



Department for
Business, Energy
& Industrial Strategy

Corporate Transparency and Register Reform

Consultation on improving the quality and
value of financial information on the UK
companies register

Closing date: 03rd February 2021



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Introduction

Purpose of this consultation

1. In 2019, the Government consulted on a range of options to enhance the role of Companies House, increase the transparency of corporate entities and help combat economic crime. On 18 September 2020, the Government published a response to the Corporate Transparency and Register Reform Consultation¹. It set out a broad package of reforms to Companies House to ensure it is fit for the future and continues to make a valuable contribution to the UK's business environment. The proposed reforms are also designed to give Companies House a more effective role in assisting the Government's wider efforts to tackle economic crime affecting the UK by improving the integrity of the information available about companies and other business entities.
2. The Government response also noted that we would consult further on certain aspects of the reform package: on the detailed scope of the new querying power and how it will work in practice²; and on further improvements to the financial information available on the companies register, primarily through the submission of accounts to Companies House. We are also taking this opportunity to consult further on a new set of principles for Corporate Director appointments³ given the transparency read-across to our wider package of reforms.
3. The Government is publishing these consultations separately, and in parallel, given differing stakeholder interests, and recognising that stakeholders may not wish to respond to all questions were the consultations to be combined.
4. In the 2019 consultation ("the first consultation") the proposals concerning the value of financial information on the companies register ("the register") received strong support, but respondents challenged us to be more ambitious in the scale of reforms under consideration. This consultation addresses those challenges and sets out the vision for reform of accounts filings and proposals to deliver this. We look forward to receiving your response.

¹ <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform>

² <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-powers-of-the-registrar>

³ <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform-implementing-the-ban-on-corporate-directors>

The filing of financial information: the current position

5. Under the Companies Act 2006 (“the Act”), directors of a company are required to prepare and approve accounts and reports for each financial year and to file a copy with the Registrar of Companies (“the Registrar”). Filing requirements vary depending on the size (small, medium or large) and type of the company. Within the small company classification there is a sub-set called a micro-entity, which is applicable to very small companies. These classifications are defined by certain thresholds for turnover, balance sheet total (meaning the total of the fixed and current assets) and the average number of employees.
6. There are also additional rules forbidding certain types of company from being classified as medium, small or a micro-entity. Any companies that do not meet these criteria or otherwise exceed the micro/small/medium thresholds are defined as large companies and have to prepare and submit full accounts, i.e. file a copy of the accounts prepared for the members/shareholders.
7. The time allowed for delivering accounts to the Registrar depends on whether the company is publicly or privately owned. Public companies have 6 months from the end of their accounting reference period to file and private companies have 9 months from the end of the accounting reference period to file⁴.
8. Accounts can currently be filed on paper or online (either via the Companies House web-filing service or using a software package). Accounts and reports filed with the Registrar are published on the register. Companies House conducts limited checks before accounts are accepted. These include checking the company name, number and the accounting reference date; that the directors report (if present) and balance sheet are signed, and the necessary audit exemption statements are on the balance sheet. Certain companies must file accounts with the Registrar and other regulatory bodies; the filing requirements and deadlines can be different for each regulatory body.

⁴ For all newly formed companies, their first accounting reference period will end of the last day of the month in which the anniversary of their incorporation falls. Subsequent accounting reference periods will automatically end on the same date each year. For example, a company incorporated on 6 April 2020 would have a first accounting reference period ending on 30 April 2021 and 30 April for every year thereafter. Companies can apply to Companies House to extend or shorten the period.

The case for reform

9. Company accounts contain valuable financial information and are published on the register to support investment, enable business transactions and hold directors to account. A recent report⁵ has shown that the financial information held at Companies House is the most valuable dataset for its customers. The information is used by businesses, financial institutions, civil society groups, academics, journalists and the public at large. Improving the quality and integrity of the information will bring widespread benefits.
10. As part of our broader proposals to reform the register, the Government believes there are opportunities to improve the way financial information is filed with, and published by, Companies House. We are seeking to deliver benefits for those filing information, the users of that information, for Companies House and for the rest of government. The proposals in this consultation seek to:
 - Deliver efficiencies for filers, users and Companies House by requiring digital submission of accounts in a machine-readable format, bringing the UK into line with global best practice;
 - Expand the use of tagging standards to make comparison and bulk analysis of accounts simpler for investors and assist businesses seeking investment;
 - Simplify the multiple processes for filing financial information across Companies House and HMRC systems, and explore opportunities for filing financial information once with government;
 - Tackle fraud and error by closing known loopholes in filing requirements and address problems of companies filing the wrong set of accounts;
 - Improve the quality and value of information on the register by reviewing the timescales for delivering accounts and exploring options to improve how information is displayed; and,
 - Require additional information to be submitted with accounts to improve their statistical and analytical value.
11. The Government is also planning to strengthen the powers of the Registrar, including giving her a discretionary power to query and check information before it is placed on the register. This means the Registrar will no longer be obliged to accept documents that, on the face of it, appear to be compliant with the requirements of the law. The scope of the Registrar's new power is being consulted on separately in the Registrar's Powers consultation. It is relevant to this consultation in section 8 when we address if and when the Registrar should query accounts submitted to her. In considering the reform proposals set out here, respondents to this consultation may wish to consider and respond to these broader proposals.
12. Separately, HMRC are currently consulting⁶ on the principles for the design of Making Tax Digital for Corporation Tax. The consultation addresses areas of shared interest, such as: the alignment of filing and accountancy dates, XBRL tagging and Company Accounts and Tax Online (CATO) software. Companies House will work with HMRC to understand their consultation responses and consider opportunities to jointly develop future proposals.

