Draft Regulations laid before Parliament under sections 473(3)(a) and 1290 of the Companies Act 2006 and section 2(2) of and paragraph 2 of Schedule 2 to the European Communities Act 1972, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2013 No. XXXX

COMPANIES

The Small Companies (Micro-Entities' Accounts) Regulations 2013

Made - - - - ***

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.

In exercise of the powers conferred by section 2(2) of that Act and sections 396(3), 468 and 1292 of the Companies Act 2006(**3**) the Secretary of State makes the following Regulations.

In accordance with sections 473(3)(a) and 1290 of the Companies Act 2006 and section 2(2) of and paragraph 2 of Schedule 2 to the European Communities Act 1972 a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

PART 1

INTRODUCTION

Citation and interpretation

1.—(1) These Regulations may be cited as the Small Companies (Micro-Entities' Accounts) Regulations 2013.

(2) In these Regulations—

"the 2006 Act" means the Companies Act 2006; and

(**1**) S.I. 2007/193.
(**2**) 1972 c. 68; section 2(2) was amended by the Legislative and Regulatory Reform Act 2006 (c. 51), section 27(1)(a) and the European Union (Amendment) Act 2008 (c.7), Schedule 1, paragraph 1.
(**3**) 2006 c. 46.

"the 2008 Regulations" means the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008(**4**).

Commencement and application

2.—(1) These Regulations come into force on the first day of the month following that in which they are made.

(2) They have effect in respect of—

(a) financial years ending on or after 30th September 2013; and

(b) companies, which deliver the accounts required by section 444 of the 2006 Act (filing obligations of companies subject to the small companies regime) to the registrar on or after the date on which these Regulations come into force.

Disapplication of these Regulations to entities to which provisions of the 2006 Act or the 2008 Regulations have been applied

3.—(1) The amendments made by these Regulations to any provision of the 2006 Act or the 2008 Regulations do not have effect in relation to the application of any such provision—

(a) to qualifying partnerships by regulations 4(1) and 9(1) of and Part 1 of the Schedule to the Partnerships (Accounts) Regulations 2008(**5**);

(b) to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(**6**);

(c) to limited liability partnerships by the Small Limited Liability Partnerships (Accounts) Regulations 2008(**7**);

(d) to overseas companies by Chapter 3 of Part 5 or Chapter 3 of Part 6 of the Overseas Companies Regulations 2009(**8**);

(e) to unregistered companies by regulation 3 of and Schedule 1 to the Unregistered Companies Regulations 2009(**9**); or

(f) to companies registered pursuant to section 1040 of the 2006 Act by regulation 18 of the Companies (Companies Authorised to Register) Regulations 2009(**10**).

(2) Any new provision of the 2006 Act or the 2008 Regulations inserted by these Regulations is not, by virtue of any provision mentioned in sub-paragraphs (a) to (f) of paragraph (1), applied to the entities mentioned in those sub-paragraphs.

PART 2

AMENDMENT OF PART 15 OF THE 2006 ACT (ACCOUNTS AND REPORTS)

Amendment of Chapter 1 of Part 15 (introduction)

4.—(1) Chapter 1 of Part 15 of the 2006 Act is amended as follows.

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

(**4**) S.I. 2008/409, to which there are amendments not relevant to these Regulations.
(**5**) S.I. 2008/569.
(**6**) S.I. 2008/1911, to which there are amendments not relevant to these Regulations.
(**7**) S.I. 2008/1912.
(**8**) S.I. 2009/1801, to which there are amendments not relevant to these Regulations.
(**9**) S.I. 2009/2436, to which there are amendments not relevant to these Regulations.
(**10**) S.I. 2009/2437.

(a) after subsection (1) insert—

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

(b) for subsection (2) substitute—

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

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

(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 company if the qualifying conditions are met in that year."; and

(b) for subsection (3) substitute—

"(3) In relation to a subsequent financial year of the parent company, where on the parent company'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."

(4) After section 384 (companies excluded from the small companies regime) insert—

"**Companies qualifying as micro-entities**

384A.—(1) A company 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), a company 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 a company 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 a company 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 a company's financial year but not in fact a year the maximum figures for turnover must be proportionately adjusted.

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

(7) The number of employees means the average number of persons employed by the company 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 company in that month (whether throughout the month or not),

(b) add together the monthly totals, and

(c) divide by the number of months in the financial year.

