

Limited Companies

Running a limited company presents a range of unique challenges and responsibilities. From corporation tax to IR35 personal service companies, business owners must familiarise themselves with tax rules and regulations. Here we outline what owners must know in order to successfully run their company.

Corporation tax

The corporation tax rate is currently 19% and there are no plans to reduce the rate in the future.

Self assessment

A company has to estimate its own corporation tax liability and pay this by the due date, which is usually nine months and one day after the end of its accounting period.

A company tax return has to be filed with HMRC within twelve months of the company's year end.

Interest is charged on late payment of corporation tax, and there are also penalties for late filing of a company tax return.

Capital gains

Capital gains are taxed at the effective rate of corporation tax (19%). Gains are calculated after deducting from the sale proceeds the market value at March 1982 (or cost of acquisition, if later), costs incurred in improving the asset, an indexation allowance (to account for inflation up to December 2017), and certain disposal costs.

Reducing capital gains

Rollover relief

Claim rollover relief if your company buys certain new chargeable business assets within one year before or three years after selling a business asset. This effectively postpones any tax liability until the new asset is sold. Special rules apply if the new asset is a wasting asset, being broadly an asset with an expected life of 50 years or less.

Negligible value claim

Claim relief on assets that have become worthless. A loss can be claimed even though the asset has not been sold, and this can then be offset against chargeable gains.

Crystallising capital losses

Assets that have fallen in value since March 1982 (or date of acquisition if later) could be sold, thereby crystallising capital losses to set against other chargeable gains. This is easily achieved if the asset is a quoted share or security.

Deferring capital gains

Capital gains are realised when an unconditional contract for the sale of an asset has been made. In the case of conditional contracts, the sale is regarded as taking place when the condition is satisfied. Conditional contracts can delay a gain being realised until after the year end, but caution should be exercised when using such contracts.

Corporation tax self assessment (CTSA)

Key features

The key features are:

- a company is required to pay the tax due in advance of filing a tax return
- a 'process now, check later' enquiry regime when the tax return is submitted

- the inclusion in the tax return, and in a single self assessment, of the liabilities of close companies on loans and advances to shareholders and others, and of liabilities under Controlled Foreign Companies legislation
- the requirement for companies to self assess by reference to transfer pricing legislation.

Practical effect of CTSA for companies

Notice to file

Every year, HMRC issue a notice to file to companies. In most cases, the return must be submitted to HMRC within 12 months of the end of the accounting period.

Filing your company tax return online

Companies must file their corporate return online. Their accounts and computations must also be filed in the correct format - inline eXtensible Business Reporting Language (iXBRL).

Unincorporated organisations and charities that don't need to prepare accounts under the Companies Act can choose to send their accounts in iXBRL or PDF format. However any computations must be sent in iXBRL format.

Penalties

Penalties apply for late submission of the return of £100 if it is up to three months late and £200 if the return is over three months late. Additional tax geared penalties apply when the return is either six or twelve months late. These penalties are 10% of the outstanding tax due on those dates.

Submission of the return

The return required by a Notice to file contains the company's self assessment, which is final subject to:

- taxpayer amendment
- HMRC correction; or
- HMRC enquiry.

The company has a right to amend a return (for example changing a claim to capital allowances). The company has 12 months from the statutory filing date to amend the return.

HMRC have nine months from the date the return is filed to correct any 'obvious' errors in the return (for example an incorrect calculation). This process should be a fairly rare occurrence. In particular the correction of errors does not involve any judgement as to the accuracy of the figures in the return. This is dealt with under the enquiry regime.

Enquiries

Under CTSA, HMRC check returns and has an explicit right to enquire into the completeness and accuracy of any tax return. This right covers all enquiries, from straightforward requests for further information on individual items through to full reviews of a company's business including examination of the company's records.

The main features of the rules for enquiries under CTSA are:

- HMRC generally have a fixed period, of 12 months from the date the return is filed, in which to commence an enquiry
- where the company is a member of a group (other than a small group), HMRC can raise an enquiry up to 12 months from the due filing date
- if no enquiry is started within this time limit, the company's return becomes final - subject to the possibility of an HMRC 'discovery'

- HMRC will give the company formal notice when an enquiry commences
- HMRC are also required to give formal notice of the completion of an enquiry, and to state their conclusions
- a company may ask the Commissioners to direct HMRC to close an enquiry if there are no reasonable grounds for continuing it.

