

Title: Companies Register Reform – Registrar powers, company registers and filing of financial information IA No: BEIS031(C)-20-CH RPC Reference No: tbc Lead department or agency: Department for Business, Energy and Industrial Strategy Other departments or agencies: Companies House	Impact Assessment (IA)			
	Date: 12/11/2020			
	Stage: Consultation			
	Source of intervention: Domestic			
	Type of measure: Primary legislation			
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Summary: Intervention and Options	RPC Opinion: Not applicable
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Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
£m	£m	£m	tbc (likely non-qualifying / de minimis)

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

- Strongly rising demand for Companies House data and services means that existing resources at Companies House are increasingly stretched.
- Enabling the Registrar to query and remove inaccurate information from the register, when taken together with identity verification, will help improve overall register accuracy and help address especially instances in which inaccurate information is placed on the register with malicious intent.

What are the policy objectives of the action or intervention and the intended effects?

- Ensure that the UK remains a leading place to do business by improving the UK data landscape and better use of data.
- Improve the value of the Register to its users by improving the accuracy and usefulness of data contained on it.
- Help tackle economic crime and reduce the costs associated with it by providing law enforcement and stakeholders with better data, and by reducing the incentives to abuse corporate structures to either carry out crime directly or to disguise financial flows that are the result of other crime.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 0: 'No change' counterfactual.

Option 1 (preferred): Broadening existing Companies House powers and introduce new elements to the querying and removal powers, reforming the companies registers regime, and changing requirements around the filing of company accounts.

The evidence base provides more detail on the main identified reform elements contained under option 1 and which have a direct impact on businesses.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: To be set out in Final IA				
Does implementation go beyond minimum EU requirements?		N/A		
Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)		Traded:		Non-traded:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:  Date: 12/11/2020

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2020	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

Other key non-monetised costs by 'main affected groups'

Businesses (section H for the detailed assessment)

- Potential small regulatory burden responding to Registrar queries where the information provided turns out to have been accurate.
- Small regulatory burdens (familiarisation and digitisation costs) for those companies that currently file paper accounts with Companies House, and compliance costs to potentially provide additional information. These are limited in scale predominantly because accounts are already filed electronically with HMRC, and because additional information is already collected and provided to, for example, members of the company or HMRC.

Public sector (section K for more detail)

- Implementation costs to public bodies (especially Companies House).

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate			

Description and scale of key monetised benefits by 'main affected groups'

Other key non-monetised benefits by 'main affected groups'

Increasing digitisation and use of data, reducing need for time and labour-intensive processes

- Benefits to Companies House and businesses associated with better use of digital methods. For example, lower rejection rates will result in a reduced need for time-consuming clarification procedures.

Improved register timeliness and accuracy

- Increased value of register data to users such as consumers or businesses.
- Help tackle economic crime and reduce abuse of the UK corporate framework

See section H for more detail.

Key assumptions/sensitivities/risks

Discount rate (%)

- Information collected and reported for other purposes can be used to satisfy filing requirements with Companies House, with only a negligible effect overall.
- Regulatory burden associated with filing of accounts is predominantly determined by the amount of resource required rather than by the period over which that resource is spread.

See section M for more detail.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs:	Benefits:	Net:	

Evidence Base

A. Background

1. In 2019, the Government consulted on a range of options to enhance the role of Companies House and increase the transparency of companies and other legal entities. The consultation explored options to require more information about the people registering, running and owning companies¹, and other limited liability entities, as well as the entities themselves. It put forward ideas for improved checks on that information, including reform of the statutory powers of the Registrar of Companies. And it put forward reforms that will improve co-operation and data sharing between Companies House and UK Law Enforcement Agencies.
2. The consultation noted that the framework within which Companies House operates has remained largely unchanged for over 150 years, and that the agency performs its role well, with high levels of customer satisfaction. But it also noted growing instances of misuse of companies, concerns over the accuracy of the companies register, challenges safeguarding personal data on the register, and opportunities for Companies House to play a greater role working in partnership with other public agencies.
3. The scale of the response, and the views expressed, overall demonstrate a strong consensus in favour of reform. On 18 September 2020, the Government published its response to the consultation on options to enhance the role of Companies House and increase the transparency of UK corporate entities.²
4. That document set out the actions the Government intends to take in order to deliver on its vision for a company register built upon relevant and accurate information that supports the UK's global reputation as a trusted and welcoming place to do business. Companies House will play an even stronger role as an enabler of business transactions and economic growth, whilst strengthening the UK's ability to combat economic crime.
5. Subject to funding arrangements, the Government will take forward several regulatory and administrative changes under the 'Register Reform' umbrella. As explained in the government response document, these will include:
 - introducing compulsory identity verification for all directors and People with Significant Control (PSC) of UK registered companies.
 - introducing compulsory identity verification for all individuals who file information on behalf of a company.
 - continuing to allow company incorporations and filings to be made either directly at Companies House or via an agent. But in future only properly supervised agents will be able to file information. They will be required to provide evidence of the verification they have undertaken, and we will avoid duplicating identity checks.
 - introducing an obligation on bodies that fall under the Anti-Money Laundering (AML) regulations to report discrepancies between the public register of companies and the information they hold on their customers.
 - permit cross-referencing of Companies House data against other data sets.

¹ This response document uses the term "companies" throughout as a catch-all term, unless otherwise specified. We expect the new provisions to generally apply to any corporate body subject to disclosure obligations under the Companies Act 2006 (private and public limited companies, unlimited companies, unregistered companies and overseas companies – where the measures are relevant) as well as Limited Liability Partnerships and Limited Partnerships.

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

- allowing limited partnerships to be “struck off” following a court order; and
 - reforming how and under what circumstances Companies House issues certificates of good standing.
6. These changes and their economic and social impacts will be fully assessed in line with Better Regulation principles in appropriate ‘final stage’ impact assessments at a later stage. However, the government response also set out that the Government would run further consultation on two other reform elements to determine whether and how these could be taken forward:
- a) Registrar powers and company registers
- Reforming the powers of the Registrar of Companies to allow her to query information that is submitted to Companies House, rather than having to accept information that is validly submitted. We intend to be able to apply these powers to company names as well to act on evidence that, in a small number of cases, the ability to register a company name is currently being abused. Companies are being set up purporting to be an established company or organisation when there is no connection, or a name is being registered to give legitimacy to criminal or fraudulent activity. The ability to query the legitimacy of the company name before it is registered will help stop these instances.
 - Broadening the powers the Registrar of Companies has to remove information from the register in certain circumstances, to better ensure its accuracy.
 - Removing the requirement for companies to keep the Register of Directors and seeking views on the impact of amendments to other company registers and the company register election regime which was introduced in 2016.
- b) Filing of financial information/accounts
- Phasing out paper filing of accounts, mandating electronic filing. Electronic submissions of accounts will require the use of full iXBRL tagging.
 - Asking companies to include further information within their accounts’ submissions, such as information on turnover to allow for the classification of companies by size.
 - Reviewing the Small Company Accounts Regime, for example considering whether micro entity accounts filed with Companies House provide sufficient information and/or are misused.
 - Reducing the timescales for filing financial information/accounts with Companies House.
7. This consultation stage impact assessment supports the second-stage consultations on the reform elements briefly outlined above by setting out our early assessment of the measures³. To the extent that these measures will be taken forward and included in the final reform package, final impact assessments for these measures, and those taken forward directly (i.e. without further public consultation), will provide an updated and full appraisal of the measures, which will take responses to this consultation into account.

