

Changes to UK audit exemptions arising from Brexit

As a UK company or LLP, there were the following ways in which you could be exempt from having an audit:

1. By being small;
2. By being a subsidiary of a small group;
3. By being a subsidiary in a UK or EEA group through a parent guarantee; and
4. By being dormant.

However, the exemption for subsidiaries through a parent guarantee has changed as a result of Brexit.

Pre vs. post Brexit

Previously, UK subsidiaries of any size could claim audit exemption if their accounts were included in their EEA parent's consolidated accounts (provided certain conditions were met), a parent guarantee was provided and this was disclosed in the accounts of the UK company. Additionally there is a requirement to file the parent's consolidated audited accounts at Companies House.

After Brexit, the subsidiaries exemption through parent guarantee will only be available to UK companies and LLPs with a UK parent who files consolidated accounts. So if your parent is in the EEA, you will no longer be able to apply this exemption for subsidiaries and might need to have an audit.

This change applies for accounting periods starting on or after 31 December 2020, so for most companies and LLPs that's the accounts for the year ending 31 December 2021 or later.

Impact on UK subsidiaries whose parent is in an EEA member state

Unless you are part of a small group, the UK subsidiary will need an audit going forward.

If you are part of a small group, you can still take advantage of the exemption for small companies and LLPs.

We recommend that companies, which are not part of small groups should look to review their audit processes for the current year as the comparative balance sheet will need to be audited for years ended 31 December 2021 and onwards.

Contact us

If you would like further information please contact Colin Turnbull or Steven Johnson for more details.



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