Regulatory Policy Committee	**Validation of the One-in, Two-out Status and the Net Direct Impact on Business**
Validation Impact Assessment (IA)	Company filing requirements
Lead Department/Agency	Department for Business, Innovation & Skills
IA Number	Not provided
Origin	Domestic
Expected date of implementation	1 October 2015 (SNR10)
Date of Regulatory Triage Confirmation	Not applicable (Red Tape Challenge)
Date submitted to RPC	22 May 2014
Date of RPC Validation	2 July 2014
RPC reference	RPC14-BIS-2041(2)
Departmental Assessment	
One-in, Two-out status	**OUT**
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	**-£13.8 million**
RPC assessment	**VALIDATED**

Summary RPC comments

The validation IA is fit for purpose. The RPC is able to validate the estimated annual savings to business of £13.8 million. The previous IA, that was not fit for purpose (as set out in our opinion of 14 April 2014), estimated the annual savings to business as £37.7 million. The IA now provides a clear explanation of how the Department has calculated the impacts on business and the underlying assumptions.

Background (extracts from IA)

What is the problem under consideration? Why is government intervention necessary?

"The Government wants to reduce the number of unnecessary regulations (regulatory failure) that hold back businesses while ensuring that both workers and the public are protected.

1) If companies are required to file unnecessary information they incur compliance costs without any corresponding benefits. For instance, stakeholders have highlighted (as part of the Company and Commercial Law Red Tape Challenge) duplication in relation to requirements to hold information both at Companies House and at a company's Registered Office; and requirements to file information with Companies House more than once (companies having to file a return each year setting out the basic details of the

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company where these details had not changed in the year or where information has already been updated within the year).
2) If information that is publicly available about a company is inaccurate, this may have adverse consequences for those who search this information to decide whether to deal with the company. For example, there have been complaints about individuals being appointed as directors without their knowledge. Incorrect information on the public register may have adverse consequences for those involved with companies. Where a person has been registered as a director without their permission, the only way of resolving the issue is to go to court, with the associated costs. Government intervention is therefore necessary to ensure that the public register is as accurate as possible and that mechanisms are in place to rectify any inaccuracies on the register."

What are the policy objectives and the intended effects?
"The objective is to ensure that the filing requirements on companies do not impose unnecessary burdens on business whilst also ensuring that the information on the public register is as accurate as possible. In particular the aim is to remove duplication and make it simpler for all companies, especially small companies, to file their statutory information with Companies House (the public register). The policy aims to simplify the current processes and offer companies flexibility when filing company information on the public register. The proposals will not change the information that a company needs to gather or hold but will reduce the number of interactions with the company register."

RPC comments

The proposal is to implement a package of measures, with several strands, to reduce regulatory burdens on businesses by streamlining and improving Companies House reporting requirements. The proposals will:

- remove the need to submit an annual return on a specified date, and replace it with a requirement to check and confirm the information at least once in a 12-month period;
- give private companies the option for types of registers to be held by Companies House;
- simplify the requirements for statements of capital; and
- streamline the processes for striking off companies from the public register, and amend 'Consent to Act' form requirements.

The majority of the annual cost savings to business are as a result of the changes to the annual returns requirement (£23.2 million each year). These are partially offset by the one-off familiarisation costs (totalling £50.8 million) and transitional IT costs (£5 million) associated with the proposals.

Following our previous opinion (14 April 2014), the IA now provides a clear basis for the underlying assumptions. In particular, the IA now makes effective use of Companies House data to provide more accurate information on the proportion of businesses using agents and the time taken to complete

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forms through existing IT software, resulting in lower estimates of the cost savings in making annual returns.		
Signed		**Michael Gibbons,** Chairman

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