

---

[HOME\(HTTPS://WWW.ICAEW.COM:443/\)](https://www.icaew.com/443/)[WWW.ICAEW.COM:443/ICAEW-CAREERS\)](https://www.icaew.com/443/icaew-careers/)[ACA \(HTTPS://WWW.ICAEW.COM:443/FOR-RESOURCES\(HTTPS://WWW.ICAEW.COM:443/TECHNICAL\)STUDENTS CURRENT-ACA-STUDENTS\)](https://www.icaew.com/443/aca-students-current-aca-students/)[COMMUNITIES \(HTTPS://WWW.ICAEW.COM:443/COMMUNITIES\)](https://www.icaew.com/443/communities/)

# Major changes to CA 2006 – implementing the new EU Accounting Directive

In March 2015, the Department for Business Innovation and Skills (BIS) approved The Companies, Partnership and Groups (Accounts and Reports) Regulations 2015 (the 'new regulations') which implement the requirements of a new EU Accounting Directive into UK company law.

Read SI 2015/980 The Companies, Partnership and Groups (Accounts and Reports) Regulations 2015 (<http://www.legislation.gov.uk/uksi/2015/980/contents/made>)

The new regulations introduce a wide range of amendments to the Companies Act 2006, particularly in relation to the small companies regime. A summary of the key changes and links to further relevant resources are included below:

## Summary of key changes

- Increased accounting thresholds for small and medium-sized companies and groups (see tables below).
- Revised definition of an ineligible group, amending the eligibility criteria for the small company and medium-sized company regimes.
- Greater flexibility in the terminology and layout of the Companies Act formats for the balance sheet and profit and loss account for small, medium-sized and large companies.
- A new option for small companies to prepare abridged, rather than full, accounts for their members.
- Fewer notes required by law in small company accounts, although those accounts are still required to show a true and fair view.
- Removal of the option to disclose only details of 'principal' related undertakings in the annual accounts with a full list attached to the annual return.
- Withdrawal of the option for small and medium-sized companies to file an abbreviated version of their full accounts at Companies House.
- Expansion in the scope of the audit report.
- Removal of the requirement for micro-entities to prepare a directors' report.

## Revised accounting thresholds

An entity will meet the new size criteria for a small company if it does not exceed at least two out of three of the following criteria in the current and preceding year:

- Balance sheet total: £5.1m (previously £3.26m)
- Turnover: £10.2m (previously £6.5m)
- Average employees during the financial year: 50

An entity will meet the new size criteria for medium-sized companies if it does not exceed at least two out of three of the following criteria in the current and preceding year:

- Balance sheet total: £18m (previously £12.9m)
- Net turnover: £36m (previously £25.9m)
- Average employees during the financial year: 250

## Interaction with UK accounting standards

As a result of the changes to UK company law, the Financial Reporting Council (FRC) has revisited UK accounting standards and in July 2015 outlined a new financial reporting framework for small and micro-entities. The key changes include:

- The withdrawal of the Financial Reporting Standard for Smaller Entities (FRSSE), with small companies now within the scope of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
- A new section 1A Small Entities in FRS 102 setting out the different disclosure and presentation requirements for such entities.
- A new standard, FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime, for use by companies qualifying as micro-entities and choosing to apply the micro-entities regime.

Further changes have also been made to the new UK GAAP standards to ensure that they are aligned with company law.

Find out more about the new small and micro entity financial reporting standards (<https://www.icaew.com/443/technical/financial-reporting/uk-gaap/small-and-micro-entity-reporting>)

## Effective date

The new regulations came into force on 6 April 2015 and are generally effective for accounting periods beginning on or after 1 January 2016. Early adoption of most aspects is permitted for accounting periods beginning on or after 1 January 2015.

The changes to UK accounting standards are also effective for accounting periods beginning on or after 1 January 2016. Early adoption of FRS 105 is permitted. Early adoption of revised FRS 102 is permitted for accounting periods beginning on or after 1 January 2015.

## Further information

**TalkAccountancy blog on the changes to the information required on related undertakings in annual accounts** (<http://www.ion.icaew.com/Talkaccountancyblog/post/From-annual-return-to-annual-report--new-requirements-on-related-undertakings-disclosure>)

**TalkAccountancy blog on the changes to UK filing requirements** (<http://www.ion.icaew.com/Talkaccountancyblog/post/The-end-of-abbreviated-accounts--sort-of--%20>)

**TalkAccountancy blog on the FRC's new reporting regime for small and micro entities** (<http://www.ion.icaew.com/Talkaccountancyblog/post/FRC-finalises-new-reporting-regime-for-small-and-micro-entities-8C80235C81944EC5BBA83C362A5E1895>)

## Financial Reporting Faculty resources

**UK Implementation of the EU Accounting Directive factsheet** (<https://www.icaew.com:443/-/media/corporate/files/technical/financial-reporting/factsheets/other-reporting-issues/uk-implementation-of-the-eu-accounting-directive.ashx?la=en>)

**UK Regulation for Company Accounts - 2016 factsheet** (<https://www.icaew.com:443/-/media/corporate/files/technical/financial-reporting/factsheets/other-reporting-issues/uk-regulation-for-company-accounts-2016-280916.ashx?la=en>)

**Webinar on the impact of the EU Accounting Directive on UK company law** (<https://www.icaew.com:443/technical/financial-reporting/financial-reporting-faculty/previous-webinars>)

**Filing options under the small entity regime FAQs** (<https://www.icaew.com:443/-/media/corporate/files/technical/financial-reporting/factsheets/uk-gaap/new-uk-gaap/small-company-filing-options-faq.ashx?la=en>)

+44 (0)1908 248 250

[contactus@icaew.com](mailto:contactus@icaew.com)

[icaew\\_uk](#)

The Institute of Chartered Accountants in England and Wales, incorporated by Royal Charter RC000246 with registered office at Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA

© ICAEW 2019