B. Problem under consideration

8. The UK is one of the best places in the world to do business. It is currently 8th in the world in the World Bank’s ‘Ease of Doing Business’ index.⁴ The quick services and processes provided by Companies House play a vital role in this. Incorporating a business with Companies House can be done digitally/online, it is quick (within one day) and cheap at £12

⁴ <https://www.doingbusiness.org/en/rankings>

for an online registration. Companies House has long been a leader in enabling and driving the use of more efficient electronic and digital means. Over 99% of incorporations in the 2019/20 financial year were filed electronically, with 89% of all documents filed with Companies House being filed electronically.⁵

9. The demand on Companies House services and data has increased dramatically over the years. For example, Companies House data was accessed over 9.4 billion times last year, up from 668 million in 2012/13. The number of companies on the company register across the UK has increased from around 3.04m in March 2013 to around 4.35m in March 2020 (from 2.84m to 4.06m in England & Wales only), and the total number of documents filed with Companies House increased by 50%, from 8.00 million to 12.15 million, over the same time period.⁶
10. The rising demand for Companies House data and services means that existing resources at Companies House are increasingly stretched. The organisation is undergoing a significant transformation, and the changes set out in the Government response and this consultation will support that transformation. Using scalable technological solutions, such as e-filing with automated tagging, will enable external users to process data on the register more easily, but it will also enable Companies House to minimise resource-intensive manual processes. Resource savings can then be re-employed for example to more valuable activities, such as increased data verification.
11. Enabling the Registrar to query and remove inaccurate information from the register, when taken together with identity verification, will help improve overall register accuracy and help address especially instances in which inaccurate information is placed on the register with malicious intent. The 2019 consultation set out several concerns about the fraudulent filing of information and misuse of UK registered companies and other entities, which have featured prominently in international money laundering schemes.
12. The Registrar currently has no power to query information upon registration. There exist some removal powers post registration powers. We propose to introduce querying powers pre and post registration, as well as to broaden the existing powers to remove information. The aim of the proposed changes is to end up with a set of powers that: a) give the Registrar sufficient powers to query and if needed remove errors and anomalies; b) are narrow enough to focus on a risk-based approach rather than address every single potentially erroneous and harmless small mistake. We will use the consultation to further develop the precise wording and design of the new powers to meet our stated aims without introducing unintended consequences, disproportionate burdens or inconsistent application.
13. The proposed areas for further consultation on the filing of financial information will investigate areas to further support the aim to increase register integrity, simplify filing across government and increase the value of data on the Register to users such as other businesses, consumers or law enforcement.

C. Rationale for intervention

14. Companies House performs a vital economic role, not just in allowing companies to be created swiftly and easily, but in reducing the worst effects caused by asymmetric and incomplete information. The register of companies and the data contained within it create direct economic value to UK as well as very tangible wider socio-economic impacts, for example in the fight against criminal activity.

⁵ <https://www.gov.uk/government/statistical-data-sets/companies-house-management-information-tables-2019-20>. Table 7.

⁶ <https://www.gov.uk/government/statistics/companies-register-activities-statistical-release-2019-to-2020>

15. Information on companies needs to be accurate and as up to date as possible to be most valuable. The companies register is one of the most commonly used sources for information, such as when a business might be researching potential suppliers or customers, or lenders are carrying out due diligence on a business and its owners. Thus, publicly available information provided by Companies House can help overcome information asymmetries between different parties (companies, lenders, customers etc) and provide economic value. Examples include:

- **When businesses are seeking finance.** Companies House data is a key source when credit scores and lending decisions are made. In their evidence to the non-bank lending taskforce, the Business Information Providers Association suggested that typically credit scores for unincorporated business, due to paucity of data on them, were around 40% lower than for those registered at Companies House.⁷ Such lower credit scores can act as a barrier to access finance.
- **Reducing transaction costs,** particularly by helping contracting parties (supplier businesses, customers or others) assess better the risk associated with a transaction and reduce 'search costs' associated with due diligence checks.
- **Creating a market for secondary data providers** who use Companies House data as a key input to their own commercially available data products, for example by linking further financial information with ownership and legal information provided by Companies House.

16. The companies register is a core element of the information infrastructure underpinning the UK's business environment. The benefits that can be attributed directly to Companies House data was highlighted by novel research, commissioned by BEIS and Companies House and published in September 2019. It estimated the economic value of the data to users, provided by Companies House publicly and free of charge, to be up to £3 billion annually.⁸ These figures include benefits to 'direct UK based business users' only. They do not, for example, include a monetised estimate for the benefits associated with helping to tackle economic crime.⁹

17. This research, customer feedback, and a recent Post-Implementation Review of the People with Significant Control regulations¹⁰, show that the value of the information could be even greater if: a) reliability and accuracy could be improved; and; b) the data was presented in a more user-friendly searchable format.

18. The changes will also increase the costs for those aiming to carry out illicit activities whilst making it easier for those who aim to maintain the integrity of the company register and use the information contained in it to tackle economic crime. These benefits are likely to be significant:

19. Crime imposes significant costs including the damage to the victim's welfare; inefficient resource allocations and a forced redistribution of income; lost economic activity/output; and costs to the criminal justice system, including the police.

- a. Estimating the extent of economic crime is a difficult task due to its hidden nature. Serious and organised crime is estimated to cost the UK at least £37 billion each year.¹¹

⁷ https://www.bipa.uk.com/media/1525/201202_bipa_evidence_non-banklendingtaskforce.pdf

⁸ <https://www.gov.uk/government/publications/companies-house-data-valuing-the-user-benefits>

⁹ For more detail on the research findings, please refer to the published research reports. We can provide additional information upon request.

