

BUSINESS GUIDE: SETTING UP IN THE UK

YEAR-END ACCOUNTING AND TAXATION

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This business guide is brought to you by the Swedish Chamber of Commerce for the UK in partnership with SCC member firm Accountum. This information is for guidance purposes only and should not be regarded as a substitute for taking legal advice.

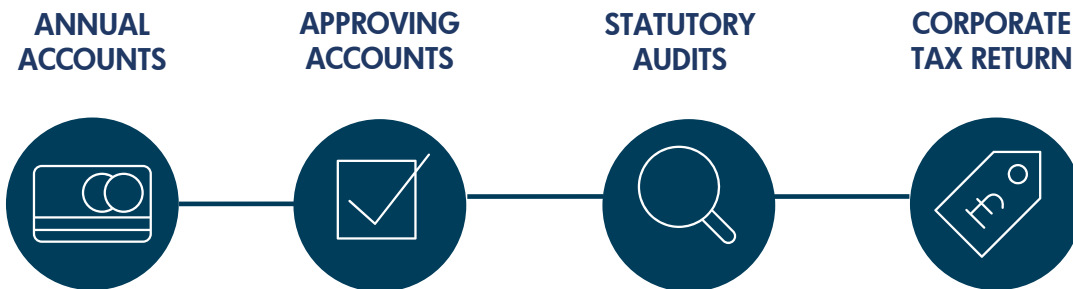
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YEAR-END ACCOUNTING AND TAXATION

As a general rule, all UK registered companies and registered branches must file annual accounts and corporate tax returns for each financial period each year. This guide will go through the key requirements and processes to comply with the year-end filings at Companies House and HM Revenue & Customs (“HMRC”).

You should always use a qualified and registered firm of accountants to assist you with preparing annual accounts and tax filings to ensure you comply with your duties as a director.

This guide gives you an overview of the key requirements and processes to comply with the year-end filings at Companies House and HMRC.





ANNUAL ACCOUNTS

FRS102 is the financial reporting standard applicable in the UK, unless entities are applying EU-adopted IFRS, FRS101 or FRS105.

For entities that qualify for the small company regime (SCR) can use a simplified version of FRS102 when preparing and filing accounts under FRS 102 s.1a. This means that only the balance sheet and notes must be filed at Companies House, and many of the disclosure requirements under full FRS 102 will not apply.



QUALIFY FOR THE SCR

To qualify for the SCR, at least two of the three qualifying conditions listed below must be met (note there are some exemptions e.g. if the entity has a parent company listed on a recognised stock exchange):

	Small Co	Holding company for Small Group
Turnover	≤£10.2 million	≤£10.2 million-net ≤£12.2 million-gross
Balance Sheet Total	≤£5.1 million	≤£5.1 million net ≤£6.1 million-gross
Employees	≤50	≤50



ANNUAL ACCOUNTS



FINANCIAL PERIOD

The financial period is often **12 months** and an entity will automatically be allocated the financial year end month in which they are incorporated. If an entity is incorporated in August 2020, the first financial period end will be 31 August 2021.

Many entities change the financial year-end to a date more suitable for them, e.g. same as the parent company. It is very straight forward to change the financial period.

You can shorten the financial year-end as many times as you want. The minimum period you can shorten the year-end with is 1 day at the time.

You can also lengthen your company's financial period up to a maximum of **18 months**. This can only be done **once every 5 years**.



FINANCIAL STATEMENTS

A complete set of annual accounts/financial statements prepared under FRS102 includes:

- ✓ a statement of financial position (balance sheet);
- ✓ either;
 - ✓ a single statement of comprehensive income incorporating profit or loss for the period and items of other comprehensive income; or
 - ✓ a separate income statement (profit and loss account) and a separate statement of comprehensive income;
- ✓ a statement of changes in equity;
- ✓ a statement of cash flows; and
- ✓ notes to the accounts.



APPROVING ACCOUNTS

The director/s is/are responsible for approving the accounts. This is often done at an Annual General Meeting. Even though it is not required by law for a small company to hold an AGM, it is still best practice.