⁵ <https://www.gov.uk/government/publications/companies-house-data-valuing-the-user-benefits>

⁶ <https://www.gov.uk/government/consultations/making-tax-digital-for-corporation-tax>

Summary of Proposals

This consultation sets out proposals under three themes:

13. Part A: How information is submitted to Companies House

The first part of the consultation focuses on how accounts are delivered to Companies House and options for progressing towards filing once with government. This part of the consultation outlines proposals to require accounts to be delivered digitally and to introduce full tagging of accounts. It also seeks views on reducing timescales for accounts to be filed.

14. Part B: What information should be filed at Companies House

This part of the consultation outlines the information that is currently required by Companies House and asks whether further information might improve the value of the register. The Government is proposing that company directors should confirm the company's eligibility to file certain types of accounts and seeks views on revising the small company accounts filing options.

15. Part C: What Companies House does with this information

The final part of the consultation explores what Companies House should do with information it receives in accounts. It sets out proposals to increase the checking of accounts and asks for views on how financial information could be better displayed on the register.

Next Steps

The Government will consider responses to this consultation in parallel with the other aspects of register reform set out above and will confirm its plans in 2021. These measures will require primary legislation.

General information

Consultation details

Issued: 9th December 2020

Respond by: 03rd February 2021

Enquiries to:

Business Frameworks

Directorate Transparency and Trust Team

Department for Business, Energy and Industrial Strategy

1st Floor 1 Victoria Street

London SW1H 0ET

Email: transparencyandtrust@beis.gov.uk

Consultation reference: Improving the value and quality of financial information on the UK companies register

Audiences:

The views of the following people and organisations would be particularly useful:

- Accountants and accountancy firms
- Directors of companies (and officers of other corporate entities)
- Business representative bodies
- Auditors and auditing firms
- Wider civil society groups
- Academics and think tanks
- Members of the public.

Territorial extent:

The UK Government is responsible for the operation and regulations of business entities in England and Wales, and in Scotland. Previously, the Northern Ireland administration has agreed that, while the operation and regulation of business entities remains a transferred matter within the legislative competence of the Northern Ireland Assembly, amendments to the Companies Act 2006 and legislation regulating business entities should be made in the same terms for the whole of the United Kingdom.

How to respond

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome. Your responses can be made in three ways:

Respond online at:

<https://beisgovuk.citizenspace.com/business-frameworks/improving-financial-information-on-the-register>

or

Email to: transparencyandtrust@beis.gov.uk

Write to:

Business Frameworks Directorate Transparency and Trust Team
Department for Business, Energy and Industrial Strategy
1st Floor 1 Victoria Street London
SW1H 0ET.

When responding, please state whether you are responding as an individual or representing the views of an organisation. Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Part A: How information is submitted to Companies House

This part of the consultation focuses on how accounts are delivered to Companies House and options for filing once with government. This part of the consultation outlines proposals to require accounts to be delivered digitally and to introduce full tagging of accounts. It also seeks views on reducing timescales for accounts to be filed.