¹⁰ <https://www.gov.uk/government/publications/people-of-significant-control-psc-register-review-of-implementation>

¹¹ Home Office, The Economic and Social Costs of Crime: Second Edition

- b. Economic crime can be 'direct', for example in cases of financial fraud, but it can also often be used to hide the gains from other underlying criminal activity; for example, in the case of money-laundering. Overall, estimates of the amount of money laundered globally are equivalent to 2.7% of global GDP, or US\$1.6 trillion in 2009, while the National Crime Agency (NCA) assesses that billions of pounds of proceeds of international corruption are laundered into or through the UK.¹² In 2016/17, the NCA led and coordinated operational activity targeting money-laundering and other crime resulting in £82.8 million being denied to criminals affecting the UK and recovering assets of £28.3 million.¹³
- c. Economic crime often uses obscure company vehicles and a lack of transparency to hide illicit financial flows. The Organisation for Economic Co-operation and Development (OECD; 2011) has observed that: "almost every economic crime involves the misuse of corporate vehicles".¹⁴ A World Bank review reported that 150 of the 213 grand corruption cases investigated involved the use of at least one corporate vehicle to hide beneficial ownership and the true source of funds. In these 150 cases, the total proceeds of corruption were approximately \$56.4bn.¹⁵ Domestically, stakeholders such as Transparency International UK have carried out investigative work to show how UK corporations are currently involved in carrying out economic crimes or are used to help launder money that is the result of criminal activity.¹⁶

D. Policy objectives

Ensure that the UK remains a leading place to do business

20. The proposed changes discussed in the impact assessment, taken together with investment into Companies House capabilities and changes summarised in section A will improve the overall data landscape in which companies operate. Ultimately this will help further strengthen the corporate framework in the UK, increase confidence in its integrity and ensure that it remains at the forefront internationally. Better data and use of data will ultimately be beneficial to legitimate registrant businesses who are not only providers of data to Companies House but also consumers of it.

Improve the value of the Register

21. Strengthening the UK's reputation as a leading place to do business in the world does not only rely on providing quick, efficient and cheap incorporation and filing services. This is because 'customers' of Companies House data and services are wider than 'just' registrant companies. Users of information on registrant companies require data to be accurate and as timely or up-to-date as possible, because it is one of the most commonly used sources for other businesses (such as supplier businesses) or customers to carry out due diligence checks or verify the validity of the business and its owners.

Help tackle economic crime and reduce the costs associated with it

22. Reform also aims to improve the accuracy and timeliness of data available to law enforcement and stakeholders will help reduce the costs of identifying those who seek to hide illicit activity. Ultimately, the policy intends to reduce incentives to use company structures to either carry out crime directly or to use them to disguise financial flows that are

¹² *Estimating illicit financial flows resulting from drug trafficking and other transnational organized crimes*, UNODC 2011

¹³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf

¹⁴ OECD (2011): *Behind the Corporate Veil: Using Corporate Entities for Illicit Purposes*

¹⁵ World Bank Publications (2011): *The Puppet Masters: How the Corrupt Use Legal Structures to Hide Stolen Assets and What to do About It*.

¹⁶ See, for example: <https://www.transparency.org.uk/publications/hiding-in-plain-sight/>
<https://www.transparency.org.uk/publications/at-your-service/>

the result of other crime. Reducing the ability to launder the gains of crime will help deter crime in the first place.

E. Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)

23. As explained in the “Background” section, the elements covered by this consultation, and which are thus assessed here, are part of a wider reform package set out by the Government response published on 18 September 2020.
24. We intend to publish a full final stage impact assessment for the entire suite of reforms announced in September 2020 before introducing legislation into parliament. That IA will contain an updated assessment of the elements covered by this impact assessment. We expect the regulatory burden on businesses introduced by most proposed elements, such as the widening of CH powers and the mandating of electronic filing for accounts, to be limited. The impacts of certain measures, such as potential changes to the account filing period and revisions to the small account regime, may be more significant, but will depend on decisions taken following these consultations. These areas are not yet assessed in detail; we will use the evidence from consultation to develop a full assessment once those decisions have been made. At this stage, the assessment focuses on descriptions of likely impacts and scale rather than detailed monetisation.

F. Description of options considered

25. **Option 0:** This option acts as the ‘no change’ counterfactual against which changes are assessed. As set out in the government response and the consultation documents, stakeholders during our first-stage consultation (“Corporate Transparency and Register Reform”)¹⁷ strongly supported the proposals in principle. For example, 79% respondents agreed that Companies House should have more discretion to query information before it is placed on the register, and to ask for evidence where appropriate. 65% of respondents agreed that Companies House should have more discretion to query and possibly reject applications to use a company name before a name is registered, while 15% disagreed. Under option 0 the existing limitations to Companies House ability to engage more proactively on these issues would continue. There would also be no changes to the filing of accounts; e-filing with automated tagging would not be mandated.
26. **Option 1:** Broadening existing Companies House powers and introduce new elements to the querying and removal powers, reforming the companies register regime, and changing requirements around the filing of company accounts along the main areas of potential regulatory change set out below.

Companies House powers

1a) Ensure that the Registrar has a power to query information submitted to her in cases of identified “errors and anomalies” before it is placed on the register.

1b) Ensure that the Registrar has a power to query information on the register and if needed remove it in cases of “errors and anomalies”.

1c) Remove the requirement for companies to keep the Register of Directors and seeking views on the impact of amendments to other company registers and the company register election regime which was introduced in 2016.

The consultation document seeks views from stakeholders on the precise scope and application of such powers and their interaction with companies’ legal requirements to keep

¹⁷ <https://www.gov.uk/government/consultations/corporate-transparency-and-register-reform>

and maintain their own records of certain categories of corporate information in statutory company registers. We propose that these powers are to be applied in a limited, risk-based fashion, focusing on errors or anomalies that present a risk to the integrity of the register. We will use the consultation period to develop further the precise scope of the powers to ensure they wide enough to address existing problems and provide an element of future-proofing, yet narrow enough to ensure a consistent approach and reduce regulatory and administrative burdens.

Company accounts

1d) Phasing out paper filing of accounts, mandating electronic filing. Electronic submissions of accounts will require the use of full iXBRL tagging.

1e) Including further information within their accounts' submissions, e.g. information on turnover and balance sheet total to allow for the classification of companies by size and improved verification of filing eligibility. Additionally, directors will have to sign a declaration stating they have filed accounts in accordance with eligibility requirements.

1f) Reducing filing deadlines for accounts.

1g) Reviewing the way small companies file accounts with CH, with an aim to simplify the currently very complex landscape of different account-types that can be filed with CH, and re-assessing the amount of information currently required by micro-entities, which many stakeholders see as insufficient.

G. Summary and preferred option with description of implementation plan

27. We have set out in section F. the core elements of this consultation, and we have explained in section A. how these fit into the wider reform agenda. The consultations on CH powers and filing of financial information, which this IA accompanies, will help us develop the policy detail around the core elements set out above. While we cannot precisely set out how and whether each of the core elements will be taken forward (this will be determined using the consultation period), we have set out our key aims at this stage. Section H. below provides a further description of the elements we are consulting on, and it provides an early assessment of the likely impacts on affected parties. At this stage we conclude that the proposed elements will likely increase the regulatory burden on businesses to a limited degree, and that this will be outweighed by the benefits the proposals are likely to generate in terms of improved data accuracy and timeliness.

28. Independent of the precise detail and scope of 'how' government will take forward the elements contained in the consultations, the implementation will require primary legislation changes and likely also changes to secondary legislation.

