



ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT

What this means for you

The Economic Crime and Corporate Transparency Act (ECCTA), which received Royal Assent on 26 October 2023, brings extensive changes that will affect all entities registered at Companies House. They affect not only the work of company secretaries but also the preparers of accounts. This newsletter outlines these changes, what they will mean for you and how we can help.

Key changes

- An end to the filling of abridged and filleted accounts for small and micro entities
- Verification of the identity of directors and Persons with Significant Control (PSC)
- New declarations on incorporation and annually
- Responsibility for register of members
- The role of corporate directors in UK and overseas entities
- Communication with Companies House

Timing

Most of the changes will be implemented through secondary legislation and some may not come into force until 2025. However, others are likely to be implemented almost straight away. We anticipate these are most likely to be:

- The need for all companies to provide a registered email address
- Introduction of a new 'statement of lawful purpose', valid registered office address and statement of qualification for a relevant audit exemption
- Withdrawal of the ability to use a P.O. box address as a registered office address.

Statutory Accounts Filing

The ECCTA puts an end to the ability to file abridged or filleted accounts for small and micro entities. Although micro and small entities will now have to file a profit and loss account as well as a balance sheet. However, the profit and loss accounts of small and micro entities will not be made public. Small, but not micro, entities will also have to file a directors' report.

For all companies claiming an audit exemption, including dormant companies, a statement is required on the balance sheet, by the directors, stating that the exemption has been taken and that the company qualifies for the exemption.

The aim is for Companies House to communicate with entities and to only accept correspondence from entities electronically. They will then move to only accepting accounts electronically and that are capable of iXBRL tagging. At the same time, we expect the current arrangement of the joint filing of accounts with HMRC through the Company Accounts and Tax Online (CATO) service will cease.

Whilst we foresee the imminent end to abridged and filleted accounts, we anticipate the need to submit iXBRL accounts and the cessation of the joint filing service of accounts with HMRC as a 2025 activity.

Verification of identity

All individuals in the following roles will be required to confirm their identity, by submission of passport-type identification, to be able to continue in their role:

- New and existing directors of all registered entities
- PSCs
- Anyone making a filing at Companies House. This includes professional firms such as Rawlinson & Hunter, entity officers and support staff.

This requirement, as well as all other relevant requirements, apply to LLPs as well as to companies.

Identity verification can be performed either directly with Companies House or via an Authorised Corporate Service Provider (ACSP), who will themselves, need to be verified. Rawlinson & Hunter will be registering as an ACSP and will then be able to manage this identification process for our clients.

Changes to annual confirmation statements

There is a new requirement to make a 'lawful purpose' statement both on incorporation and in each annual confirmation statement. In addition, annual declarations will have to be made that:

- confirmation of the identity of directors has been undertaken
- the registered address is appropriate
- if the company is seeking an audit exemption, that the necessary criteria have been met.

Register of members

The option to hold the register of members at Companies House is being withdrawn and companies will now have to keep their own register. The Act prescribes in detail the information you are required to keep. A single opportunity for companies to provide a full list of shareholders names will be provided in the next confirmation statement before penalties for inaccuracies may be imposed. Details of nominee holdings will be required.

However, the need for individual entities to hold registers of the following has been abolished:

- Directors
- Directors' residential addresses
- Secretaries
- PSCs.

All changes relating to these matters must be submitted to Companies House.

The role of corporate directors in UK and overseas entities

Only one corporate director will be permitted on the board of a UK company or LLP and that director must be registered in the UK. This may lead a number of companies to re-consider the structure of entities and the composition of their boards, particularly where use has been made of overseas jurisdictions. Rawlinson & Hunter's network of firms across the globe leaves us well placed to provide advice on such matters.

Communication with Companies House

The aim of The Registrar is to conduct all its correspondence electronically. One of the first steps will be to request an email address with which it can correspond with the reasonable expectation that its receipt will be acted upon. This information will be gathered via the annual confirmation statement. This address will not be made publicly available. A physical address will also be requested, with a P.O. box address no longer acceptable.