(8) In the case of a company which is a parent company, the company qualifies as a micro-entity in relation to a financial year only if—

(a) the company qualifies as a micro-entity in relation to that year, as determined by subsections (1) to (7), and

(b) the group headed by the company qualifies as a small group, as determined by section 383(2) to (7).

Companies excluded from being treated as micro-entities

384B.—(1) The micro-entity provisions do not apply in relation to a company's accounts for a particular financial year if the company was at any time within that year—

(a) a company excluded from the small companies regime by virtue of section 384,

(b) an investment undertaking as defined in Article 2(14) of Directive 2013/34/EU(**11**) of 26 June 2013 on the annual financial statements etc. of certain types of undertakings,

(c) a financial holding undertaking as defined in Article 2(15) of that Directive,

(d) a credit institution as defined in Article 4 of Directive 2006/48/EC(**12**) of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, other than one referred to in Article 2 of that Directive,

(e) an insurance undertaking as defined in Article 2(1) of Council Directive 91/674/EEC(**13**) of 19 December 1991 on the annual accounts of insurance undertakings, or

(f) a charity.

(2) The micro-entity provisions also do not apply in relation to a company's accounts for a financial year if —

(a) the company is a parent company which prepares group accounts for that year as permitted by section 398, or

(b) the company is not a parent company but its accounts are included in consolidated group accounts for that year."

Amendment of Chapter 4 of Part 15 (annual accounts)

5.—(1) Chapter 4 of Part 15 of the 2006 Act is amended as follows.

(2) In section 393 (accounts to give true and fair view), after subsection (1) insert—

"(1A) The following provisions apply to the directors of a company which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B) in their consideration of whether the Companies Act individual accounts of the company for that year give a true and fair view as required by subsection (1)(a)—

(a) where the accounts comprise only micro-entity minimum accounting items, the directors must disregard any provision of an accounting standard which would require the accounts to contain information additional to those items,

(b) in relation to a micro-entity minimum accounting item contained in the accounts, the directors must disregard any provision of an accounting standard which would require the accounts to contain further information in relation to that item, and

(**11**) OJ No L 182, 29.6.13, p 19.
(**12**) OJ No L 177, 30.6.06, p 1, as last amended by Directive 2009/111/EC.
(**13**) OJ No L 374, 31.12.91, p 7, as last amended by Directive 2006/46/EC.

(c) where the accounts contain an item of information additional to the micro-entity minimum accounting items, the directors must have regard to any provision of an accounting standard which relates to that item."

(3) In section 396 (Companies Act individual accounts)—

(a) after subsection (2) insert—

"(2A) In the case of the individual accounts of a company which qualifies as a micro-entity in relation to the financial year (see sections 384A and 384B), the micro-entity minimum accounting items included in the company's accounts for the year are presumed to give the true and fair view required by subsection (2)."; and

(b) after subsection (5) insert—

"(6) Subsections (4) and (5) do not apply in relation to the micro-entity minimum accounting items included in the individual accounts of a company for a financial year in relation to which the company qualifies as a micro-entity."

(4) In section 414 (approval and signing of accounts), for subsection (3) substitute—

"(3) If the accounts are prepared in accordance with the small companies regime, the balance sheet must contain, in a prominent position above the signature—

(a) in the case of individual accounts prepared in accordance with the micro-entity provisions, a statement to that effect, or

(b) in the case of accounts not prepared as mentioned in paragraph (a), a statement to the effect that the accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime."

Amendment of Chapter 10 of Part 15 (filing of accounts and reports)

6. In section 444(**14**) of the 2006 Act (filing obligations of companies subject to the small companies regime)—

(a) for subsection (3) substitute—

"(3) Subject to subsection (3A), the copies of accounts and reports delivered to the registrar must be copies of the company's annual accounts and reports.";

(b) after subsection (3) insert—

"(3A) Except where subsection (3B) applies, where a company prepares Companies Act accounts—

(a) the directors may deliver to the registrar a copy of a balance sheet drawn up in accordance with regulations made by the Secretary of State, and

(b) there may be omitted from the copy profit and loss account delivered to the registrar such items as may be specified by the regulations.

These are referred to in this Part as "abbreviated accounts".

(3B) This subsection applies in relation to the Companies Act individual accounts of a company if—

(a) the company qualifies as a micro-entity (see sections 384A and 384B) in relation to a financial year, and

(b) those accounts are prepared for that year in accordance with any of the micro-entity provisions."

(**14**) Section 444(2) was amended by the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (S.I. 2008/393), regulation 12.