H. Monetised and non-monetised costs and benefits of each option (including administrative burden)

29. In the following section, we describe the impact of the proposed changes for each of the main identified elements in more detail individually¹⁸ before setting out the main benefits at a high level. The different elements included are very interrelated and it thus is difficult to attribute specific benefits to individual elements. Instead, we provide an overall descriptive assessment.

a) Costs

Option 0: Do nothing

30. This no-change/status quo option acts as the counterfactual against which other proposals will be assessed. Under this option there will be no changes to the existing framework. As a result, the regulatory burden on businesses will remain unchanged but existing highlighted issues around data accuracy and timeliness of the company register would remain unaddressed.

Option 1: Broadening Registrar Powers, reforming the requirements to hold company registers, and the filing of financial information

31. As explained, the Government is currently consulting on two reform areas: 1) broadening Registrar powers to query and rectify register data, and the interaction of those changes on the existing requirements on companies to keep and maintain several register; and 2) changing requirements around the filing of company accounts. The consultations raise a variety of questions which can be divided into six areas of specific regulatory/legislative change.

Registrar powers

32. Sections 1a and 1b below set out the proposed changes to 'Registrar powers' to query, remove and rectify information submitted to Companies House and included on the register. Section 1c explains how these and other proposed reform changes affect existing regulatory requirements on companies to keep and maintain registers, including an assessment of the specific proposal to remove the requirement to keep a Register of Directors. The sections also provide an initial assessment of scope and likely business impacts. We will use the consultation period to test our assumptions and update this early assessment.

1a: Introducing a querying power pre and post registration

33. The Registrar currently has no power to proactively query the accuracy of information it receives. We propose to introduce such a querying power which we intend to apply also to company names¹⁹ and which can be used in cases of identified 'errors and anomalies'.

34. We will use the consultation period to develop the detailed scope of the power, and we will be guided by two basic assumptions:

- a) The Registrar should have the power to query any information supplied to her and any information already held on the register.
- b) It would be disproportionate for the Registrar to query every error, anomaly and inaccuracy brought to her attention.

35. The Registrar will be able to query information contained in legal effect filings both pre and post registration. Legal effect filings refer to filings which take legal effect upon registration at Companies House. These include incorporation and change of registered office address. Not to include these within the scope of the powers would reduce the Registrar's flexibility and reduce our ability to improve the integrity of the register through the querying power.

36. The Registrar may take a different approach depending on whether she queries information pre or post registration. For example, the Registrar might query an error in an incorporation

¹⁹ Following the Company, Limited Liability Partnership and Business Names (Sensitive Words and Expressions) Regulations 2014, Companies House already maintain a list of sensitive names. Registration of a corporate entity that contains any such sensitive terms requires approval by the Secretary of State. This list does though, for example, not protect against the attempt to register a corporate entity with a name that aims to portray links to a well-established trustworthy company that do not exist, potentially with the aim to mislead consumers. The proposed querying power will help address such instances.

document pre-registration and reject it. However, the Registrar will respond differently if she queries an incorporation document post registration. We consider that the removal of any document which gives legal effect should remain a matter for the court. Instead, information may be removed from the filing, and the document will be annotated to indicate that a query has been raised and not satisfied; there may be other consequences to a failure to respond to a query or failure to provide sufficient evidence to the Registrar following a query.

37. Following the two assumptions/principles above, the intention is to develop a risk-based approach, ensuring that information is queried that represents a risk to the integrity of the register and its users, where it represents a risk to the UK's reputation as a good place to do business, or where it potentially used to facilitate crime. In doing so, we will develop a framework that provides a consistent approach but that balances the need to maintain the register's integrity and tackle crime with a proportionate use of resource and avoiding excessive regulatory compliance burdens.
38. In making her decision on whether to query information, the Registrar will take intelligence from Companies House' internal monitoring systems as well as intelligence provided to her by third parties, such as law enforcement bodies, into account. The powers will apply both to newly submitted information as well as to historic data.
39. We propose that an entity which has received a query from the register about information it provided to Companies House will have to reply to Companies House within a 14-day period with three potential outcomes in general (as set out in paragraph 37, the approach will differ somewhat for information queried pre and post registration) :
- a) If the entity can provide the additional evidence needed within the 14 days, the information will be filed on the register as normal.
 - b) If the entity provides no or insufficient evidence, it will be asked once more to provide satisfactory evidence. If it then provides such evidence, the information will be included on the register as usual, if it does not, the information will not be included or removed from the register, and an annotation will be made on the register to ensure that anyone viewing the record is aware that information has been removed.
 - c) If the entity does not respond, the information will not be included or removed from the register and the register will be annotated as in b) above.
40. The consultation document²⁰ provides more detailed explanation of likely scenarios in which the Registrar might use the new querying power as well as the evidence that would be appropriate to respond satisfactorily to a query. Where the entity is acting legitimately, responding to a query within the 14-day period should introduce only a negligible burden on the entity as the required evidence should be readily available.
41. Government is also considering whether there should be other consequences to non-compliance / to a failure to reply to a query or to provide sufficient evidence. These could take various forms, and the options considered include:
- Annotating the relevant company's record on the company overview page on the Companies House service, not just at the level of the affected record, so that it is immediately obvious to anyone seeking to transact with the company that information has been removed from the record. This will provide a clear and transparent measure against companies that do not comply with the requirement.
 - An offence of failing to respond to a query from the Registrar.

42. There will be genuine reasons when a company cannot reply within the 14 day period, but in order to incentivise compliance with the new requirements, as with other requirements relating to Companies House filings, some form of penalty must be available to the Registrar. The Registrar will consider the circumstances when deciding whether to levy a penalty.
43. Overall, we expect this power to introduce only negligible regulatory burdens on businesses because:
- i. We expect only a small proportion of entities to be affected.
 - a) While we cannot estimate at this stage the number of instances in which the powers might be used, we have explained that the powers are intended to be used in a proportionate fashion. While the intention is to correct or remove inaccurate information, it would not be proportionate to expect Companies House to actively monitor the register to act on every error, minor inaccuracy or anomaly, especially if it poses little risk to the register's integrity.
 - b) We know that the vast majority of companies and corporate entities are doing the right thing and are carrying out legitimate activity; in fact these proposals are to a large extent intended to protect them from those who try to abuse the UK framework. Where the power introduces burden on the small fraction of entities that file information incorrectly on purpose or even with criminal intent, we do not regard any additional burden imposed as regulatory burden, because we only consider the regulatory burden on those entities that were compliant in the first place.
 - ii. We expect the impact on those who are affected to be minimal.

As explained, providing satisfactory evidence should be relatively straightforward in cases of misunderstanding or genuine mistake as the entity should have it readily available. Where an entity has made a genuine mistake and this is rectified via this power, then this should also be in the interest of the entity itself. A true, significant burden should only arise in precisely those instances where it should, i.e. in which entities did not comply with existing rules and standards or where they were trying to mislead on purpose.

