium-sized (as the case may be) in any previous year in which it would have so qualified if amendments to the same effect as the amendments made by Parts 2 to 4 of these Regulations had had effect in relation to that previous year.

(5) Notwithstanding paragraph (2), the members of an LLP cannot take advantage of section 410(2) of the Act as applied to LLPs by the 2008 Regulations(**13**) (information about related undertakings: alternative compliance) in relation to annual accounts of the LLP approved, pursuant to section 414 of the Act as applied to LLPs by the 2008 Regulations(**14**), on or after 1st July 2016.

(6) The amendment made by regulation 63 has effect in relation to—

(a) financial years beginning on or after 1st January 2016; and

(b) a financial year of a qualifying partnership (within the meaning given by regulation 3(**15**) of the Partnerships (Accounts) Regulations 2008(**16**)) beginning on or after 1st January 2015, but before 1st January 2016, if—

(i) the partners so decide; and

(ii) no copy of the qualifying partnership's accounts for that financial year has been delivered to the registrar in accordance with regulation 5(1) of those Regulations (delivery of accounts of qualifying partnerships to registrar etc.) before the date on which these Regulations come into force.

(7) The amendment made by regulation 66 has effect in relation to—

(a) financial years beginning on or after 1st January 2016; and

(b) a financial year of a company beginning on or after 1st January 2015, but before 1st January 2016, if—

(i) the directors of the company have decided, pursuant to regulation 2(2)(b) of the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015(**17**), that the amendments made by those Regulations have effect in relation to that financial year; and

(ii) a copy of the company's accounts for that financial year has not been delivered to the registrar in accordance with section 445(**18**), 446(**19**) or 447(**20**) of the Act (filing obligations of medium-sized companies, of unquoted companies and of quoted companies) before the date on which these Regulations come into force.

(**12**) Sections 382(2) and 383(3) as applied to LLPs are amended by regulation 5 of these Regulations.
(**13**) Section 410 as applied to LLPs is omitted by regulation 10 of these Regulations.
(**14**) Section 414 as applied to LLPs is amended by regulation 11 of these Regulations.
(**15**) Regulation 3 was substituted by S.I. 2013/2005, regulation 4(1) and (3).
(**16**) S.I. 2008/569, amended by S.I. 2013/2005, 2015/980.
(**17**) S.I. 2015/980.
(**18**) Section 445 was amended by S.I. 2008/393, regulation 6(8); S.I. 2013/1970, regulation 14 and paragraphs 1 and 9 of the Schedule; and S.I. 2015/980, regulation 8(1), (4) and (5).
(**19**) Section 446 was amended by S.I. 2008/393, regulation 6(9); S.I. 2009/1581, regulation 3(1) to (3); and S.I. 2013/1970, regulation 14 and paragraphs 1 and 10 of the Schedule.
(**20**) Section 447 was amended by S.I. 2009/1581, regulation 4(1) to (3); S.I. 2013/1970, regulation 14 and paragraphs 1 and 11 of the Schedule.

PART 2

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

3.—(1) The 2008 Regulations are amended in accordance with this Part.

(2) Any reference in this Part to a numbered section is a reference to the section so numbered in the Act as applied to LLPs by the 2008 Regulations.

Scheme of Part 15 of the Companies Act 2006 as applied to LLPs

4.—(1) Regulation 4 (scheme of Part 15 as applied to LLPs) is amended as follows.

(2) In section 380 (scheme of Part 15), omit subsections (3) and (4).

LLPs subject to the small LLPs regime

5.—(1) Regulation 5 (LLPs subject to the small LLPs regime) is amended as follows.

(2) In section 382 (LLPs qualifying as small: general)—

(a) after subsection (1) insert—

"(1A) Subject to subsection (2), an LLP qualifies as small in relation to a subsequent financial year if the qualifying conditions are met in that year.";

(b) for subsection (2) substitute—

"(2) In relation to a subsequent financial year, where on its balance sheet date an LLP meets or ceases to meet the qualifying conditions, that affects its qualification as a small LLP only if it occurs in two consecutive financial years."; and

(c) in the table in subsection (3)—

(i) in item 1 (turnover), for "Not more than £6.5 million" substitute "Not more than £10.2 million"; and

(ii) in item 2 (balance sheet total), for "Not more than £3.26 million" substitute "Not more than £5.1 million".

(3) In section 383 (LLPs qualifying as small: parent LLPs)—

(a) after subsection (2) insert—

"(2A) Subject to subsection (3), a group qualifies as small in relation to a subsequent financial year of the parent LLP if the qualifying conditions are met in that year.";

(b) for subsection (3) substitute—

"(3) In relation to a subsequent financial year of the parent LLP, where on the parent LLP's balance sheet date the group meets or ceases to meet the qualifying conditions, that affects the group's qualification as a small group only if it occurs in two consecutive financial years."; and

(c) in the table in subsection (4)—

(i) in item 1 (aggregate turnover), for "Not more than £6.5 million net (or £7.8 million gross)" substitute "Not more than £10.2 million net (or £12.2 million gross)"; and

(ii) in item 2 (aggregate balance sheet total), for "Not more than £3.26 million net (or £3.9 million gross)" substitute "Not more than £5.1 million net (or £6.1 million gross)".

(4) In section 384 (LLPs excluded from the small LLPs regime)—

(a) in subsection (1)—

(i) omit "is, or"; and

(ii) for paragraph (a) substitute—

"(a) a traded LLP,"; and

(b) for subsection (2)(a) substitute—

"(a) a traded company,".

LLPs qualifying as micro-entities

6. After regulation 5 (LLPs subject to the small LLPs regime), insert the following—

"**LLPs qualifying as micro-entities**

5A. Sections 384A and 384B(**21**) apply to LLPs, modified so that they read as follows—

"**384A 384A LLPs qualifying as micro-entities**

(1) An LLP qualifies as a micro-entity in relation to its first financial year if the qualifying conditions are met in that year.

(2) Subject to subsection (3), an LLP qualifies as a micro-entity in relation to a subsequent financial year if the qualifying conditions are met in that year.

(3) In relation to a subsequent financial year, where on its balance sheet date an LLP meets or ceases to meet the qualifying conditions, that affects its qualification as a micro-entity only if it occurs in two consecutive financial years.

(4) The qualifying conditions are met by an LLP in a year in which it satisfies two or more of the following requirements—

1. Turnover	Not more than £632,000
2. Balance sheet total	Not more than £316,000
3. Number of employees	Not more than 10

(5) For a period that is an LLP's financial year but not in fact a year the maximum figure for turnover must be proportionately adjusted.

(6) The balance sheet total means the aggregate of the amounts shown as assets in the LLP's balance sheet.

(7) The number of employees means the average number of persons employed by the LLP in the year, determined as follows—

(a) find for each month in the financial year the number of persons employed under contracts of service by the LLP in that month (whether throughout the month or not),

(b) add together the monthly totals, and

(**21**) Sections 384A and 384B of the Companies Act 2006 (c.46) were inserted by S.I. 2013/3008, regulation 4(1) and (4).