Fast track: deregulation
Origin: domestic
Date of implementation: 1 January 2016
RPC reference number: RPC-3045(1)-BIS

Regulatory Policy Committee

Remake of The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2012

Department for Business, Innovation and Skills

RPC rating: confirmed as deregulatory

Description of proposal

The proposal is to extend, beyond 31 December 2015, existing regulations giving companies listed in the US or Japan a maximum of three years (instead of the usual 18 months) to comply with UK reporting requirements if they choose to relocate their headquarters to the UK. This avoids additional costs to business (e.g. hiring new internal and/or external accounting resources) associated with a conversion of accounts within 18 months. Easing the regulatory burden in this way helps to attract companies to domicile in the UK.

The proposal would also go further than the existing regulations by providing a transition period of up to four years for companies to convert their accounts, rather than up to three years under the existing temporary provisions.

Impacts of proposal

The proposal would allow a relatively small number of economically significant companies to make use of an extended transition period and reduce the costs of transition by undertaking accounting conversion work over a longer period of time.

The Department has not quantified the costs but, from the experience of the existing regulations, it identifies familiarisation costs only and expects these to be negligible. The Department assumes that companies considering re-domiciling would be large organisations with a good knowledge of international tax and accounting regimes. The Department assumes, therefore, that the minor changes to the existing regulations will require little extra resource.

The Department estimates the net benefits to be similar to those derived under the existing regulations. These were estimated and validated by the RPC to produce annual net savings to business of £1.1 million each year. The savings could be greater over a longer transition period when take-up by companies could also be higher. However, given that the proposal replaces a measure due to expire in December 2015 but scored as a benefit in the 2010-15 regulatory account, the calculation of the EANCB should be in accordance with the better regulation framework guidance on time-limited measures.

The Department identifies a further possible benefit related to saving money spent on auditing two sets of accounts under different accounting principles (e.g. UK and US). The Department has not quantified this potential benefit but proposes to gather further evidence to refine estimates for the final stage. As presented, such a benefit would appear to be indirect.

RPC comments

The triage assessment mentions evidence from a post-implementation review of the existing regulations - in particular, how a longer period of the transition of accounts to UK requirements reduces business costs. The final stage impact assessment should include this evidence and show how it is reflected in the equivalent annual net cost to business figure.

Initial departmental assessment

Classification	In scope

RPC assessment

Classification	In scope
Small and micro-business assessment	Not required (fast track - deregulation)

Michael Gibbons CBE, Chairman