



ALIGNING FILING DATES FOR COMPANIES

A RESPONSE BY

THE SOCIETY OF PROFESSIONAL ACCOUNTANTS

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1. EXECUTIVE SUMMARY

1. SPA welcomes and supports all proposals leading to deregulatory action within the population of limited companies, and reduction in regulatory effort required of business managers or their external advising accountants.
2. The alignment of company accounts annual filing dates for Companies House and HMRC submissions appears logical and consistent, and in our view should be:
 - 7 months after APE for all plc, audited or large companies given their evident public interest; public interest information should be available as early as is reasonable
 - 9 months after APE for all private SME companies, as this will avoid creating a second work peak; such companies are predominantly private and aligning their filing dates with the payment of any corporation tax appears sensible and appropriate.
3. The extension of online accounts filing facilities to companies under the Companies Acts and Corporation Taxes Acts is seen as logical, and an effective parallel to the existing successful online filing of Self Assessment tax returns and annual PAYE returns.
4. SPA welcomes proposals for a single Company Tax Return to replace the present requirement to file either Abbreviated or Full accounts at differing times.

May we suggest that, as with personal tax returns, 'white space' is provided for any commentary on the accounts to be provided where thought helpful to HMRC.

5. Given the diverse nature of the population of companies the proposed consistency of approach to filing should benefit Government statistics and third party enquiries but, whilst providing certainty of procedure and eliminating differing timescales, will not in our view provide significant cost benefit to those companies concerned or their advising accountants.

Two further observations are made for consideration within the proposed alignment process.

6. Given the need for an understanding of both the Companies Acts and Corporation Taxes Acts to prepare accurate statutory accounts and tax returns, it is hoped that both HMRC and Companies House will find means of encouraging Company Directors, who may not understand the need for such knowledge, to engage the services of a professionally qualified accountant to assist them in this respect.
7. It is suggested that an anomaly currently existing between late filing of corporate and personal tax returns should be eliminated, namely that any penalties be limited to the amount of tax due if less than the statutory penalty available.

2. BACKGROUND TO SPA

- 2.1.** SPA is a wholly independent society of small practitioners holding a qualification issued by a recognised professional accountancy institute. It was formed in early 1996 and currently there are some of 1,500 member practices. Our members provide accountancy services to an estimated 75,000 private small limited companies.
- 2.2.** The Society's stated policy is to promote and improve the relationship between members and their Institutes by providing constructive criticism together with practical proposals for improvements. Further to provide commentary and proposals to other authorities influencing our practising environment.
- 2.3.** SPA has previously made submissions on small limited company activities to the DTI on Audit Exemption levels, to the Accountancy Standards Board on Financial Reporting Standards for Small Entities (FRSSE), to the DTI on Modern Company Law 'Developing the Framework' including a commentary to the DTI on the benefits obtained from raising the audit threshold to £1 million.

3. RESPONSE TO SPECIFIC QUESTIONS POSED

Q.1. Do you agree that providing a single online filing service for companies to file their tax return and their accounts to Companies House will be of benefit to companies? We would particularly welcome any modelling or estimation of the likely benefits, to inform our Regulatory Impact Assessment.

Q.2. Can you suggest other beneficial ways, beyond the alignment of company filing requirements, that Companies House and HMRC could work together to offer more integrated arrangements to the benefit of companies?

Response 1 & 2

i) We agree that a single online filing service for Companies will provide certainty of action and consistency of approach.

ii) It is understood that the majority of small companies file Abbreviated Accounts with Companies House, but must file Full Accounts with HMRC; preparation of two differing sets of financial statements is not a significant cost as it is believed most external accountants use appropriate company accounts production software.

iii) SPA welcomes the proposals that the Company Tax Return be designed so that the Abbreviated Accounts information may be abstracted from Full Accounts data. This should remove the need to submit the original signed accounts, which would be retained by the company as a formal record for inspection in the ordinary way.

iv) An advantage arising from (iii) is that it would provide a consistent means of recording company data at Companies House across the whole population of companies. This should enable better Government analyses, comparisons, or third party enquiries by improving the quality and availability of such data.

Q.3. Are there benefits from the alignment of filing dates that we may not have identified? We invite responses suggesting how the benefits might be increased.

Response 3

None of which we are aware. The previous accounts filing deadline for HMRC was generally met, as corporation tax work was done to provide the necessary provision within the company's accounts. SPA has responded earlier to the Company Law Reform Group suggesting that these filing dates be aligned as now proposed.

Q.4. Are there issues in relation to alignment which we have not identified, and which may add costs or compliance burdens? We would welcome views on the significance of transition. We would particularly welcome any modelling of transitional costs and proposals for how they can be minimised.

Response 4

Those companies that are VAT registered must keep accounting records up to date, however this is not always the case for those not registered or with lower (than VAT threshold) turnover. Little perceived difficulty is seen in meeting the proposed aligned dates (but see answer to Q.5. below) which will be organisational rather than increased effort.

Q.5. Are there significant difficulties with Option 1 as opposed to Option 2?

Response 5

SPA would favour Option 2 as it would create no further demand on resources. Limited resources are already under pressure when assisting Companies with the most frequently found year end accounting dates, namely 31 March, 30 June and 31 December – and where the first of these conflicts with a critical work and holiday period, being Christmas holidays and self assessment filing deadline of 31 January.

Adopting a 7 month filing date would create another peak in the summer holiday

period for these having to file within 7 months of the 31 December year end, whilst those ending on 30 June would now fall within the Christmas holiday/self assessment filing deadline.

Q.6. If we were to adopt Option 1, would it help companies and agents if we were to provide a transition period? For example, we might advance the filing date in two steps, first to 9 months and then to 7 months a year to two later.

Response 6

Whilst SPA would not favour adopting a 7 month filing period, if this were to prevail it would undoubtedly be helpful to have a transition period, given the need for both company managers and accountants to reschedule their workloads accordingly. We would suggest that 9 months be adopted for all small and medium sized private companies, with Plc and other audited or large companies being those who would be required to file after 7 months; it is reasonable to expect public interest information to be available as early as possible.

Q.7. We would welcome responses on timing. We aim to make transition as smooth as possible, in respect both of companies' and agents' annual cycles, and of other changes affecting them.

Response 7

The proposed time for introduction of aligned filing dates in late 2007 is acceptable.

- Q.8. Would the proposed change be beneficial? We would welcome responses suggesting how the potential benefits could be increased.**
- Q.9. Are there any disadvantages to business from the proposed change to the enquiry window? If so, what could be done to improve the proposal?**

Response 8 & 9

SPA welcomes the proposed change to the enquiry window, which encourages companies to file their annual accounts earlier than the official filing deadline. We are aware of no disadvantages with this proposal.

- Q.10. Are grouped companies likely to benefit in practice from these proposals? We would welcome alternative suggestions for enabling groups to benefit from the change to the enquiry window without compromising risk assessment.**

Response 10

We do not have any observations on this question as it is almost entirely outside the remit of company accounts prepared by our members.

- Q.11. Are there particular issues for clubs and unincorporated associations in relation to these proposals, which we should take into account?**

Response 11

We do not think there are any separate issues to be considered that have not already been addressed for small or medium sized private companies earlier in this response.

- Q.12. Are there consequential implications for other provisions that cause particular concern to companies and their advisors?**

Response 12

None of which we are aware.