Section 1: Towards file once with government

16. The UK's requirements for corporate reporting impose costs on business and on government. By working to align processes, standards and systems across government organisations, we can reduce burdens on companies, as well as increase the efficiency and effectiveness of government agencies in their ability to regulate, monitor and prevent fraudulent activity, making more effective use of public money.
17. Adopting a 'file once with government' approach was raised by many of the respondents to the first consultation, which asked how financial information on the register could be improved. Suggestions included adopting a centralised accounts submission standard; ensuring that all government bodies receive identical information; using one portal for all filing purposes and prepopulating information once it has been filed with one organisation to reduce duplication of effort when filing for the next.
18. The concept of 'file once with government' in respect of company accounts is not new. It has been discussed many times as part of previous administrations' deregulatory measures. However, it has never been clearly defined and options have not been fully explored. Some steps have previously been taken towards greater alignment. For example, a joint filing service has been developed to allow small companies to file their accounts information with Companies House at the same time as they file their company tax return with HMRC. However, significant differences in filing requirements, purposes and timings remain and have proved too great a challenge for any further significant progress to be made. Full alignment would require fundamental changes in tax and company legislation, the challenge of which should not be underestimated.
19. However, with continuous improvements in technology, and the growing need to tackle financial fraud, it is timely to look again at the scope to move towards greater alignment. Options could include:
 - Enabling companies to file their accounts in one central place and for all government bodies to extract the information they need from that central source; or
 - Developing technology that would send the relevant information to each government organisation at the relevant time.

20. Getting the right data in the right place at the right time is a fundamental driver of value for money in government. If achieved, it will improve services, increase efficiency for users, reducing their costs in relation to analysing the data and reduce the risk of fraud occurring. Stakeholder feedback suggests that there is a greater propensity for fraudulent activity when there is the opportunity for inconsistencies of filings.
21. There are a number of proposals throughout this consultation which will place us in a better position to progress towards a 'file once with government' approach, in particular:
 - Requiring accounts to be filed in a consistent digital format; and
 - Making it a legal requirement for the same set of accounts that is prepared for the company's shareholders to be filed with all government bodies.
22. Developing cross-government rules, standards and processes to collect, store, record and manage company data will bring benefits for preparers and users of financial information and create efficiencies for government. The Government would welcome responses to the following questions, to inform longer-term progress towards 'filing once with government'.

Q1: What features of the Companies House and HMRC filing regimes should be kept under a harmonised filing process?

Q2: What information (if any) in annual accounts should not be made public?

Q3: What benefits do you envisage for filing once across government?

Q4: What challenges do you envisage for filing once across government?

Section 2: Requiring financial information to be delivered in a digital format

23. In order to prepare for the future, keep up to date with international best practice and maintain its position as a world-leading registry, Companies House will become a fully digitally enabled organisation. Filing information digitally is easier, quicker, and more secure for filers. Filing accounts digitally will reduce processing costs for Companies House, ensuring better use of public money, and should reduce costs for companies that file and the processing costs of users that access the financial information.
24. Requiring all financial information to be delivered in a digital format at Companies House is a crucial step towards companies being able to file their financial information once across government and is crucial in ensuring proposals referenced elsewhere in this consultation can be achieved.
25. The first consultation asked for opinions on how financial information, held on the register, could be improved. Many respondents suggested that all reporting should be in a digital format to improve the quality of the data and ensure it is more useable. Receiving information digitally increases the value of data, allowing it to be more easily shared and compared, and ensures greater consistency.
26. In 2019, 99% of company incorporations and 99.5% of confirmation statements were filed digitally at Companies House. However, the figure for accounts was significantly lower – at 85%. As 15% of companies are filing paper accounts, this means that the financial information of approximately 475,000 companies cannot be easily shared, analysed, compared or checked for compliance with accounting regulations. Difficulty analysing or comparing the financial data of these 475,000 companies may deter potential partners, investors and providers of finance.
27. Digital filing reduces the volume of paper used by both Companies House and the preparers of information, which will help us fulfil our strategic goal to deliver value through efficient use of resources. Even after major efforts to move more online, in 2019/20 Companies House still received just under 7,000 kilos of paper every month.
28. Receiving digital filings will make it easier for the information to be monitored and analysed. This will also help Companies House identify suspicious activity and contribute to our efforts to combat economic crime, which thrives in environments where there are inconsistencies in filing practices.
29. The Government therefore proposes to require all accounts to be filed digitally. In doing so, we will ensure that burdens remain low. Small and micro-entity companies already have the highest digital take up. By contrast, a significant proportion of larger companies continue to submit on paper, even when they are filing accounts digitally to HMRC, which has been a mandatory requirement since 2011. Accessibility needs will be fully considered, and Companies House will carry out user research to understand any barriers different user groups might face to ensure its services can be used by all.

Q5: In your view, why do some companies continue to file on paper?

Q6: What challenges will mandatory digital filing present?

Q7: What can government do to assist these companies to transition to digital filing?