Hard copies of the accounts can be signed and submitted. However nowadays e-signatures are more common. Companies House recognises e-signatures of signed accounts. We recommend that an “advanced” e-signature is used, e.g. Docusign, Adobe Sign and similar software.

Sign here



FILING DEADLINES

Private limited companies must file their annual accounts **9 months** after the financial year end date.

Public Limited Companies (PLCs) must file their accounts **6 months** after the financial year end date.

Most annual accounts can be filed online either through a professional software or electronically by logging in to your account with Companies House. It is best practice to use a qualified accountant to assist with the preparation of the accounts and filing.

Signed hard copies can also be posted to Companies House.

Annual accounts are filed at Companies House. At Companies House you can find information about any registered company, filings and general guidance and information about a companies life in the UK.



[gov.uk/government/organisations/companies-house](https://www.gov.uk/government/organisations/companies-house)



STATUTORY AUDIT

The Companies Act 2006 states that a company's annual accounts for a financial year must be audited unless the company is exempt from audit (s475). There are four potential ways to obtain audit exemption:

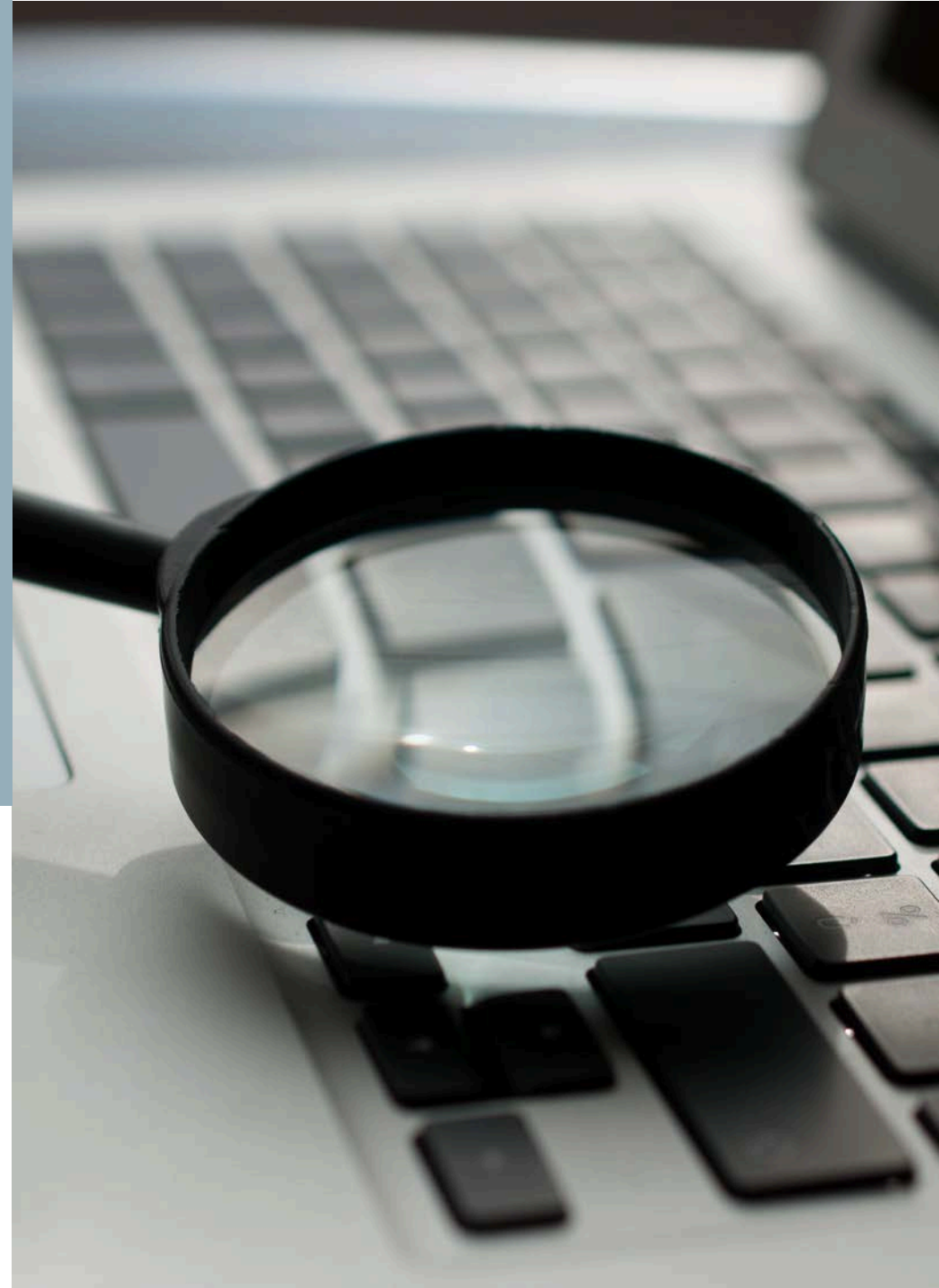
1. **Small standalone company**
2. **Small member of a small group worldwide**
3. **Any sized company in a UK or EEA group with parent guarantee**
4. **Dormancy**

