

Simplified accounts for “Micro-Entities” but tax burden remains

The government has announced that for financial years ending on or after 30 September 2013, micro-entities will be able to prepare simplified accounts under the legislation to implement the EU “Micros Directive” in the UK.

To qualify for the exemption a company must meet two of the following conditions:

1. Balance sheet total not exceeding £316,000
2. Net turnover not exceeding £632,000
3. Average number of employees during the financial year not exceeding 10.

The purpose of the legislation is to reduce red tape for the UK’s smallest businesses and it is expected that around 1.5 million businesses will benefit from the measures, which allow for a condensed profit and loss account and balance sheet to be prepared as well as the continued exemption from filing a profit and loss account with Companies House.

Where companies opt to apply the micro-entities exemption, this does not remove the requirement for good record keeping for tax purposes. With HMRC’s increasing focus on SME companies in recent years full backup and analysis must still be available.

In practical terms from a company tax perspective the impact will be as follows:

- Full records will still have to be maintained.
- Accounts will still have to be submitted electronically to HMRC with full UK GAAP disclosures until at least the second half of 2014 under online filing requirements.