Do call us if you would like further help or advice on this subject.

Company secretaries

Since April 2008, unless there is an express requirement in the company's articles of association, the Companies Act 2006 no longer requires private limited companies ('limited' or 'ltd') to appoint a company secretary. Even if the articles do require it, it is relatively straightforward for the directors of a company to amend the provision, subject to shareholder agreement.

Although there is no requirement for private companies to employ a company secretary if their articles do not require it, in practice many still choose to do so. The important tasks that would normally fall to a company secretary, including shareholder administration and communication, corporate governance and statutory compliance must still be done. In the absence of a company secretary, company law states that directors must take on this responsibility. As a result, many private companies continue to employ a company secretary in order to reduce the administrative and corporate governance burdens that are otherwise placed on their directors.

Public limited companies (whose names end in 'plc') are still required to have a company secretary who must have 'the requisite knowledge and experience' achieved by having a professional qualification (accountancy or company secretarial), a legal qualification, recent experience or other competencies which lead to the directors to believe they can act as company secretary.

The company secretary is an officer of the company. This means that they may be criminally liable for company defaults: for example, failing to file a document in the time allowed or failing to submit the company's annual return.

If a private company decides not to have a company secretary then it should check its Articles of Association to ensure that its own regulations do not require it to appoint one. The company should inform Companies House of the resignation of any existing company secretary.

Company secretarial duties

The duties of the person responsible for company secretarial matters are not defined specifically within company law but may be divided generally into three main areas:

- maintaining statutory registers (keeping the company's records up to date)
- completing and filing statutory forms (keeping the public record up to date)
- meetings and resolutions (making sure the company abides by both its internal regulations and the law).

Maintaining statutory registers

All companies must maintain up-to-date registers of key details. These include:

- a register of members
- a register of directors
- a register of charges
- a register of People with Significant Control (PSC register)*.

The details in these registers include, for example, names, addresses, dates of appointment and resignation (for directors) and for members, the number and type of shares held. This is not an exhaustive list.

Responsibility for maintenance of the company's statutory books and records is a duty that normally falls to the company secretary. It can be a time-consuming task that is often overlooked, but failure to keep the registers up to date can incur a penalty of up to £5,000.

The registers must be made available for inspection by the general public at the company's registered office or at a single alternative inspection location (SAIL) which must also be recorded at Companies House.

A company may choose to keep its directors' residential addresses private and to record a service address for them. If so it will need to keep an additional register showing the directors' residential addresses, which is not open to inspection by the general public.

*A person with significant control is an individual who ultimately owns or controls more than 25% of a company's shares or voting rights or who otherwise exercises control over a company or its management.

Statutory records

It is essential that you keep your company's statutory records up to date. Do not underestimate the importance of these records - they are definitive proof of the company's legal existence and its members, and include:

- Register of members
- Register of directors
- Register of directors' residential addresses
- Register of mortgages and charges
- Register of debentures
- Minutes of board meetings
- Minutes of general meetings
- Directors service contracts

Confirmation statement and accounts

A company's accounts and confirmation statement (previously annual return) must be filed annually with the Registrar of Companies. Non-compliance will render the company liable to dissolution with liabilities subsequent to the dissolution being the responsibility of the directors.

Penalties

The Companies Act 2006 provides for the Registrar of Companies to charge penalties and fines, including £150-£1,500 penalty for late filing of accounts (the amount depends on the status of the company and the degree of lateness and is doubled if late for two successive years).

Failure to file confirmation statements, annual returns or accounts is a criminal offence which can result in directors being fined personally in the criminal courts.

Register of People with Significant Control

All companies (except certain listed companies) are required to keep a register of people with significant control (PSC register) and, file relevant information at Companies House. This requirement is in addition to those in respect of existing registers.

The requirement to keep a PSC register has the objective of increasing transparency over control and ownership of UK companies. However, this places additional obligations on companies, their officers and the people with significant control over them.

What are the requirements?

The requirements include:

- taking reasonable steps to find out whether there are people with significant control (PSCs)
- contacting people identified as relevant, or others who may know them, to confirm whether they are a PSC
- obtaining or confirming relevant information to put in the PSC register
- putting information obtained into the PSC register
- keeping the PSC register up to date.

Changes to the information on persons of significant control must be updated on the company's own register within 14 days and notified to Companies House within a further 14 days. Regardless of any changes companies must also confirm, through their annual confirmation statement, that the information about their PSCs, as held on the central register, is correct.