1b: Broadening powers to remove and rectify information from the Register

44. The Companies Act 2006 provided the Registrar with limited administrative powers to rectify information from the register. Most commonly these have been used when appointment of a director has been made without authority of the company. These powers were then widened in scope in the Small Business, Enterprise and Employment Act 2015 which updated provisions concerning the abovementioned appointment of directors and introduced a power to change a registered office to a nominal or default address based at Companies House.
45. These current powers have helped protect individuals who were fraudulently appointed as directors without their consent or whose addresses have been misused by entities as a 'fake' registered office address. Without these powers, affected individuals would have had to incur unnecessary expense and effort to get the inaccurate information about them removed via obtaining a court order. With the powers in place, individuals were able to raise the issue with Companies House. Upon application, the Registrar can then currently make enquiries with the company concerned and remove for example the incorrect director details, or change the registered office address to the default, within 28 days.
46. We firstly propose to change the timelines to 14 days to allow for quicker resolution of inaccurate information and better protection of individuals. This would also mean that the removal or rectification powers would be in line with the new querying powers, and the current 28-day timeframe was largely a result of a time in which paper filing of documents

was still the standard. In a world of widespread availability of digital filing options, we consider 14 days to be a reasonable timeframe.

47. Secondly, we propose to broaden the scope of these powers so that it can apply to information that currently cannot be removed or rectified. For example, while existing powers under section 1095 of the Companies Act apply to information about directors, company secretaries or LLP members, it does for example not apply to filings such as Persons with Significant Control (PSC) filings. We thus propose to broaden the power to apply to any filing and legal effect document that would be included on the register in principle, much like we propose for the querying power above. We believe the process followed before information is removed should be reviewed and updated to make it more reactive to individual circumstances.
48. Overall, for the same reasons set out in the assessment of the querying power, we expect the broadening of the powers to remove and rectify incorrect information to result in a negligible burden to currently compliant registrant entities.

1c: Reforming the requirements on companies to keep and maintain registers

49. Companies are legally required to keep and maintain their own records of certain categories of corporate information in statutory company registers which must be kept at either their registered office address (or a single alternative inspection location) and be available for public inspection. Some of the registers that companies must keep and maintain under the Act are:
- Register of Directors.
 - Register of Members.
 - Register of Secretaries.
 - Register of People with Significant Control (“PSC register”).
 - Register of Directors’ Usual Residential Addresses; and,
 - Register of Charges (only those created before 6 April 2013).
50. The Act requires companies to enter information into these registers within a statutory timeframe. In certain cases, companies are then obliged to file a notification of a change to Companies House. For instance, a change in the company’s own register of directors must be notified to the Registrar within 14 days of entry in the company’s own register.
51. Some of the measures that the Government has now committed to in the Government response to the 2019 consultation will have an impact on the statutory registers that companies are required to keep. In particular, the Government has committed to change the legislation to move the point of legal effect of a director’s appointment. Under these proposals a director becomes a director in law only once their identity has been verified and their information added to the public register.
52. This reform of company law has a significant impact on the practicality of a company retaining its own statutory register. When these reforms are introduced, the current ‘flow’ through the legislation (appointment as a director, entry into the company’s statutory register, notification of the event to the Registrar) will be broken.
53. Moreover, the Registrar’s new querying power may lead to removal of information from the public register which could give rise to discrepancies between it and the company’s own registers. Under the current framework, when information is rectified on the public register, for example amending an incorrect director’s service address, a company will need to correct their own register, in addition to updating the public register. This can lead to

discrepancies between a company's own register and the statutory register, and such instances are likely to increase.

54. In response, the Government intends to remove the requirement for companies to keep and maintain their own Register of Directors. This will reduce burdens on business, as we will not require companies to enter information into their own register, as well as notifying the Registrar of changes. Removing the obligation to keep a separate Register of Directors also removes the chance of discrepancies emerging and improves the integrity of the public register. Following the reforms, the public register of companies will become the single, verified source of information with respect to directors.
55. Whilst removing the requirement to keep a Register of Directors will lead to the benefits set out above, we will need to consider the wider impacts of removing this obligation. The current framework requires the Register of Directors to be open for inspection for members of the company (without charge) and for the public (for a charge). We will consider the impact on members' rights to inspect the information within the Register of Directors when developing our proposals further. We will also consider our approach to information which is included in the Register of Directors but is not available on the public register. For instance, the Register of Directors includes the full date of birth of a director whereas only the month and year are available on the public register.
56. While not making proposals on other registers, our consultation also invites views on the requirements on companies to keep other statutory registers mentioned above. In general, improved accuracy and timeliness of the companies register should mean that the central source of information, which is freely available to all, could make some elements of information held on companies own registers redundant. However, this general principle will not always apply. For example, whilst we will consider changes to the Register of Members, we are unlikely to remove this requirement. The Government response to the 2019 consultation explained that an insufficiently strong case had been made to collect more shareholder (member) information. The Register of Members, kept by the company, will therefore still be an important source of information.
57. These elements of the consultation are clearly deregulatory as they would remove an existing regulatory requirement for companies, and we will seek the consultation period to develop a more detailed assessment. The impact may be limited as private limited companies can already elect to hold information normally kept in their own statutory registers on the public register instead of at their registered office (or a single alternative inspection address), thanks to changes made by the Small Business, Enterprise and Employment Act 2015. This was introduced following a review which looked to simplify company law requirements and identified an opportunity to reduce duplication of holding information on both the public register and a separate company register.

Filing of financial information/accounts

58. The following section sets out the main reform elements directly affecting regulatory requirements faced by companies raised in the consultation on filing of financial information²¹. The following paragraphs will provide an overview of the current framework of filing financial information with Companies House and government overall, before then assessing the likely scope and impact of each of the identified four main areas one by one.
59. Private and public companies are currently required to prepare annual accounts for their members. These need to include: a profit and loss account, a balance sheet, notes to the account, and group accounts (if appropriate). Public companies are also under a statutory

requirement to lay their account before their members at an annual general meeting, which needs to be held within six months of the financial year end/accounting reference date ('ARD').

