

ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023

The Economic Crime and Corporate Transparency Act 2023, which obtained Royal Assent on October 26, marks the most significant alteration to the role of the UK Registrar of Companies since its establishment in 1844. This legislative milestone introduces several amendments to company law, seeking to bolster corporate transparency and reduce instances of economic crime.

We have set out below the key aspects to consider for entities registered at Companies House and their directors:

Enhanced Corporate Transparency: The Act aims to enhance corporate transparency by implementing measures such as mandatory identity verification for directors, company secretaries, and individuals with significant control. This increased transparency may require businesses to adapt their processes for appointing key personnel.

Financial Reporting Changes: Businesses will need to adapt to changes in financial reporting. The Act mandates the submission of all financial statements in Inline Extensible Business Reporting Language (iXBRL) format. This shift to machine-readable data aims to improve data analysis, comparability, and error identification.

Under existing law, there exist reduced filing options for some companies, where they meet the “small” or “micro” criteria set out in the Companies Act 2006. Such entities currently have an exemption from filing their Profit & Loss Account, and for small companies, Directors’ Report (a micro company is exempt from having to prepare a Directors’ Report). These reduced filing options will be removed, meaning small and micro companies will file their full financial statements, including a Profit & Loss

account and Directors’ Report (where applicable), which will be publicly available. For such entities that are audited, the audit report will also be required to be filed.

Impact on Overseas Entities: The Act’s provisions extend to overseas entities registered at Companies House. Businesses with international operations or affiliations may need to ensure compliance with the new regulations, including identity verification and financial reporting requirements.

Corporate Offence for Failure to Prevent Fraud: The introduction of a Failure to Prevent Fraud offence holds large companies accountable for fraud committed by individuals associated with them. This places an emphasis on implementing robust prevention procedures. Businesses must review and potentially enhance their fraud prevention mechanisms to avoid legal consequences

Legal and Advisory Support: Given the complexity of the changes introduced by the Act, businesses may seek legal and advisory support to navigate the new requirements effectively. As mentioned above, this includes

- ensuring proper identity verification processes
- adapting financial reporting practices
- establishing measures to prevent fraud

In conclusion, businesses should proactively monitor updates from regulatory authorities, assess the specific implications for their operations, and take necessary steps to ensure compliance with the Economic Crime and Corporate Transparency Act 2023.

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