If at any time the company is aware that the information on the PSC register needs to change, but the relevant information has not yet been confirmed, the register must be updated to show the date from which the information was no longer correct and the status of the investigation into the new PSCs.

What is meant by a PSC?

A PSC is defined as an individual that meets one or more of the following conditions:

- holds, directly or indirectly, more than 25% of the shares or voting rights in the company
- holds the right, directly or indirectly, to appoint or remove a majority of the board of directors of the company
- has the right to exercise, or actually exercises, significant influence or control over the company
- where a trust or firm would satisfy any of the above conditions, any individual that has the right to exercise, or actually exercises, significant influence or control over the activities of that trust or firm.

A company must take reasonable steps to identify its PSCs. Some companies may have no PSCs or find it easy to ascertain who the PSCs are, but others may have to carefully follow all the steps laid out to try to establish if there are any PSCs and, if so, their identity and details.

In some cases, a company is owned or controlled by a legal entity, rather than an individual. Details of relevant and registrable legal entities must also be put on the PSC register. An entity that owns or controls a company is relevant if it keeps its own PSC register or has voting shares admitted to trading in certain markets (e.g. it is listed on the London Stock Exchange).

What information is required to be kept on the register?

The PSC register must be kept, and it cannot be blank! Where, for example, a company is in the process of obtaining information or confirming, a specific statement to that effect is required by law to be made in the PSC register.

New information must be entered on your company's PSC register within 14 days and filed with Companies House within a further 14 days. Failure to comply with these requirements is a criminal offence.

The particulars of a relevant individual that are required to be obtained and confirmed for inclusion in a company's PSC register include:

- their name
- their date of birth

- their nationality
- the country, state (or part of the UK) in which the PSC usually resides
- a service address
- their usual residential address (if different to the service address)
- the date on which the individual became a PSC in relation to the company
- the nature of the PSC's control over the company using the official wording
- any restrictions on disclosing the PSC's information that are in place.

A specific statement is also required in the PSC register if you believe the company has no PSCs.

Information about a PSC must be confirmed before you enter it on the PSC register. Information can be treated as confirmed if the PSC:

- supplied the information or was aware the information was being provided
- has been asked to confirm that the information is correct and has done so
- has previously confirmed the information and there is no reason to believe it has changed.

Do PSCs have any obligations?

There are a number of legal obligations on a PSC. For example, a relevant individual that does not respond to requests for PSC information may be committing a criminal offence. A company is also entitled to apply restrictions to shares or rights in the company held by the individual who is not responding.

Is information held on the PSC register publicly available?

Almost all of the information on the central PSC register is available to the public. The only information that will not be available is the PSC's usual residential address (unless this has been supplied as the service address) and the day of the PSC's date of birth. The PSC register that you keep must be available for public inspection, but you should not provide the usual residential address of any PSC when it is inspected or a copy is requested.

If you choose to keep your PSC register only at Companies House then all of the information that would otherwise appear in the company's PSC register will be available publicly. This means your PSC's full date of birth will appear, but the residential address will still be suppressed.

In exceptional circumstances (where there is a serious risk of violence or intimidation) there is a regime for suppressing all information relating to the PSC from the PSC register and the central register for public inspection or for preventing their residential address being shared with credit rating agencies.

Of course all of the information will be available to law enforcement agencies and Companies House will supply information regarding residential addresses and dates of birth to credit reference agencies and certain public authorities in certain circumstances.

What happens if the company does not comply with the requirements?

Failure to comply with the requirements of the PSC regime could lead to the company or directors, or identified PSCs committing a criminal offence. The company and its directors could face a fine or imprisonment, or both.

In this regard it should be noted that under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) those in the regulated sector for anti-money laundering purposes, such as accountants or solicitors, have a duty to inspect a company's PSC register and report any discrepancies in beneficial ownership to Companies House.

IR35 personal service companies

The 'IR35' rules are designed to prevent the avoidance of tax and national insurance contributions (NICs) through the use of personal service companies and partnerships.

The rules do not stop individuals selling their services through either their own personal companies or a partnership. However, they do seek to remove any possible tax advantages from doing so.

Summary of approach

Removal of tax advantages

The tax advantages mainly arise by extracting the net taxable profits of the company by way of dividend. This avoids any national insurance contributions (NICs) which would generally have been due if that profit had been extracted by way of remuneration or bonus.

The intention of the rules is to tax most of the income of the company as if it were the salary of the person doing the work.

