



By email to: E-mail: [john.conway@bis.gsi.gov.uk](mailto:john.conway@bis.gsi.gov.uk)

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

17 December 2015

Dear Sir,

**Consultation on simplification of the financial reporting requirements for LLPs and Qualifying Partnerships**

We welcome the opportunity to respond, on behalf of PricewaterhouseCoopers LLP, to the consultation paper on simplification of the financial reporting requirements for LLPs and Qualifying Partnerships.

We note that the delay in issuing this consultation is not ideal. We agree that the Government should maintain the alignment between the accounting and audit regulatory frameworks for LLPs and limited companies. The frameworks have been aligned for many years and we see no reason why there should be differences.

At this stage it would be preferable to be commenting on the actual content of the new regulations rather than whether such regulations should be introduced. We recommend that the new regulations are made available for comment as soon as possible with a view to making the new regulations available no later than April 2016. This is because we think it would be helpful if the regulations permitted early adoption for financial years commencing on or after 1 January 2015 to be consistent with the option available for companies. If the regulations are not available until the summer of 2016 this practically makes it very difficult for LLPs with December 2015 years to actually adopt the regulations early (see further our response to question 3 in the attached Appendix).

We respond to the specific questions in the appendix to this letter.

If you have any questions please do not hesitate to contact Peter Hogarth on 020 7213 1654.

Yours faithfully,

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP

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## **Appendix**

### **The Government's Approach to Implementation**

*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?*

☒ **Yes**                      ☐ **No**                                      ☐ **Not sure**

*Please provide information in support of your answer.*

Yes. Having different rules even temporarily is an additional burden on business.

*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. Please provide information in support of your answer.*

As the option to prepare abridged accounts is now established in law for small companies (if agreed by all members) we see no reason why the option should not be available for LLPs.

As for small companies we would recommend that the abridged balance sheet shows the line items preceded by letters and roman numerals in the prescribed formats. For LLPs the current regulations have specific line items for loans and other debts due to members and members other interests (preceded by the letters J and K respectively). These line items should be maintained in any new regulations. We would recommend that an abridged profit and loss account show the line item members remuneration charged as an expense (although not currently a statutory line item the LLP SORP recommends that non-discretionary amounts due to members in respect of participation rights in the profits of the LLP should be presented as an expense in a separate line item).

*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?*

☒ **Yes**                      ☐ **No**                                      ☐ **Not sure**

*Please provide information in support of your answer.*

We think it would be helpful if the regulations permitted early adoption for financial years commencing on or after 1 January 2015 to be consistent with the option available for companies and so

that the regimes are aligned. However, if the regulations do not become available until the summer of 2016 this practically makes it very difficult for LLPs with December 2015 years to actually adopt the regulations early as there would be limited time to consider the new regulations given the close proximity in timing of issue to the accounts filing deadline.

In addition, the LLP SORP may need updating to reflect certain aspects of the regulations and if the regulations are adopted early many LLPs would have to prepare and file accounts before an updated SORP would be available. This may deter many LLPs from early adoption.

As a consequence we would recommend that the new regulations are made available as soon as possible and no later than April 2016.

### **The Proposals**

*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?*

☒ Yes      ☐ No      ☐ Not sure

*Please provide information in support of your answer.*

Yes. We see no reason why the micro entity regime that is available for limited companies that meet relevant size criteria should not also be available for LLPs.

*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?*

☒ Yes      ☐ No      ☐ Not sure

*Please provide information in support of your answer.*

Yes. We see no reason why the micro entity regime that is available for limited companies that meet relevant size criteria should not also be available for qualifying partnerships.

### **Implications for the UK's Approach to Statutory Audit**

*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?*

☒ Yes      ☐ No      ☐ Not sure

*Please provide information in support of your answer.*

We agree that the audit exemption requirements for small LLPs should be aligned with those for small companies. Therefore, we agree that a small LLP should not be ineligible if it is a member of a group where one or more of its members is a plc (public company). We agree that, as for small companies, if the LLP itself has transferable securities admitted to trading on a regulated market on an EEA state or

is a member of a group where one of its members has transferable securities admitted to trading on a regulated market in an EEA state then the small LLP should not be exempt from audit.

### **Costs and Benefits of the proposed reforms**

*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.*

Given preparers have been familiarising themselves with the requirements of the new deregulatory regime for limited companies; having aligned regimes for LLPs should not result in any excessive additional burden particularly for those groups that include both companies and LLPs. Having aligned regimes is less confusing and will reduce costs in the long run.

*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 have already familiarised ourselves with the new regulations for limited companies. On the assumption that the regulations for LLPs will be similar and aligned, we do not expect it to take a significant amount of time to understand and educate our staff of the new requirements.

*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 report under IFRS and are not a small LLP so the question is not applicable for our organisation.

*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?*

☐ Yes      ☐ No      ☐ Not sure      ☒ Not applicable

*Please provide information in support of your answer.*

See response to question 9.

*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.*

Given preparers have been familiarising themselves with the requirements of the micro entity regime for limited companies, having aligned regimes for LLPs should not result in any excessive additional burden particularly for those groups that include both companies and LLPs. Having aligned regimes is less confusing and will reduce costs in the long run.



*Question 12: What proportion of eligible LLPs and Qualifying Partnerships would you expect to take advantage of the micro-entity regime? Please provide supporting evidence for your view.*

We would expect a significant proportion of eligible LLPs and Qualifying Partnerships to take advantage of the micro-regime given its requirements reflect the simpler nature and smaller size of micro-entities. However, we have no data to support this expectation.

