

Brexit: Accounts and financial reporting – have you assessed the possible impact on your business?

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Whilst it is fair to say that the actual impact will not be felt until future financial years, now is the time to assess how Brexit may affect how you have historically approached your accounts preparation and financial reporting - in conjunction with advice from your accountants/auditors – so that your internal processes can be geared up for any required changes.

Currently, as far as possible, the UK government is aiming for a position where the same accounting and audit rules will continue to apply post-Brexit – however, certain changes to the corporate reporting regime will be necessary to reflect that the UK will no longer be an EU member state. Based on what we know at present, the following headlines should be borne in mind:

- Audit rules for UK companies operating solely in the UK will be unchanged – but we expect additional requirements for those operating cross-border.
- Certain exemptions in the Companies Act 2006 relating to the preparation of individual accounts will no longer extend to companies with parents or subsidiaries incorporated in the EU. For example, the current exemption for a UK company that is dormant and part of a group with an EU parent company that prepares group accounts, will only apply after exit if the parent is established in the UK.
- UK businesses with a branch operating in the EU will become third country businesses and required to comply with accounting and reporting requirements in the Member State in which they operate. A 'third country' for the purposes of EU legislation is a jurisdiction that is not part of the EEA – if the UK is not a member of the EEA after it leaves the EU (as is current government policy) it will become a third country.
- For companies incorporated in countries outside the EU operating via branches in the UK the regime applying to them will remain substantially the same.
- EU companies that operate branches in the UK will become subject to the same information and filing requirements as other third country's companies' branches.
- UK companies listed on an EU market may be required to provide additional assurance to the relevant listing authority that their accounts comply with IFRS as issued by the IASB, in accordance with EU third country requirements.

The precise impact of Brexit will depend on a business' unique structure - and many businesses will already been seeking the necessary support from their accountants/auditors on these issues. However, if you have specific legal questions about how Brexit may affect your accounts preparation and/or financial reporting going forward, please do not hesitate to get in touch.

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