60. Private and public companies currently need to file a copy of these accounts with Companies House. Public companies must do so within six months of the ARD, private companies within nine months.²² However, small and micro-entities may currently file reduced accounts which provide less detailed financial information.²³
61. Of the over 3 million accounts filed with Companies House in 2019-2020, 85% were filed electronically already in XBRL format²⁴ using either Companies House's web service or commercial accounting software. This suggests that the remaining around 450,000 accounts were not filed electronically during that year. Internal Companies House assessment showed that 99% of accounts successfully registered at CH could have been filed electronically, proving the existing capability and infrastructure exceeds the current level of electronic filing.
62. Since 1st April 2011 all UK companies must deliver their corporation tax return online for any accounting period ending after 31 March 2010 with HMRC electronically in XBRL format. There is significant overlap between information which must be filed with HMRC and Companies House. All information required for Companies House has to be provided electronically to HMRC already (with the two exceptions mentioned below), and the information that has to be provided to HMRC in many instances goes beyond what is currently required by Companies House. We do acknowledge that existing filing deadlines with HMRC are currently slightly more generous in general, with companies typically having 12 months to file accounts rather than the nine months private companies have for filing with CH.
63. Overall, there are 13 different types of company accounts with different filing requirements, reflecting various conditions and exemptions²⁵; seven account types specially apply to small and/or micro companies. The large majority of the over 3 million accounts filed with CH in 2019-2020 were 'Micro Entity' accounts (1.2million or 39.3%) and 'Audit Exempt' accounts (1.19million or 38.8%).
64. Two types of company accounts, dormant and group accounts, are exceptions from the mandatory HMRC electronic filing. Dormant companies do not have to file a corporation tax return. Group accounts do not have to be fully XBRL tagged. Annex A provides a table as a visual summary of the above, which sets out the different account types that can be filed with CH, the information contained within them and the extent of overlap with existing HMRC requirements.

1d: Mandating e-filing of accounts, requiring the use of iXBRL-tagging

65. At this stage, we assess that mandating electronic filing and full XBRL tagging of CH accounts would create no additional costs to many companies and only negligible burden to some. For our assessment we have considered two main possible routes of additional burden:
 - a) Digitisation costs – costs of transforming currently paper filed accounts into the required digital format

²² Different timelines apply to the first year after incorporation. In recognition of the burden and pressure imposed on businesses by the coronavirus outbreak, the Government also temporarily extended the filing deadlines for company accounts by three months (from nine to 12, or for six to nine respectively) in June 2020: <https://www.gov.uk/government/publications/the-companies-etc-filing-requirements-temporary-modifications-regulations-2020/temporary-changes-to-companies-house-filing-requirements>

²³ <https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts#accounts-for-your-members>

²⁴ <https://www.gov.uk/government/statistical-data-sets/companies-house-management-information-tables-2019-20>. Tables 7 and 8.

²⁵ A detailed breakdown of the different company account types and conditions relevant for this IA can be found in Annex A.

- Costs of preparing accounts in XBRL format, the cost of relevant technology required to submit accounts electronically as well as the additional labour costs of electronic submission. These only apply to accounts that are currently filed in paper format. This, as evidenced, is an increasingly small proportion of company accounts.
- We assume that even those companies that currently paper file do hold accounts in a digital format on their systems and do not use solely handwritten accounts. While some companies might still prepare accounts in a pure handwritten format, this proportion will be (increasingly) small especially as electronic filing with HMRC is already largely mandatory. Our assumption implies that all companies or their accountants currently filing on paper hold their accounts information in electronic format and chose to send them in paper format rather than electronically. We thus consider any potential costs of transforming handwritten accounts into a suitable digital format as likely negligible overall. The submission of paper accounts to Companies House is assumed largely to be the result of what companies are used to rather than a minimisation of burdens.
- Most companies currently already use commercial software that enables compliant electronic filing or are using the services of accountants who do so. For those likely small companies that currently do not, Companies House provides a free web-filing service. And, as mentioned, except for dormant and group accounts, all account types have to file their corporation tax returns in XBRL format with HMRC already. All companies or their accountants would thus have purchased relevant commercial software already or would have used HMRC's free accounting software, CATO, which also allows for simultaneous submission to CH.
- As mentioned, account filing deadlines are currently slightly more generous for HMRC. This means that there is an implicit impact even for those companies that already must file electronically with HMRC but currently do not do so for Companies House. In essence, they will have to prepare the electronic accounts to a slightly quicker timetable (nine rather than 12 months for private companies). We do at this stage assume that this impact places only a negligible burden on businesses overall. Firstly, the existing HMRC deadlines are likely not a binding constraint for many companies (i.e. they are able to prepare accounts much quicker), and secondly the total amount of work required for the preparation remains unchanged.
- Finally, we assess additional labour costs related to electronic submission to be likely negligible. This is because we consider it reasonable to assume that the workload of printing and mailing accounts to CH is equal to the workload of inserting account figures into a web service or submitting via commercial software.

⇒ Overall, we consider digitisation costs to be likely negligible.

b) Familiarisation costs

- Familiarisation costs – the costs of learning about new filing requirements and identifying the most suitable route to comply - apply in principle to all companies.
- Companies filing electronically already will not have to change anything, hence face no or negligible additional costs. The costs for companies filing on paper currently are negligible. As outlined before, the degree to which these companies must change their submission process are minimal. Accordingly, the one-off costs to implement these minimal changes are negligible.

1e: Including additional information within the accounts submission

66. Several responses to the first consultation noted that current filings requirements do not ensure that some information that many users would see as essential or very helpful, such as information on turnover, is actually contained on the public register. This can for example make it difficult to establish the size of a company and thus also to establish eligibility for

small or micro-company exemptions (see 1f below). We will thus use the consultation to explore which, if any, additional information would be beneficial to both Companies House and companies themselves.

67. The main aim of requesting any additional information would be to add further value to the Register, through an increase in accurate and transparent account data. To minimise potential additional burden on filing companies, we are prioritising information that companies do already collect and are filing with other government entities such as HMRC. Including any such information in filings with Companies House should then not create any additional burden in terms of data collection and only negligible filing burden, especially where information can be submitted to HMRC and Companies House in a single process.

1f: Shortening account filing deadlines

68. We received a variety of responses during our initial consultation on the suggestion of shortening account filing deadlines, with some responses from OGD's, professionals (such as accountants) and other individuals. Respondents to the consultation suggested that a reduction in filing deadlines should be explored. It was suggested that current filing deadlines mean that financial information is significantly out of date at point of receipt, and shortening deadlines will increase the usability of the information. Furthermore, having shorter deadlines would put the UK in line with global best practice, such as Singapore and Australia.

69. BEIS research²⁶ identified that financial information (e.g. annual reports and financial statements) is seen as the most valuable component of the register data by users. It represents approximately 55% of the total aggregate benefit identified (i.e. approximately £0.6 billion to £1.7 billion per year), compared to an attributed value of 41% to basic company information, and 4% of the total value to PSC information (although this increases to 13% for 'high use' users). It is thus critical to ensure that financial data filed on the Company 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 accurate and reliable. Receipt of accounts more promptly after the financial year end will improve the accuracy of the information on the register, thus increasing its value.

70. As explained, in normal times, private companies currently have nine months, and public companies six months, to file their annual accounts with Companies House, with filing deadlines for HMRC being slightly longer (usually 12 months). Public companies are on average larger, with more dispersed share- and stakeholders, meaning that the need for timely information is heightened. In identifying the scope to reduce these timelines to increase timeliness and accuracy of the financial information on the register, we will consider the implied additional burden on companies and the extent to which producing the same output over a shorter time-period is feasible and does not increase the risk of a fall in quality due to rushed submissions.