To whom does it apply?

The rules apply if, had the individual sold his/her services directly rather than through a company (or partnership), he/she would have been classed (by HMRC) as employed rather than self-employed.

For example, an individual operating through a personal service company but with only one customer for whom he/she effectively works full-time is likely to be caught by the rules. On the other hand, an individual providing similar services to many customers is far less likely to be affected.

Planning consequences

The main points to consider if you are caught by the legislation are:

- the broad effect of the legislation will be to charge the income of the company to NICs and income tax, at personal tax rates rather than corporate tax rates
- there may be little difference to your net income whether you operate as a company or as an individual
- to the extent you have a choice in the matter, do you want to continue to operate through a company?
- if the client requires you to continue as a limited company, can you negotiate with the client for increased fees?
- if you continue as a limited company you need to look at the future company income and expenses to ensure that you will not suffer more taxation than you need to.

The last point is considered in more detail below.

Employment v self-employment

One of the major issues under the rules is to establish whether particular relationships or contracts are caught. This is because the dividing line between employment and self-employment has always been a fine one.

All of the factors will be considered, but overall it is the intention and reality of the relationship that matters.

The table below sets out the factors which are relevant to the decision.

HMRC will consider the following to decide whether a contract is caught under the rules

Mutuality of obligation	the customer will offer work and the worker accept it as an ongoing understanding?
Control	the customer has control over tasks undertaken/hours worked etc?
Equipment	the customer provides all of the necessary equipment?
Substitution	the individual can do the job himself or send a substitute?
Financial risk	the company (or partnership) bears financial risk?
Basis of payment	the company (or partnership) is paid a fixed sum for a particular job?
Benefits	the individual is entitled to sick pay, holiday pay, expenses etc?
Intention	the customer and the worker have agreed there is no intention of an employment relationship?
Personal factors	the individual works for a number of different customers and the company (or partnership) obtains new work in a business-like way?

Exceptions to the rules

If a company has employees who have 5% or less of the shares in their employer company, the rules will not be applied to the income that those employees generate for the company.

Note however that in establishing whether the 5% test is met, any shares held by ‘associates’ must be included.

How the rules operate

The company operates PAYE & NICs on actual payments of salary to the individual during the year in the normal way.

If, at the end of the tax year - ie 5 April, the individual’s salary from the company, including benefits in kind, amounts to less than the company’s income from all of the contracts to which the rules apply, then the difference (net of allowable expenses) is deemed to have been paid to the individual as salary on 5 April and PAYE/NICs are due.

Allowable expenses:

- normal employment expenses (e.g. travel)
- certain capital allowances
- employer pension contributions
- employers’ NICs - both actually paid and due on any deemed salary
- 5% of the gross income to cover all other expenses.

Where salary is deemed in this way:

- appropriate deductions are allowed in arriving at corporation tax profits and

- no further tax/NICs are due if the individual subsequently withdraws the money from the company in a HMRC approved manner (see below).

Points to consider from the working of the rules

Income and expenses

The income included in the computation of the deemed payment on 5 April includes the actual receipts for the tax year.

The expenses are those incurred by the company between these two dates.

In order to perform the calculations, you need to have accurate information for the company's income and expenses for this period. You may need to keep separate records of the company expenses which will qualify as 'employee expenses'.

Timing of corporation tax deduction for deemed payment

A deduction is given for the deemed payment against profits chargeable to corporation tax as if an expense was incurred on 5 April. This means that relief is given sooner where the accounting date is 5 April.

Pension contributions

Payments made by your company into a personal pension plan will reduce the deemed payment. This can be attractive as the employer's NICs will be saved in addition to PAYE and employee's NICs.

Directors' responsibilities

The position of director brings both rewards and responsibilities upon an individual.

Whether you are appointed to the Board of the company you work for or you are involved in establishing a new business and take on the role of director you will feel a sense of achievement.

However the office of director should not be accepted lightly. It carries with it a number of duties and responsibilities. We summarise these complex provisions below.

Companies

You can undertake business in the UK as either:

- an unincorporated entity, ie a sole trader or a partnership; or
- an incorporated body.

An incorporated business is normally referred to as a company. Although there are limited liability partnerships and unlimited companies the vast majority of companies are limited by shares. This means the liability of shareholders is limited to the value of their share capital (including any unpaid).

A limited company can be a private or public company. A public company must include 'public' or 'plc' in its name and can offer shares to the public.