Section 3: Full i-XBRL tagging of financial information

30. When financial information is filed digitally, it is done so using a taxonomy. A taxonomy is a grouping of financial concepts in which each concept is clearly defined (similar to a dictionary) in a computer readable label, or 'tag'. EXtensible Business Reporting Language (XBRL) is a standard for reporting financial data that uses these tags. Inline XBRL attaches computer-readable tags to an electronic file which can also be read by people on screen or in printed form.
31. As iXBRL data is machine readable, the information can be easily checked to ensure its presence and accuracy, in addition it is easily shared, analysed and compared. Whilst a company may not be able to, (and does not have to) apply a figure to every financial concept within the relevant taxonomy, certain elements are necessary by law and should be consistent throughout. Accounts tagged to a high standard will have all information fully tagged to the correct and relevant tags within a taxonomy.
32. The government previously consulted on introducing a minimum iXBRL tagging standard. Respondents argued that to achieve consistency with HMRC, accounts should be fully tagged to avoid any additional burdens caused by differing requirements between the two organisations. We therefore intend to require financial information to be fully tagged.
33. Fully tagged financial reporting in iXBRL format has been mandatory when filing with HMRC since 2016, and iXBRL is widely used across the world. It is currently mandatory in jurisdictions such as USA, Japan, China, India and will be in the EU from 2021.
34. Tagging of accounts should not add significant burdens. Detailed knowledge of iXBRL is not necessary to fully tag accounts as software products are available with inbuilt knowledge of what data needs to be tagged. Some accounts filed with Companies House are already tagged. The accounts submitted by customers who use the free web-filing service offered by Companies House are automatically tagged by the system as the figures are entered. Similarly, many commercial software options will also insert iXBRL tags.
35. HMRC require all accounts submitted to them to be fully tagged, in line with the Financial Reporting Council taxonomies. To ease burdens on business and align processes, the Government is proposing that all accounts should also be delivered to the Registrar in the same way. This is an important first step towards any future plans for companies to be able to file once with government.
36. Bringing the UK into line with international best practice, ensuring that financial information is more easily comparable and accessible across jurisdictions, will support businesses seeking to invest in companies and will help to boost the economy.
37. In addition to the benefits to the users of financial information, the burden on filers of information will be reduced by consistency of information submitted to HMRC and Companies House being achieved.
38. To improve the quality of data and increase confidence in the register, Companies House is also considering validating more tags than it does currently which means that more checks will be performed on accounts when they are filed. If they do not meet the required standard, the accounts will be rejected. These validation checks will be aligned as far as possible with HMRC.

39. New post-registration powers may also allow the Registrar to query tagging errors identified after filing. Companies may be asked to submit revised accounts to correct any errors.

Q8: What challenges do you foresee with filing fully tagged accounts with Companies House?

Q9: As a user of financial information on the register, what information in a company's accounts is critical for you and should be checked (validated) to ensure it is tagged correctly?

Section 4: Reducing the timescales for delivering financial information

40. It is critical to ensure that financial data filed on the register is as current as possible. Up to date financial information is more useful and ensures that business decisions are made using data that is reliable.
41. Most company accounts are now filed digitally. In future we would want all to be filed digitally. Continuous advances in technology have made digital preparation and filing of accounts easier and quicker. We are therefore considering whether the time allowed for filing of accounts should be changed to better reflect the digital world we now operate in. Receipt of accounts more promptly after the reporting year end will increase the value of the data and will help to boost the UK economy. The usual filing times are outlined below however, to help companies deal with the challenges of the current Covid 19 pandemic, temporary extensions to filing times have been implemented up to 5 April 2021 :⁷

| | Companies House | HMRC |
|---------------------------|------------------------|--------------------------|
| Private Limited Companies | 9 months from year end | 12 months from year end* |
| Public Companies | 6 months from year end | 12 months from year end* |

**HMRC are consulting on whether the introduction of Making Tax Digital for Corporation Tax provides the opportunity to more closely align filing dates for tax and company law purposes by bringing forward the Company Tax return filing date.*

42. Responses to the first consultation from a range of professionals suggested that a reduction in filing deadlines should be explored. Suggestions to reduce the filing times for private companies ranged from three to six months from the end of the reporting year. It was suggested that current filing periods mean that financial information is significantly out of date at the point of receipt. Shortening the timescales will increase the value of the information and support commercial activity that relies on information on the register.
43. The Government is therefore proposing that filing deadlines should be reduced. We would like to seek views on this proposal to the reduction of filing deadlines and understand any additional burdens that this may put on companies.

Q10: With continual advancements in digital technology, what are your views on shortening the time allowed to submit accounts to Companies House?

Q11: What would be the impact if filing deadlines were shortened to three months for public and six months for private companies from the end of the reporting year?