71. Our working assumption at this stage is that there is likely scope to reduce existing deadlines without risking a degradation in quality and without imposing significant burden on businesses filing accounts. This assumption is based on the following arguments:

- a) Filing timelines in other jurisdictions are already shorter without obvious negative effects. For example, in Singapore companies usually must file annual returns within five months (listed companies) or seven months (non-listed companies) after their financial year end.
- b) Advances in technology, such as modern accounts software and CH/HMRC services enabling user-friendly online-filing mean that most companies now file digitally, and with these advances there is an opportunity for accounts to be produced and filed more

²⁶ <https://www.gov.uk/government/publications/companies-house-data-valuing-the-user-benefits>

quickly. As part of our overall reform package, and as pointed out in our consultation document, government plans to further enable and drive the 'file once with government' policy under which companies can use a single gateway to file their information with all relevant government bodies in a single process.

- c) Most UK companies are small, with for example 39.3% of filed accounts being Micro-Entity and 38.8% being 'Audit Exempt' accounts. It is unlikely that the current deadlines are binding on the vast majority of companies, i.e. it takes them less than nine months to prepare and file their accounts, and thus there would be no practical implication apart from being aware of the change.
- d) A change in filing deadlines does not change the amount of data that needs to be collected and processed. The total amount of time and resource that needs to be allocated to the preparation and filing of accounts remains unchanged; it just needs to be distributed over a shortened time-period. For companies that employ an accountant to file their accounts, which is very common, there is unlikely to be any additional burdens or costs. However, there could be some additional costs if accountants were to increase their fees to meet shorter deadlines, but we do not consider this likely in most cases for the reasons set out above.

1g: Reviewing the rules of how small companies file accounts with CH

72. The Government is keen to maintain a sensible balance between requiring useful disclosures from companies whilst minimising burdens. Previous governments have allowed significant flexibilities to small and micro companies, but the result is that financial information now contained in their accounts is very limited and many respondents to the 2019 consultation argued the information provides little value. As set out in the consultation on accounts filings, there is also evidence that micro-entity accounts are being used incorrectly, and many entities are reporting as micro entities when they are not eligible to do so.
73. For these reasons, we are consulting on requiring a statement of eligibility by the company director(s) that the accounts are being filed in accordance with the eligibility requirements of the Companies Act, as well as considering whether the rules as a whole can be simplified or improved.
74. It is at this stage too early to assess the impacts of any reform of the rules governing what financial information small companies must disclose.
- On one hand, requiring micro-entities to provide additional financial information to be placed on the public register and asking directors to provide an eligibility statement could impose significant additional burden on businesses simply because of the great number of companies potentially affected. The precise impact would depend on what additional information was asked for. We consider it likely that any additional information would be information/data that companies already gather and supply to other bodies, such as HMRC for tax purposes, in which case the burden on individual businesses should be very small.
 - On the other hand, evidence from last year's consultation and elsewhere suggests there is scope to simplify the small accounts rules, which would reduce compliance costs over time.

b) Benefits

Increasing digitisation and use of data, reducing need for time and labour-intensive processes

Companies House

75. Increased use of digital methods will result in efficiency benefits for Companies House by replacing more resource and time-intensive manual efforts with technological data solutions. For example, processing manually filed paper accounts can currently be resource intensive, and paper filed accounts are also more likely to be rejected (7.5% rejection rate in 2019/20 compared with only 1.2% for electronically filed accounts). E-filing increases the probability to 'get it right first time' and thus reduces the risk for resource-intensive follow-up interaction between Companies House and the presenter.

Businesses

76. A move towards more streamlined digital systems will ultimately benefit businesses themselves as these changes can be important stepping stones towards 'filings with government once', enabling companies to file a consistent set of information once with different government bodies, rather than having to make several separate filings with different requirements. As pointed out above, the proposed changes will also likely result in a reduction of errors and thus rejection rates. There will thus be less overall need for follow-up interactions between Companies House and presenters, reducing the burden for companies as well as for Companies House.

Improved register timeliness and accuracy

77. Overall, the proposed reform elements are designed so that the data on the company register is improved, containing more timely, accurate and valuable data. In doing so, the proposals will help create value mainly along two dimensions.

i) Increased value to users

- While asking for additional information and introducing the powers to query information might create some administrative burden to businesses especially in the short run, we have explained why we consider this impact to be small, and how the aim to minimise burden on registrant businesses has specifically informed policy thinking. The increases value of the register to its users that the reform aims to achieve will furthermore be to the benefit of many businesses themselves, which are often users of data as well when they act for example as customers or suppliers.
- As evidenced the current value of the register data is estimated to be up to £3bn a year to direct users (many of which are businesses), with 55% of that value being derived from financial information, which these proposals specifically aim to improve. These figures highlight that only small increases in data value are needed to offset likely small regulatory burdens.

ii) Reduce misuse and help tackle economic crime

- The data value of up to £3bn did not include the value of the data to law enforcement as well as more indirect effects, such as the value associated with enabling the prosecuting and deterring effects on crime. We have provided background information that provides evidence for the substantial costs of economic crime, and the proposals discussed in this impact assessment are one important component of a wider reform package that will help reduce the current data and information barriers.
- We received many responses to our initial consultation of individual consumers and small businesses that have been the victims of economic crime and fraud. Improving the accuracy of the information on the company register will help better protect these responsible businesses and individuals from those who behave irresponsibly and illegally. For example, the improved querying and rectifying powers will better protect individuals who are fraudulently, without their consent, being appointed directors of a company, and those whose addresses are being used as a fake address by another company.

I. Direct costs and benefits to business calculations

78. At this stage we have not monetised costs and benefits but have instead focused on description of effects and likely scope. As explained, for most elements we currently expect negligible/small burdens, and the IA sets out how our awareness of potential regulatory burden has informed, and will continue to inform, the policy development.
79. We will use the consultation period to develop policy detail, test our current thinking and assumptions and supporting analysis further and return with a final assessment of the regulatory burdens imposed by the overall final reform package (including the final version of the measures consulted on here but also those taken forward directly, such as identity verification).

J. Impact on small and micro businesses

80. We have set out why we estimate the additional regulatory burden associated with the proposals to be negligible or small in most instances. Some elements discussed are proportionate to business size (for example, the complexity of accounts often scales with business size) while other elements such as familiarisation or the process of submitting information online do not and thus could impose a proportionately higher impact on smaller businesses. However, at this stage, any evidence for disproportionate impacts is limited. On the contrary, we have investigated random samples of companies that currently file on paper with Companies House, and this did not indicate that these companies are more likely to be small. If anything, our current evidence, and experience suggests that these companies are larger on average, meaning that we do currently not expect a disproportionate impact on small companies from the proposals to mandate electronic filing of accounts.
81. The ultimate beneficiaries of better and more transparent corporate information are often customers and small supplier businesses who themselves frequently are victims of fraud and economic crime. While there will be some additional burden associated with some proposed reform elements, they all play an integral part in the overall reform package (including identity verification) which will help protect those businesses that do the right thing from those who seek to abuse the corporate framework.
82. The reforms aim to further strengthen the reputation of the UK as a place to do business, strengthening the integrity of the framework under which all companies, independent of size, operate. It is important to avoid the creation of loopholes that could undermine the overall integrity of the framework, but the existing framework incorporates mitigation of disproportionate burden on smaller companies (see the reduced requirements on filing detailed accounts) where deemed appropriate. We will seek to mitigate disproportionate burden on smaller businesses in our policy development where possible without undermining the overarching policy objectives.