The responsibilities and penalties for non-compliance of duties are more onerous if you are a director of a public company.

Directors

When you are appointed a director of a company you become an officer with extensive legal responsibilities. For a director of an incorporated body, the Companies Act 2006 sets out a statement of your general duties. This statement codifies the existing 'common law' rules and equitable principles relating to the obligations of company directors that have developed over time. Common law had focused on the interests of shareholders. The Companies

Act 2006 highlights the connection between what constitutes the good of your company and a consideration of its wider corporate social responsibilities.

The legislation requires that directors act in the interests of their company and not in the interests of any other parties (including shareholders). Even sole director/shareholder companies must consider the implications by not putting their own interests above those of the company.

The aim of the codification of directors' duties in the Companies Act 2006 is to make the law more consistent and accessible.

The Act outlines seven statutory directors' duties, which also need to be considered for shadow directors. These are detailed below.

Duty to act within their powers

As a company director, you must act only in accordance with the company's constitution, and must only exercise your powers for the purposes for which they were conferred.

Duty to promote the success of the company

You must act in such a way that you feel would be most likely to promote the success of the company (ie its long-term increase in value), for the benefit of its members as a whole. This is often called the 'enlightened shareholder value' duty. However, you must also consider a number of other factors, including:

- the likely long-term consequences of any decision
- the interests of company employees
- fostering the company's business relationships with suppliers, customers and others
- the impact of operations on the community and environment
- maintaining a reputation for high standards of business conduct
- the need to act fairly as between members of the company.

Duty to exercise independent judgment

You have an obligation to exercise independent judgment. This duty is not infringed by acting in accordance with an agreement entered into by the company which restricts the future exercise of discretion by its directors, or by acting in a way which is authorised by the company's constitution.

Duty to exercise reasonable care, skill and diligence

This duty codifies the common law rule of duty of care and skill, and imposes both 'subjective' and 'objective' standards. You must exercise reasonable care, skill and diligence using your own general knowledge, skill and experience (subjective), together with the care, skill and diligence which may reasonably be expected of a person who is carrying out the functions of a director (objective). So a director with significant experience must exercise the appropriate level of diligence in executing their duties, in line with their higher level of expertise.

Duty to avoid conflicts of interest

This dictates that, as a director, you must avoid a situation in which you have, or may have, a direct or indirect interest which conflicts, or could conflict, with the interests of the company.

This duty applies in particular to a transaction entered into between you and a third party, in relation to the exploitation of any property, information or opportunity. It does not apply to a conflict of interest which arises in relation to a transaction or arrangement with the company itself.

This clarifies the previous conflict of interest provisions, and makes it easier for directors to enter into transactions with third parties by allowing directors not subject to any conflict on the board to authorise them, as long as certain requirements are met.

Duty not to accept benefits from third parties

Building on the established principle that you must not make a secret profit as a result of being a director, this duty states that you must not accept any benefit from a third party (whether monetary or otherwise) which has been conferred because of the fact that you are a director, or as a consequence of taking, or not taking, a particular action as a director.

This duty applies unless the acceptance of the benefit cannot reasonably be regarded as likely to give rise to a conflict of interest.

Duty to declare interest in a proposed transaction or arrangement

Any company director who has either a direct or an indirect interest in a proposed transaction or arrangement with the company must declare the 'nature and extent' of that interest to the other directors, before the company enters into the transaction or arrangement. A further declaration is required if this information later proves to be, or becomes either incomplete or inaccurate.

The requirement to make a disclosure also applies where directors 'ought reasonably to be aware' of any such conflicting interest.

However, the requirement does not apply where the interest cannot reasonably be regarded as likely to give rise to a conflict of interest, or where other directors are already aware (or 'ought reasonably to be aware') of the interest.

Small company accounting

The required format of statutory accounts that small companies have to prepare and send to Companies House has changed. This factsheet sets out the choices that small companies now have. The nature of the company's activities, the types of assets which it has and whether external scrutiny is required / desired will need to be considered.

We would be happy to assist you in providing specific advice for your company.

New UK GAAP for small companies

Small companies, depending on size, have the following options:

- to use the same accounting standard as non-small UK companies - FRS 102
- to use the FRS 102 reduced disclosure regime (section 1A), or
- where relevant, to apply an alternative standard - The Financial Reporting Standard applicable to the Micro-entities - FRS 105.