Q12: What measures could the government implement to ease the transition to shorter filing deadlines?

⁷ <https://www.gov.uk/government/publications/the-companies-etc-filing-requirements-temporary-modifications-regulations-2020/temporary-changes-to-companies-house-filing-requirements>

Part B: What information should be filed at Companies House

This part of the consultation outlines the information that is currently required by Companies House and asks whether further information might improve the value of the register. The Government is proposing that company directors should confirm the company's eligibility to file certain types of accounts and seeks views on revising the small company accounts filing options.

Section 5: Maximising the value and integrity of accounts information

44. Responses to the first consultation raised widespread concern about abuse of the financial reporting regime in the UK and the potential impact of inaccurate information on the register being used to inform important business decisions. Some respondents commented that UK corporate structures can be used to facilitate the laundering of criminal assets and this can be easily hidden by a company that files micro-entity or dormant company accounts as they require minimal financial information to be provided. (An explanation of these is provided below).
45. Some respondents raised concerns that companies could deliberately file under the wrong regime to disclose less financial information than the law would otherwise require. This was backed by evidence from law enforcement bodies referencing money laundering investigations, where companies often falsely filed dormant accounts with the Registrar, when their bank accounts showed the company was clearly trading with millions of pounds moving through their accounts.
46. Part 15 of the Act sets out the conditions that companies must meet to qualify as small or medium and therefore file accounts under those regimes. These conditions require companies to meet certain thresholds in respect of turnover, number of employees and balance sheet total (the total of the fixed and current assets). The following table provides the definitions for the threshold conditions as defined in the Act:

| | Micro | Small | Medium |
|---------------------|------------------------|-----------------------------|---------------------------|
| Turnover | Not more than £632,000 | Not more than £10.2 million | Not more than £36 million |
| Balance sheet total | £316,000 | Not more than £5.1 million | Not more than £18 million |
| Number of employees | Not more than 10 | Not more than 50 | Not more than 250 |

47. Some small company filing options do not require information relating to all three thresholds to be disclosed and as a result, Companies House cannot always identify whether or not a company meets the eligibility conditions to be filing under a specific regime.
48. Under the current legislative framework in the Act, companies are required to file a copy of their accounts with Companies House within a prescribed timescale. Those accounts must have been approved by the company's board members. The Registrar must publish the information she receives on the register if that information has been properly delivered. Proper delivery means that the information meets the legal requirements in respect of the content, form, authentication and manner of delivery. The Registrar does not have any power to reject a document that has been properly delivered. (Further information about the Act's requirement to file a copy of the accounts and proposed changes to the Registrar's powers are set out in sections 7 & 8 of this consultation.)
49. Ultimately, company directors are legally responsible for ensuring the financial information that is filed with the Registrar gives a true and fair view of the financial position of the company. The Government is therefore proposing to implement a requirement for accounts to include a declaration of eligibility that is signed by the director(s). This will require all three threshold conditions set out in Part 15 of the Act (turnover, balance sheet and number of employees) to be disclosed by all companies. The director(s) will confirm that the company meets the threshold conditions to file under the regime being used. In the case of dormant accounts being filed, the declaration will confirm that the company is not trading and meets the criteria for filing dormant accounts. Part 38 of the Act states that a company is dormant during any reporting period in which it has no significant accounting transactions.
50. Companies House will introduce validation checks to ensure the threshold conditions match the requirements for the filing regime being used. The Government also proposes to create an offence if a false declaration is made by the director(s) in respect of the thresholds they quote to confirm their eligibility to file under a certain regime. Sanctions for false declarations could include civil penalties such as fines, and/ or criminal sanctions or director disqualification.
51. Although the eligibility declaration will be accepted if it is signed by just one director, all the directors will be liable for a false declaration. We are giving further consideration to whether the thresholds (turnover, balance sheet total and number of employees) disclosed in the declaration should be made available on the public register. The Government welcomes respondents' views on the publication of the information.
52. For this measure to be effective, it cannot work in isolation. There are a number of other measures in this consultation and in the wider register reform measures that will cumulatively help Companies House identify non-compliance and suspicious activity and increase its ability to work with other parts of government to investigate cases of abuse, as well as improve the statistical information it collects. These include:
 - Reviewing the small company accounts filing options as set out in section 6;
 - Taking steps towards requiring companies to file the same set of accounts across government, as set out in section 7;
 - Requiring full iXBRL tagging of financial information as set out in section 3;

- Giving the Registrar additional powers to query information as set out in section 8.

