Spinout to Exit:
Compliance

Statutory financial requirements

Companies incorporated in the UK have to comply with various statutory requirements, with increasing penalties for non-compliance. These include:

- Accounting reference date
- Preparing and filing annual financial statements

Accounting reference date

Each company needs to set an accounting reference date (or "year-end" date) which it will prepare its accounts to each year. When the company is incorporated the year-end will, by default, be set as one year from the end of the month of incorporation. For example, a company incorporated on 16 August 2024 will prepare its first set of accounts for the period ending on 31 August 2025.

You can change an accounting reference date by shortening an accounting period as often as you like and by as many months as you like. However, there are restrictions on extending accounting reference periods, as follows:

- An accounting period cannot exceed 18 months in length unless the company is in administration;
- A company cannot extend its accounting reference date more than once in five years except in particular circumstances.

Preparing and filing annual financial statements

All companies must prepare and publish financial statements on an annual basis that report on their performance and activities during the financial year. These financial statements have to be prepared in accordance with stipulated accounting standards, so as to ensure that their preparation is consistent with those of other companies.

Under Companies Act 2006, private companies must file their accounts with Companies House within 9 months of their accounting period end date, while Plc's must file their accounts within 6 months.

Read our audit requirements section below, to find out if your company is required to undergo mandatory audits.

JAMESCOWPER KRESTON
Accountants & Business Advisers

Audit requirements

Whether mandatory or optional, audits offer a thorough review of your accounts to help ensure smooth business operations. Companies that meet the threshold are required to have their accounts audited to confirm their financial statements provide a true and fair view, in accordance with International Auditing Standards.

A public company (unless dormant) must have an audit. A company that's part of a group is usually ineligible for audit exemption, unless the whole group meets the size criteria outlined below. This includes group companies that are outside the UK.

The new company size thresholds listed below, effective from 6 April 2025, stipulate the type of financial statements a company prepares and whether it requires a statutory audit. This means many small companies (defined by meeting two or more of the criteria below) will no longer require mandatory audits, however businesses can still choose to have audits conducted voluntarily. The new thresholds are as follows:

Company Size	Micro	Small	Medium	Large
Annual turnover	Not more than £1 million	Not more than £15 million	Not more than £54 million	More than £54 million
Balance sheet total	Not more than £500,000	Not more than £7.5 million	Not more than £27 million	More than £27 million
Average number of employees	Not more than 10	Not more than 50	Not more than 250	More than 250

It is also possible for a subsidiary company within a larger group to be exempt from audit providing it meets certain criteria and the parent company guarantees its debts. Although an audit may not be statutorily required, there may be circumstances where a company would nonetheless choose to have an audit. Third party investors will often stipulate as a condition of their funding that an audit is carried out.

If a company is in receipt of grant funding it is usual that the grant – making body will require an audit to be carried out of the company's claim for that funding. This work is carried out in accordance with the specific requirements contained within the grant.

Tax

Companies are also required to account to HMRC for certain taxes. The main administrative requirements for each tax are summarised below:

Corporation tax returns

Companies with taxable profits of £1.5 million or less are required to pay their Corporation Tax within 9 months and 1 day of their year-end. The corporation tax return (CT600) has to be filed with HMRC within 12 months.

It is now mandatory to file both your financial statements and corporation tax returns electronically.

VAT

VAT returns will generally be submitted quarterly and must be submitted by day 7 of the second month following the quarter-end – for example a VAT return for the quarter to June must be submitted by 7 August.

Companies can elect to account for VAT monthly. This has a cash flow benefit when the company is regularly in a position where it receives a refund from HMRC (input tax exceeds output tax).

Payroll compliance and benefits reporting

Companies with employees (including directors) are required to file numerous forms to report to HMRC and ensure the correct deductions are made from employees' pay. The most common of these are summarised below:

RTI Submissions – employers are required to make formal Real Time Submissions (RTI) each time an employee, including Directors, is paid called an FPS (Full Payment Submission). Any PAYE recoveries due are also handled are then included on an EPS (Employer Payment Submission) each tax period.

Form P45 – issued to a leaving employee or HMRC (for a new employee) detailing gross pay and tax deducted for the tax year to date.

Employee Starter Checklist (formerly called P46) – for a new employee starting, unless they have a P45 from a previous employer; in this case there is a section of the P45 which needs completing.

Form P11D – needs to be completed annually for every director or employee who receives benefits or certain reimbursed expenses. From April 2016 business expenses that are deductible (e.g. expenses for work related travel) will become exempt if reimbursed by employers. Agreements called Approval Notices will be issued by HMRC.

Monthly deductions must be paid over to HMRC by the 19th of each month (or 22nd if paid electronically). There are potential penalties for late payments of deductions.

Confirmation statement

Every company must provide Companies House with an annual return known as the confirmation statement; this provides information about the company at its 'legal return date'. A company has 14 days from its legal return date to deliver its annual return to Companies House. You can be fined up to £5,000 and the company can ultimately be struck off (effectively, cease to exist) if it doesn't file the confirmation statement.

Other company secretarial matters

There are other matters which need to be reported to Companies House as they occur, these include:

- Appointments or resignations of directors or company secretary;
- Issues or allotments of shares in the company;
- Company purchase of own shares;
- Reductions in share capital;
- Changes to the company's Articles of Association.

www.jamescowperkreston.co.uk | info@jamescowperkreston.co.uk