Many more companies now qualify as small as a result of the substantially increased company size limits:

	Previous	Current
Turnover	£6.5m	£10.2m
Total assets	£3.26m	£5.1m
Employees	50	50

- The size limits to qualify as a micro-entity are set out below:

	Current
Turnover	£632,000
Total assets	£316,000
Employees	10

A company needs to meet two out of three of the above criteria for two consecutive years to qualify as a small or micro company, unless it is the first year of the company's existence, in which case only that year has to be considered. The turnover limit is adjusted if the financial year is longer or shorter than twelve months.

There are certain exclusions from the above small and micro-entity size limits which are set out in the Companies Act 2006. Certain types of entity are prohibited from preparing micro-entity accounts for example charities.

The previous option of filing abbreviated accounts has been withdrawn, however, small companies continue to have the option of not filing their profit and loss account and/or directors' report at Companies House.

Small companies have the option of preparing less detailed accounts (abridged accounts) for members, providing every member agrees annually, and will be able to choose to abridge the balance sheet, the profit and loss account or both. Charities are also prohibited from preparing abridged accounts.

Contents of micro-entity accounts

The accounts of a micro-entity are considerably shorter and simpler than those otherwise required for a small company. Micro-companies are no longer required to prepare a Directors' report.

The profit and loss account and balance sheet include less detail. For example current assets are shown in aggregated total on the balance sheet rather than being analysed into stocks, debtors and cash.

Notes of the following should be disclosed at the foot of the balance sheet:

- off balance sheet arrangements
- average monthly employees
- directors' advances, credits and guarantees; and
- guarantees, contingencies and other financial commitments.

Only the balance sheet and the footnotes need to be filed at Companies House. The profit and loss account does not need to be filed.

The company does not need to produce (nor file) typical small company notes such as:

- accounting policies
- post balance sheet events; and
- related party transactions.

Fair value accounting and alternative accounting rules cannot be applied in micro-entity accounts, meaning no revaluations or measurement at fair value is permitted.

Contents of FRS 102 1A accounts

The financial statements of a small entity must give a true and fair view of the assets, liabilities, financial position and profit or loss of the small entity for the reporting period.

A complete set of financial statements of a small entity must include all of the following:

- a statement of financial position as at the reporting date
- an income statement for the reporting period; and
- notes to the accounts.

A statement of cashflows is not required.

The following may however be required in order to show a true and fair view:

- when a small entity recognises gains or losses in other comprehensive income it is encouraged to present a statement of total comprehensive income, and
- when a small entity has transactions with equity holders it is encouraged to present a statement of changes in equity or a statement of income and retained earnings.

In relation to the notes of the accounts one significant exemption is available in relation to related party transactions. Only material related party transactions which are not concluded under normal market conditions will need to be considered for disclosure.

Comparison of FRS 102 1A accounts and FRS 105

The table below sets out the requirements including those encouraged for FRS 102 Section 1A and FRS 105:

	FRS 102 (Section 1A)	FRS 105
Directors' report	Yes	no
Profit and loss account	Yes	Yes
Statement of comprehensive income / Statement of total recognised gains/losses	Encouraged	No
Statement of changes in equity / Statement of income & retained earnings / shareholders' funds note	Encouraged	No
Balance sheet	Yes	Yes
Statement of cash flows	No	No

FRS 105 imposes simpler accounting treatment compared to FRS 102 Section 1A. There are numerous differences between FRS 102 Section 1A and FRS 105 but the most significant are as follows:

Revaluation/fair value of assets

Fair value accounting is not permitted under FRS 105. By contrast, FRS 102 Section 1A permits (and in some cases requires) some assets to be measured at fair value annually.

The following assets and liabilities are most significantly impacted by fair value accounting under Section 1A:

- Investment properties, for example those properties held to earn rental income, should be revalued every year to fair value.

- Forward foreign currency contracts require restatement to their fair value at the balance sheet date.
- Loans payable or receivable (for example to or from a director) falling due more than one year, with a nil or below market rate of interest, must be measured at the present value of future cash flows, however there is an optional relaxation of this requirement permitted within FRS 102 for small entities, in certain circumstances.

Deferred tax

FRS 105 does not allow companies to recognise deferred tax. By contrast, FRS 102 Section 1A requires deferred tax to be provided on fair value adjustments, and therefore likely to occur more frequently than before.

How we can help

We would be very pleased to discuss any matters relating to the running of your limited company with you. Simply get in touch to find out how we can help.