53. These measures will increase the potential for cross checking of information, thus improving register integrity. We believe it will also increase confidence in the register data, as well as reducing the risk of entities acting inappropriately in order to conceal certain financial information with the deliberate aim of misleading others. By requiring information collected in the declaration of eligibility to be tagged, we will have scope to use headline data from accounts to analyse the performance of SMEs, which could support the work of other government departments.

Q13: What will be the challenges for companies submitting a declaration of filing eligibility with accounts?

Q14: Under what circumstances, if any, should the eligibility information collected with the declaration not be published on the public register?

Q15: What other information should Companies House collect that would be useful for:

- Combating economic crime;
- Increasing the value of the information available on the register?

Q16: As the directors' declaration will need to include information in respect of turnover, balance sheet total and number of employees, what changes, if any, would you make to these definitions in Part 15 of the Companies Act to make the definitions clearer?

Q17: What would be an appropriate sanction for making a false declaration of eligibility?

Section 6: Review of Small Company Accounts Filing Options

54. Finding a balance between maintaining effective regulation and minimising burdens on companies is essential to continue to inspire trust and confidence in the UK's corporate reporting framework.
55. Over the last decade, significant steps have been taken to reduce burdens on small companies. This has included introducing a great deal of flexibility with regards to the filing of small company accounts at Companies House. However, a number of respondents to the first consultation argued that the very limited financial information now filed by small and micro-entity companies is of little value to users of the register, and questioned whether it was right for a company to obtain limited liability protection while providing such minimal financial information. Some respondents argued all companies should file a profit and loss account.
56. Others raised concerns about the lack of financial information failing to provide any level of protection for customers who wish or need to do business with a micro-entity. With fraud being the largest component of economic crime in the UK, this is a real and growing concern. We know trust is at the core of every business transaction, and this trust is reliant on transparent, reliable and consistent financial information.
57. As more detailed financial information is supplied by small entities to HMRC and banks, many respondents suggested that this level of information should also be available on the register. Small companies already have the information and therefore the additional burden should be minimal. This would ensure greater transparency and usability of the information in decision making.
58. Many respondents noted that micro-entity accounts are required to be prepared in greater detail for company tax purposes. In addition, some suggested that insufficient financial information potentially deters lenders and credit agencies from agreeing finance for companies which file micro-entity accounts. An exploratory study published by Cardiff University corroborates this. It concludes "there is systematic evidence that the credit scorer penalises companies which file micro-entity abbreviated accounts."⁸
59. There is evidence that the micro-entity regime introduced in 2013 is being used incorrectly and many entities are reporting as micro companies when they are not eligible to do so. The aim of the regime was to save the very smallest companies both time and costs by offering a highly simplified format of statutory accounts and simplifying the accounting standards that should be applied. However, a joint data project between Companies House and HMRC identified several thousand cases where ineligible companies had submitted micro-entity accounts. This may be because companies do not understand the eligibility criteria or are confused by the range of filing options that are available. There is also, as noted for dormant accounts in the previous section, evidence of micro-entity accounts being used in a deliberate attempt to avoid disclosure. Fraud investigation bodies have reported that micro-entity accounts are often used by companies that are investigated in money laundering cases.

⁸ <http://orca.cf.ac.uk/111660/3/PEELABRPAPER.pdf>

60. Another small company filing option is Abridged Accounts. This was introduced in 2015 and requires a company to prepare and file the same set of accounts for the public record and its members. Each member must consent to the abridgement each year and a note in the filed accounts must confirm that this has happened. From the data project between Companies House and HMRC, it was evident that companies which file abridged accounts often prepare fuller accounts for their board. This is not in line with the legislation. In addition, by preparing different versions of accounts, rather than taking advantage of the opportunity to reduce burdens that the abridged option introduced, these companies are taking on additional burdens by preparing a further abridged version of accounts for the register. We will therefore consider whether this option continues to have value.
61. The government recognises that offering flexibility is crucial to business and therefore our aim is to ensure that filing options are available which will continue to support the needs of the smallest of companies whilst also increasing the accuracy and value of the register.
62. We are therefore proposing to review the filing options that are available for small companies with the aim of reducing the number of options and making the filing process easier whilst also increasing the value of the register.

Q18: What is the minimum level of financial information that a micro-company should disclose on the public register?

Q19: Are there any existing filing requirements under the small or micro-entity regimes that could be discarded?

Q20: What would be the impact on small companies if the Companies House filing requirement was aligned with HMRC's to require a profit and loss account?

Q21: How do you think the current small company filing options could be amended to help combat economic crime whilst maintaining a simple filing system for small entities?

Part C: What Companies House does with this information

The final part of the consultation explores what Companies House should do with information it receives in accounts. It sets out proposals to increase the checking of accounts and asks for views on how financial information could be better displayed on the register.