To qualify for audit exemption as a small company or as a member of a small group, the same qualifying conditions as set out above for SCR applies.



Please note that even if the UK entity on a stand-alone basis meets the criteria for audit exemption, the exemption will not be available if the group as a whole is not considered a small group.

To qualify with a parent guarantee there are a large number of requirements to be met in order to claim audit exemption. For example, the parent's consolidated accounts must be translated into English and filed with Companies House. For financial periods commencing on or after UK's exit date from the EU, the guarantee exemption will no longer be available for EU parent companies to a UK subsidiary.





CORPORATE TAX RETURN ("CT600")

All companies, unless otherwise agreed with HMRC, must submit a tax return for their financial year-end and pay any tax due.

The filing deadline is 12 months after the financial period end. However, the tax payment due date is 9 months and 1 day after the financial period end. It is also important to note that unlike the financial period for filing accounts, the financial period for tax can never exceed 12 months. This means that if you have a financial period for accounting purposes of more than 12 months you are required to file 2 CT600s for that accounting period.

As an example, if you incorporate on 1 August 2020 with an accounting financial period from 1 August 2020 to 31 August 2021, you will have to file one CT600 for the period 1 August 2020 to 31 July 2021 and an additional CT600 for the period 1 August 2021 to 31 August 2021.

The filing and payment deadlines apply to the financial periods for tax purposes, not the accounting period.



The current UK rate of corporation tax is **19%** (as of August 2020).

The UK tax year for companies runs from **1 April to 31 March**. Any tax rate changes are likely to happen from 1 April each year. This means that you may see different tax rates if your financial year spans over 2 tax years.

All CT600s must be filed online with HMRC and include iXBRL tagged detailed financial statements.



SWEDISH CHAMBER OF
COMMERCE FOR THE UK

WE HELP BUSINESSES TO ESTABLISH, GROW AND DEVELOP

The Swedish Chamber of Commerce for the United Kingdom – a not for profit organisation – is the ultimate platform for entrepreneurs and businesses within the Swedish-British business community. Founded in 1906 – by business and for business – we have represented, inspired and promoted our members, extended commercial relations between our countries, and delivered first-class services and events for over a century.

We serve a broad and diverse network of businesses – from entrepreneurs and start-ups to large corporates, and passionately aspire to provide the most relevant and valuable services. We support businesses throughout their life cycle, whether they are expanding into the UK, developing their business or wanting to connect more widely within the community.

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ABOUT ACCOUNTUM

Accountum Limited is a London based firm of Chartered Accountants and Chartered Tax Advisers specialising in helping Swedish businesses setting up and prosper in the UK. We assist with everything from advising on business structure, registering companies, setting up and running cloud based bookkeeping, payroll, VAT and monthly reporting through to year end accounts, CT600 and business advisory.

We believe in using the latest technology to control the financial reporting process so that we can focus more on advising clients in real time.

As qualified Chartered Accountants and Tax Advisers we focus on giving our clients “a one stop shop” for all accounting and taxation needs and to provide that piece of mind when they set up in the UK.

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