Changing powers of The Registrar

This Act is about increasing the transparency of entities and the accuracy of data in an attempt to reduce economic crime. The Act empowers The Registrar to be a gatekeeper for the data it is sent and whilst details as to time-scales and severity of penalties are not yet known, some of the powers the Registrar will have are as follows:

- To change a company name
- Reject or remove data it finds incorrect for any reason
- Restrict practices relating to shortening the accounting reference date
- Flag data on the register with which it has concerns
- Impose civil penalties and penalties for breaches of the Companies Act
- To liaise with and share data with government departments and law enforcement agencies.

For large companies there is a new offence, the failure to prevent fraud. It is applicable to organisations who profit from fraud committed by their employees. To mitigate this one must be able to demonstrate that there are reasonable procedures in place to prevent fraud.

What you need to do now

Whilst the first changes to come into force will be small and largely of an administrative nature, they need to be addressed. Others, such as the use of corporate directors may take longer to decide on the best way forward, so we recommend you start considering what you might do now as the year end, for most entities, rapidly approaches. The main matters to attend to are:

- Make sure that all your entities have a valid email address and acceptable postal address so you are ready to complete your next confirmation statement.
- Review the size of your entity and decide what sort of statutory accounts you will need to file.
- At an upcoming Board meeting, or at your next AGM, address whether you are content with the ongoing purpose of the entity concerned, so that you are in a position to make the 'statement of lawful purpose'

- Where you have corporate directors, review whether their current position will remain acceptable when the Act comes into force in this respect; consider whether you might change your group structure or the jurisdiction of the entities concerned.

How Rawlinson & Hunter can help

We employ fully qualified Company Secretarial personnel able to provide you with a complete range of company secretariat services and we have invested in new software capable of meeting the requirements of the ECCTA. Specifically in relation to the new upcoming requirements we can:

- act as your company secretary, being the first point of contact on all matters relating to Companies House, providing an email contact point and registered office
- advise on and prepare the necessary statutory accounts you require
- provide a verification service for all necessary individuals
- submit all changes to registers on your behalf
- maintain all statutory records
- file confirmation statements
- file statutory accounts
- draft any necessary minutes and resolutions for board meetings and AGMs in order to fulfil your statutory responsibilities
- advise on all matters relating to corporate directors.

If you would like to speak to one of our partners to discuss how we can help please contact:

Craig Davies: Craig.Davies@rawlinson-hunter.com

Kulwarn Nagra: Kulwarn.Nagra@rawlinson-hunter.com

Catherine Thompson: Catherine.Thompson@rawlinson-hunter.com

Yueling Wei: Yueling.Wei@rawlinson-hunter.com

William Watson: William.Watson@rawlinson-hunter.com

Partners

Mark Harris FCA
Kulwarn Nagra FCA
Andrew Shilling FCA, CTA
Craig Davies FCA, CTA
Graeme Privett CTA, TEP
Chris Hawley FCA
Toby Crooks FCA, CTA, DipOL, Dip(ITM), TEP
Michael Foster CTA, FCCA
Paul Huggins FCA, CTA, TEP
Trevor Warmington CTA, TEP
James Randall FCA, CTA
Kristina Volodeva CTA
Alan Ive CTA
Catherine Thompson FCA, CTA
Alex Jones
Katharine Haggie FCA, CTA, TEP
Hiral Kanzaria ACA, CTA
Mark Shaw
William Watson FCA
Yueling Wei FCCA

Directors

Louise Catt FCCA
Karen Doe
Sarah Fernando FCA, CTA
Sharon Gillies
Lynne Hunt FCA
Salma Khan CTA
Gillian Lawrence ACA, CTA
Lee Moss CTA
Claire Osborne FCA
Steve Williams
Mark Wong
Stephen Yates FCA, CTA, TEP

Consultants

Paul Baker ACA
Chris Bliss FCA
Philip Prettejohn FCA

Rawlinson & Hunter LLP

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ
United Kingdom

and at

Q3, The Square
Randalls Way
Leatherhead
Surrey
KT22 7TW
United Kingdom

T +44 (0)20 7842 2000

E firstname.lastname@rawlinson-hunter.com

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