Section 7: Changing and clarifying filing requirements

63. The Act requires companies to prepare statutory accounts for each financial year. These accounts are primarily prepared for the members of the company to allow them to understand how their investment is doing.
64. The Small Companies and Group (Accounts and Directors' Report) Regulations 2008 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 specify what each component part of the accounts (e.g. balance sheet, director's report) should contain.
65. The Act requires a "copy" of some, or all, of these component documents, as approved by the company's board, to be delivered to the Registrar. What exactly a company is required to deliver depends on the size of the company and any exemptions that it may be eligible to claim (e.g. a small company may currently opt under section 444 to not file a copy of their profit & loss account, or may claim exemption from audit under section 477).
66. Accounts are also submitted to other parts of government such as HMRC and the Charity Commission. The Act does not suggest that different versions of accounts can be prepared for different parts of government. However, it does give small companies the option to file less information with the Registrar than they file with other parts of government.
67. The data project that Companies House and HMRC undertook in 2019 provided clear evidence that many companies prepare different versions of accounts for different purposes. This practice increases the burden on the company and law enforcement bodies have suggested that it may be an indicator of fraudulent activity.
68. The requirement to file a "copy" does not reflect the digital world we now operate in and does not reflect the practices that we see companies using. We therefore propose to amend the Act to specify that the accounts filed with the Registrar must be the most detailed set of accounts that has been prepared for the company's members. Certain exemptions in relation to audit and disclosure may still apply to some companies. In section 6 we have asked for views on the minimum information a company should be expected to file to be accountable under limited liability status. Responses to that question will inform the decisions we make in relation to disclosure exemptions and will be informed by discussions with key stakeholders such as HMRC.

Q22: What would be the benefits of requiring companies to file the most detailed set of accounts that have been prepared?

Q23: What would be the disadvantages of requiring companies to file the most detailed set of accounts that have been prepared?

Section 8: Greater checks on financial information

69. Investigating the financial details of a company is not a function of the Registrar. It is not the Registrar's job to be an all-purpose auditor of the millions of financial statements filed with her each year. However, there may be opportunities for Companies House to perform some limited additional checks in support of a more reliable register overall.
70. The Registrar currently has very limited powers to check information in accounts. The Registrar can only check accounts to ensure they are properly delivered. As previously explained, this means that they meet the legal requirements in respect of content, form, authentication and manner of delivery. A set of accounts may be rejected if it does not meet these requirements.
71. The Registrar has no power to check the factual accuracy of accounts. Company directors are responsible for ensuring that the accounts give a true and fair view of the financial position of the company. As discussed in section 5 of this consultation, inaccurate accounting information can impact the integrity of the register and potentially be harmful to that company as well as damaging to the UK's reputation and the economy as a whole.
72. The law provides for Companies House to take action on receipt of a complaint about non-compliant accounts. Companies House can either invite a company to file revised accounts, or exercise the Secretary of State's power to direct a company to file revised accounts for that period, but the original accounts remain on the register. Revised accounts are only permitted to remedy the error in the original set of accounts and are required to state how they correct that error. Enhanced checking of information could significantly reduce the volume of these complaints.
73. Digitisation and tagging proposals in this consultation present an opportunity to strengthen checks on accounts. Checking information within paper accounts has always proved difficult. Requiring companies to deliver accounts to the Registrar by digital means (section 2) and the introduction of iXBRL tagging standards (section 3) will enable Companies House to do more thorough analysis. Requesting a statement of eligibility from the company director(s) (section 5) would enable accounts to be better categorised.
74. Therefore, the Government proposes that Companies House should perform additional checks but that they will be limited to ensuring the information provided is coherent, complete for a company of that size/type and consistent with accounts submitted to other relevant agencies.
75. More broadly, proposals set out in the Registrar's powers consultation will provide the Registrar with new powers to query financial information before it is published and, where possible, Companies House will introduce up-front validation which will quickly notify filers if their accounts do not meet the requirements. Systems will be implemented to identify suspicious activity; such activity will be monitored and appropriate action, in collaboration with other parts of government, will be taken if necessary. Enhanced collaboration across government agencies will make it easier for serious complaints to be actively pursued by law enforcement partners. New post-registration powers may also allow the Registrar to query and subsequently remove financial information in certain circumstances. These proposals and the scope of the new powers are covered in more detail in the Registrar's Powers consultation.

