

21 December 2015

John Conway Esq.
Department of Business, Skills and Innovation
3rd Floor, Spur 2
1 Victoria Street
London
SW1H 0ET

Our Ref: SJG

Dear Mr Conway

Deregulatory changes for limited liability partnerships and qualifying partnerships

We are pleased to provide the views of Crowe Clark Whitehill LLP on the questions set out in the consultation document.

Crowe Clark Whitehill is a mid-tier accountancy firm with eight offices and approximately 650 people, operating as an LLP. In responding to this consultation, we provide our comments as advisors to businesses that operate as limited liability partnerships (LLPs) and qualifying partnerships and not in respect of our position as an LLP.

Ever since their inception in 2001, LLPs have been subject to a financial reporting framework that has been broadly aligned with that of private companies (albeit without the requirement for a directors' report or strategic report). We believe it important that this continues and, accordingly, are supportive of the majority of the proposals that have been set out in the consultation.

We are concerned, however, that the anticipated delay in bringing forward the regulations will cause difficulty for a number of LLPs and companies who operate in 'mixed' groups, i.e. where the group contains both companies and LLPs. This is especially the case in considering whether early adoption of the new regulations might be possible. For a business with a 31 December 2015 year end, the financial statements for that year need to be filed by 30 September 2016. Many LLPs and, indeed mixed groups, will want to plan and prepare the financial statements at an earlier stage and it is therefore regrettable that the delay in bringing forward the proposals and regulations may not enable such businesses to plan effectively for the coming year.

On the following pages we set out our responses to the individual questions in the consultation paper.

Yours sincerely



Steve Gale
Head of Professional Standards
Crowe Clark Whitehill LLP

Consultation questions	Crowe Clark Whitehill response
<p>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?</p>	<p> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure </p> <p>For the reasons set out in our covering letter, we believe it important that this is maintained. We do not believe it desirable to create any difference in the financial reporting frameworks that could lead to an unwelcome factor in the commercial decision a business should take in deciding whether to operate as a limited company or an LLP.</p>
<p>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.</p>	<p>The challenges will be greatest where there is divergence between the regimes for small companies and small LLPs.</p> <p>We do not consider there are any particular line items that should be retained if an LLP decides to prepare abridged accounts.</p>
<p>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?</p>	<p> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure </p> <p>This will be particularly helpful for those LLPs that operate in a 'mixed' group with small companies. As noted in our covering letter, however, should the appropriate regulations not be enacted until the summer of 2016, this will cause significant impediment on those LLPs with a year end of 31 December 2015 who may wish to 'early adopt' given the filing deadline of 30 September 2016 that exists for those entities.</p>
<p>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?</p>	<p> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure </p> <p>We agree that this regime should be available to micro-LLPs in the same way it is for micro-companies.</p>

Consultation questions	Crowe Clark Whitehill response
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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure We have no objection to the Government introducing a similar regime for Qualifying Partnerships.
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?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure We believe this to be appropriate.
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.	We anticipate one-off costs in the coming year for those LLPs operating in a mixed group if the LLP regulations are not brought forward as soon as possible. The reasons are as set out above.
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).	We do not provide any comment on this question.
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.	We do not provide any comment on this question.

Consultation questions	Crowe Clark Whitehill response
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?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not sure <input checked="" type="checkbox"/> Not applicable
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.	We do not provide any comment on this question.