K. Wider impacts

Public sector

83. We have explained the likely benefits to Companies House associated with the proposals. We have not presented a detailed analysis of implementation costs, which will be assessed in the final impact assessment.
84. Companies House has been undergoing, and continues to undergo, a transformation process towards a truly digital organisation which is implemented independent of the proposals discussed here. Improved efficiency and time-savings due to reduced needs for resource-intensive manual processes implemented by the transformation of the organisation and the reform assessed in this IA will enable the reallocation of existing resource towards the increased role of Companies House in querying and rectifying information it receives.

Competition

85. The proposed reforms affect all companies across sectors and we thus have not identified any specific competition impacts. The proposals will help strengthen the position and protect consumers and businesses who 'do the right thing' from those who aim to abuse the current corporate framework.

L. Equalities Impact Assessment

86. The Equality Act 2010 protects against unlawful discrimination based on the following protected characteristics:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex and sexual orientation

87. The Department for Business, Enterprise and Industrial Strategy is subject to the public sector equality duties set out in the Equality Act 2010. It requires public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not; and
- foster good relations between people who share a protected characteristic and those who do not.

88. An equality analysis is an important mechanism for ensuring that we gather data to enable us to identify the likely positive and negative impacts that policy proposals may have on certain groups and to estimate whether such impacts disproportionately affect such groups. We will continue to have regard to the aims of the public sector equality duties and, at this stage, make the following assessment of the consultation proposals against each of the three aims.

Aim 1: eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act

89. The proposals in question largely relate to duties placed on corporate bodies and their interaction with Companies House. They thus largely apply to legal entities and limited burdens are placed on individuals directly. Individuals can be affected indirectly in a professional capacity and in their role, for example, as a company director or accountant. Such impacts are likely to be minimal at the individual level. We do not have any evidence to suggest that individuals in the most affected professional capacities (such as company directors) are disproportionately likely to fall under the protected characteristic. We thus do not foresee any clear negative impacts on the individual level, and especially no reason to expect any disproportionate negative impact on those protected by the Equality Act 2010.

90. We are aware that mandatory electronic filing, although no barrier for the vast majority of entities, could create disproportionate barriers for those with limited access to the available digital filing solutions or products, or those whose beliefs prohibit them from using these solutions. We will support businesses to make the transition to digital filing, conducting user research to understand any obstacles and barriers, and provide guidance and solutions for

all to file their accounts digitally with Companies House.

91. So, while our overarching aim is to move to a digital-only environment for the many benefits set out in this impact assessment, we will keep this in mind when we develop necessary exemptions, which could allow for alternative paper filing in such circumstances.

Aim 2: Advance equality of opportunity between people who share a protected characteristic and those who do not

92. Our assessment for aim 1 largely applies here as well. The company law framework, and the way corporate bodies interact with Companies House, applies equally to all corporate entities to build, and maintain the overall integrity of the framework. We have not identified any existing barriers to individuals within the framework, and the proposals assessed here do not impose any new barriers on the individual level that would affect individuals or groups with protected characteristics disproportionately.

Aim 3: Foster good relations between people who share a protected characteristic and those who do not

93. As explained, the proposals will not introduce any burden at the individual level. However, responses to our 2019 consultation included many respondents who had been victims of fraudulent behaviour by companies, and who felt insufficiently protected by current arrangements. The proposals are part of a reform package that will help improve the information and thus protection available to individuals. It will thus benefit individuals across the population, independent of whether they are part of a group with protected characteristics or not.

M. Risks and assumptions

94. Our early assessment that impacts of most elements are likely to be negligible or small depends on two main assumptions we made at this stage:

- i. Information collected and reported for other purposes (most notably HMRC and members of the company) can be used basically unchanged to satisfy filing requirements with Companies House, with only a negligible effect overall. This assumption implies that no new information needs to be collected.
- ii. In the context of filing accounts, carrying out the same processes but in a shorter timeframe only has a negligible impact on resource required and thus compliance costs. We currently assume that the burden is predominantly determined by the amount of resourced required rather than by the period over which that resource is spread.

95. If these assumptions are not valid in many instances, then additional regulatory burdens imposed on businesses could be larger than estimated at this stage. The same would apply if the application of the new and broader Registrar powers were wider and less targeted than intended at this stage. We will test and refine these assumptions over the consultation period to strengthen the final assessment.

N. Monitoring and Evaluation

96. Companies House's Monitoring and Evaluation Strategy provides a structured evaluation model to review and measure several factors. Evaluation projects will be defined in more detail at the final impact assessment stage, holistically for the entirety of Register Reform, but they will likely include:

- regular monitoring of register use with results published on the CH website.
- a study to examine the value of incorporation, including limited liability.

- regular analysis of data to identify potentially suspicious activity to inform policy and law enforcement; and
- regular feedback from users, including law enforcement, on the value of CH services.

97. We will develop a detailed Post-Implementation Review plan as part of our final assessment. All suggested research methods will be subject to expert review. The main research question to address after the proposed reforms have been implemented will be whether the quality of Companies House data improves and thus will be more useful as a result. The published research on the value of the register will provide a useful baseline against which changes can be assessed.

Annex A – Account types and filing detail

Accounts type	Applicable up to which company size	Contents of Accounts					Submission options			HMRC submission
		Balance sheet	Directors report	Profit and Loss account	Auditors report	Notes	CH web service	CATO	Software	Electronic with full XBRL tagging requirement
Micro Entity	Small	Limited, micro format	Yes	Limited, micro format	Yes	Yes	Yes	Yes	Yes	Yes
Micro Entity audit exempt	Small	Limited, micro format	Yes	Limited, micro format	No	Yes	Yes	Yes	Yes	Yes
Full	Small	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No
Group	Small	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Abridged	Small	Limited, abridged	Yes	Limited, abridged	Yes	Yes	No	No	Yes	Yes
Audit exempt	Small	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes
Audit exempt & abridged	Small	Limited, abridged	Yes	Limited, abridged	No	Yes	Yes	Yes	Yes	Yes
Full	Medium	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Group	Medium	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No
Full	Large	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Group	Large	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No
Dormant		Yes + previous' years	No	No	No	No	Yes	Yes	Yes	No