76. The Government will also ensure the Registrar has the power to share non-public information, such as meta-data for a given filing, or the turnover figure of a small company (subject to the proposal in section 5) with other parts of government. We also intend to compare data from accounts filings at Companies House and HMRC on a regular basis and to use the Registrar's new querying power to challenge any discrepancies which are identified. The Government will ensure that appropriate care is taken with personal information to comply with data protection obligations under the Data Protection Act 2018.
77. We believe these measures will significantly improve the quality and value of financial information on the register. Additionally, data sharing powers and identification of suspicious activity and behaviour will greatly increase the Registrar's ability to combat economic crime.

Q24: What are your views about the general premise that checks should be conducted on all accounts prior to them being accepted as fit for filing on the public register?

Q25: Additional checks will be limited. Bearing in mind resource and expertise constraints, can you provide examples of what information Companies House should check as a priority and how it can be checked?

Q26: Examples of suspicious activity in a company's accounts may be incomplete, inconsistent or apparently misleading information. Can you provide examples of information in a company's accounts that may be an indicator of suspicious activity?

Section 9: Displaying key information on the register

78. Companies House is committed to ensuring that its services and data are accessible to all. The register is used extensively by searchers of company information. It is accessed 9.4 billion times a year, providing vital information to those who are investigating the financial health of a company before investing in or engaging the services of that company. It is therefore vital that information is displayed in a way that is easily identifiable and understood.
79. Information on the register is currently displayed at a company level, either in a data format, or PDF image for certain documents. For those searching the register, financial information can be accessed by viewing an individual company record and viewing the image of the accounts.
80. Many respondents to the first consultation raised frustrations with the way that financial information is currently displayed on the register. Most felt such a service was outdated and it was difficult to find the relevant financial information by searching through a PDF image; whilst others commented on the poor quality of images of some paper-filed documents. Additionally, people wishing to track the performance of a company over a period of years are required to search multiple sets of accounts.
81. A number of proposed solutions were suggested, such as taking a similar approach to the Charity Commission, which provides a visual representation of the most valuable information on each Charity. It was argued such a service could be replicated by Companies House, with a summary of a company being displayed on the company overview page of the Companies House Service. This would mean a summary of the most valuable information could be extracted from the digital filing and displayed in a more visual format, making the information more accessible and making it quicker and easier for people to make business decisions.
82. We do not intend to fully replicate the approach of the Charity Commission, which ranks and classifies the performance of charities. However, there is clearly scope to do more to display the most valuable company information more clearly on the register and to ensure that when a company search is done, this information will be immediately visible without having to search through a PDF image of a company's accounts. Potential information could include key metrics such as, profit or number of employees, where provided in the accounts.

Q27: Which elements of financial information would be most useful to see on the company overview page?

Q28: What non-financial information would you like to see on the company overview page?

Q29: Do you have any additional comments about this proposal?

Consultation questions

Section 1: Towards file once with government

Q1: What features of the Companies House and HMRC filing regimes should be kept under a harmonised filing process?

Q2: What information (if any) in annual accounts should not be made public?

Q3: What benefits do you envisage for filing once across government?

Q4: What challenges do you envisage for filing once across government?

Section 2: Requiring financial information to be delivered in a digital format

Q5: In your view, why do some companies continue to file on paper?

Q6: What challenges will mandatory digital filing present?

Q7: What can government do to assist these companies to transition to digital filing?

Section 3: Full i-XBRL tagging of financial information

Q8: What challenges do you foresee with filing fully tagged accounts with Companies House?

Q9: As a user of financial information on the register, what information in a company's accounts is critical for you and should be checked (validated) to ensure it is tagged correctly?

Section 4: Reducing the timescales for delivering financial information

Q10: With continual advancements in digital technology, what are your views on shortening the time allowed to submit accounts to Companies House?

Q11: What would be the impact if filing deadlines were shortened to three months for public and six months for private companies from the end of the reporting year?

Q12: What measures could the government implement to ease the transition to shorter filing deadlines?

Section 5: Maximising the value and integrity of accounts information

Q13: What will be the challenges for companies submitting a declaration of filing eligibility with accounts?

Q14: Under what circumstances, if any, should the eligibility information collected with the declaration not be published on the public register?

Q15: What other information should Companies House collect that would be useful for:

- Combating economic crime;
- Increasing the value of the information available on the register?

Q16: As the directors' declaration will need to include information in respect of turnover, balance sheet total and number of employees, what changes, if any, would you make to these definitions in Part 15 of the Companies Act to make the definitions clearer?

Q17: What would be an appropriate sanction for making a false declaration of eligibility?

Section 6: Review of small company accounts filing options

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This publication is available from: www.gov.uk/government/consultations/corporate-transparency-and-register-reform-improving-the-quality-and-value-of-financial-information-on-the-uk-companies-register

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