



Department for Business, Innovation & Skills

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

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 21 December 2015.

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Organisation (if applicable): ICAS (The Institute of Chartered Accountants of Scotland)

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Please return completed forms to:

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Please indicate which of the following best represents the group you or the organisation you represent belongs to:

x	Business representative organisation/trade body
	Limited Liability Partnership
	Qualifying Partnership
	Central government
	Charity or social enterprise
	Individual
	Large company (over 250 staff)
	Legal representative
	Local Government
	Medium company (50 to 250 staff)
	Small company (10 to 49 staff)
	Micro company (up to 9 staff)
	Trade union or staff association
	Other (please describe)

If you are an LLP or Qualifying Partnership, are you an individual entity, part of a group or the parent of a group of entities?

	Individual entity
	Part of a group but not a parent
	Parent of a group
	Not sure

If you are an LLP or Qualifying Partnership in the latest year of accounts you have available, what is your:

- a. Number of employees;
- b. Annual turnover; and
- c. Balance sheet total

If you are an LLP or Qualifying Partnership, do you currently prepare your own accounts or use an external accountant or book-keeper to prepare them?

	Accounts prepared internally
	Use an external accountant
	Use a bookkeeper
	Not sure

The Government's Approach to Implementation

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

☐ No

☐ Not sure

Please provide information in support of your answer.

We agree that alignment should be maintained between the accounting and audit regulatory frameworks for LLPs and limited companies. The alignment between the two frameworks is now well established, therefore not maintaining this would put LLPs at a disadvantage compared to limited companies, and would reduce comparability between the two types of entities. Whilst we disagree with a number of the changes introduced by the EU Accounting Directive, such as the reduction in the number of disclosure notes, now that these are part of legislation for limited companies, it is appropriate that the same changes are made for LLPs.

Question 2: What opportunities or challenges do you feel maintaining the reporting alignment 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.

Please provide information in support of your answer.

The chief opportunities presented by maintaining the alignment between the two frameworks are comparability between the two types of entities, and consistency of reporting within groups, where these contain LLPs and limited companies. We believe that some of the changes introduced by the Accounting Directive could have a negative impact on the quality of accounts prepared and filed by small companies, and because the accounts of LLPs are often more complex than those of companies, the challenge this creates is more pronounced. One separate line item that should be retained for LLPs is 'debts due from members' in the balance sheet. If this is simply included within debtors it could distort the picture given by the balance sheet.

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 ☐ No ☐ Not sure

Please provide information in support of your answer.

It is important that early adoption is available to LLPs and Qualifying Partnerships for financial years commencing on or after 1 January 2015 to maintain consistency with limited companies and to ensure that they do not need to go through two changes of financial reporting framework in consecutive years.

The Proposals:

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 ☐ No ☐ Not sure

Please provide information in support of your answer.

As we have previously noted on the introduction of the micro-entity regime in the Companies Act, we have concerns about the level of information provided in a set of micro-entity accounts and believe they will only be appropriate and useful for the smallest and most simple entities. However, LLPs that meet the criteria should also have access to this regime in order to maintain a consistent approach for LLPs and limited companies.

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 ☐ No ☐ Not sure

Please provide information in support of your answer.

Please see our response to question 4.

Implications for the UK's Approach to Statutory Audit:

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 ☐ No ☐ Not sure

Please provide information in support of your answer.

This is appropriate as it is in line with the requirement for limited companies, however is likely to be relevant only very rarely.

Section 9. Costs and Benefits of the proposed reforms:

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.

Costs and benefits to LLPs arising from updating the reporting regime will be similar to those experienced by limited companies. We believe there is a potential cost to entities in terms of the quality of information produced under the new regime – the reduced level of information required for small and micro LLPs could result in the accounts being less useful to users, who may therefore require additional information to be prepared.

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).

Within ICAS, we do not believe there will be a requirement for a significant level of investment in familiarisation with the new regimes, due to the work already undertaken on the small company and micro-entity regimes.

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.

Not applicable.

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?

☐ Yes

☐ No

☐ Not sure

☒ Not applicable

Please provide information in support of your answer.

We believe there is likely to be limited take-up of the option to prepare an abridged balance sheet and abridged profit and loss account, since the accounts are still required to give a true and fair view, meaning that in almost all cases, additional line items will be required.

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 costs and benefits to these entities and others, and if possible provide evidence of the size of the identified costs and benefits.

These will be in line with costs and benefits for companies qualifying as micro-entities.

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.

We believe that the take-up rate for the micro-entity regime is likely to be low – the simplified accounts format is unlikely to provide useful information for all but the most straightforward LLPs and Qualifying Partnerships.