UK Property Accountants

A Complete Guide to

Annual Accounts & Tax Returns

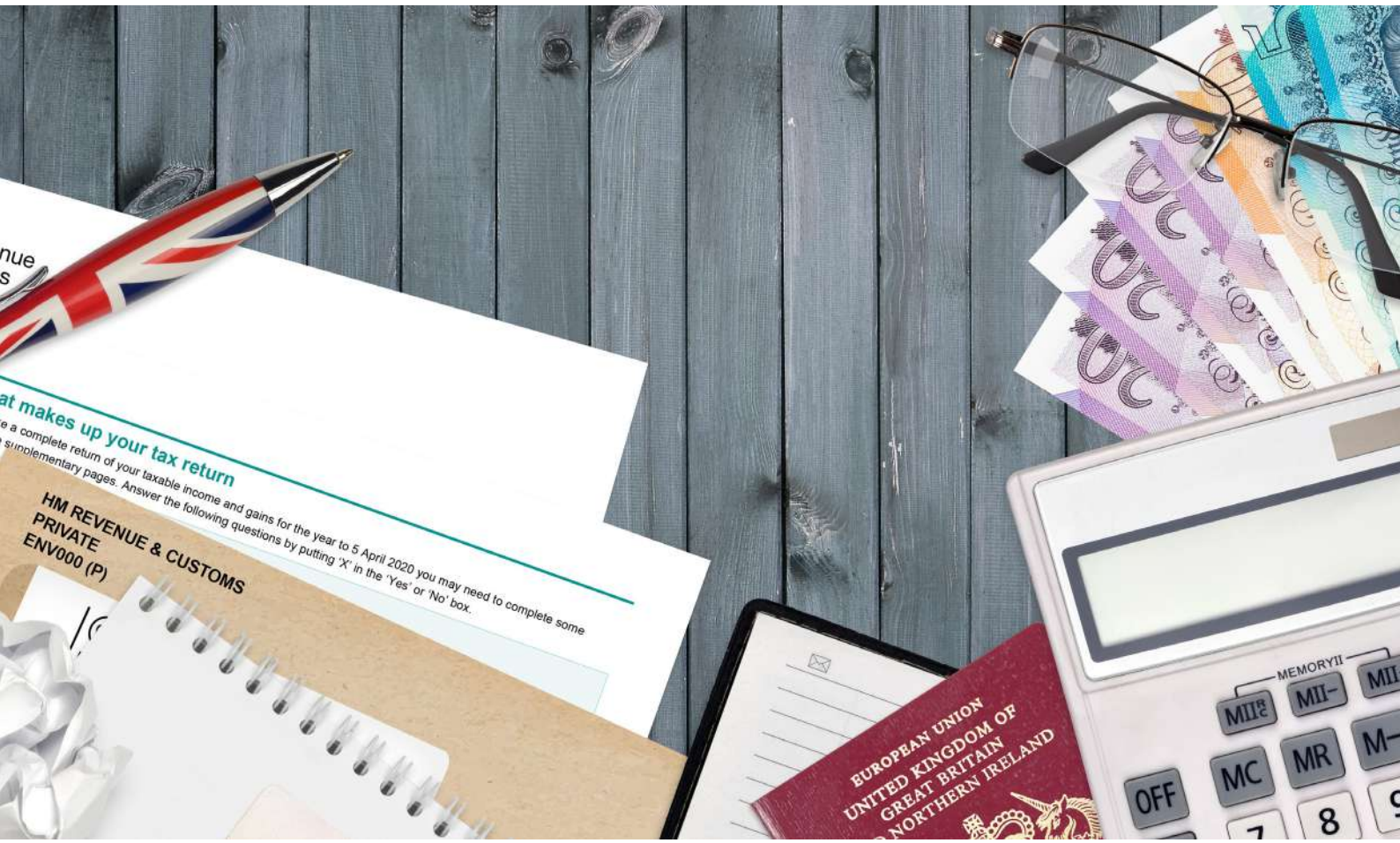


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Introduction to Annual Accounts & Tax Returns

Annual accounts, also known as statutory accounts, are records of the company's financial accounts prepared at the end of the company's fiscal year. This record must be submitted to the Companies House.

The annual accounts typically include:

- A balance sheet containing the details of the company's assets and liabilities on the last day of the fiscal year.
- A profit and loss statement including the profits, losses, and sales the company made over the fiscal year.
- A cashflow statement comprising of the operating, investing and financing activities.
- Notes to the financial statements disclosing the additional information and detailed explanations made while preparing the financial statements.
- A director's report that provides an overview of a company's operations, financial performance, and prospects.

Copies of the statutory accounts must also be sent to all shareholders and people who can go to the company's general meetings.

The Annual Accounts prepared are then used to complete the Company Tax Returns, which are submitted to the HM Revenue and Customs (HMRC).



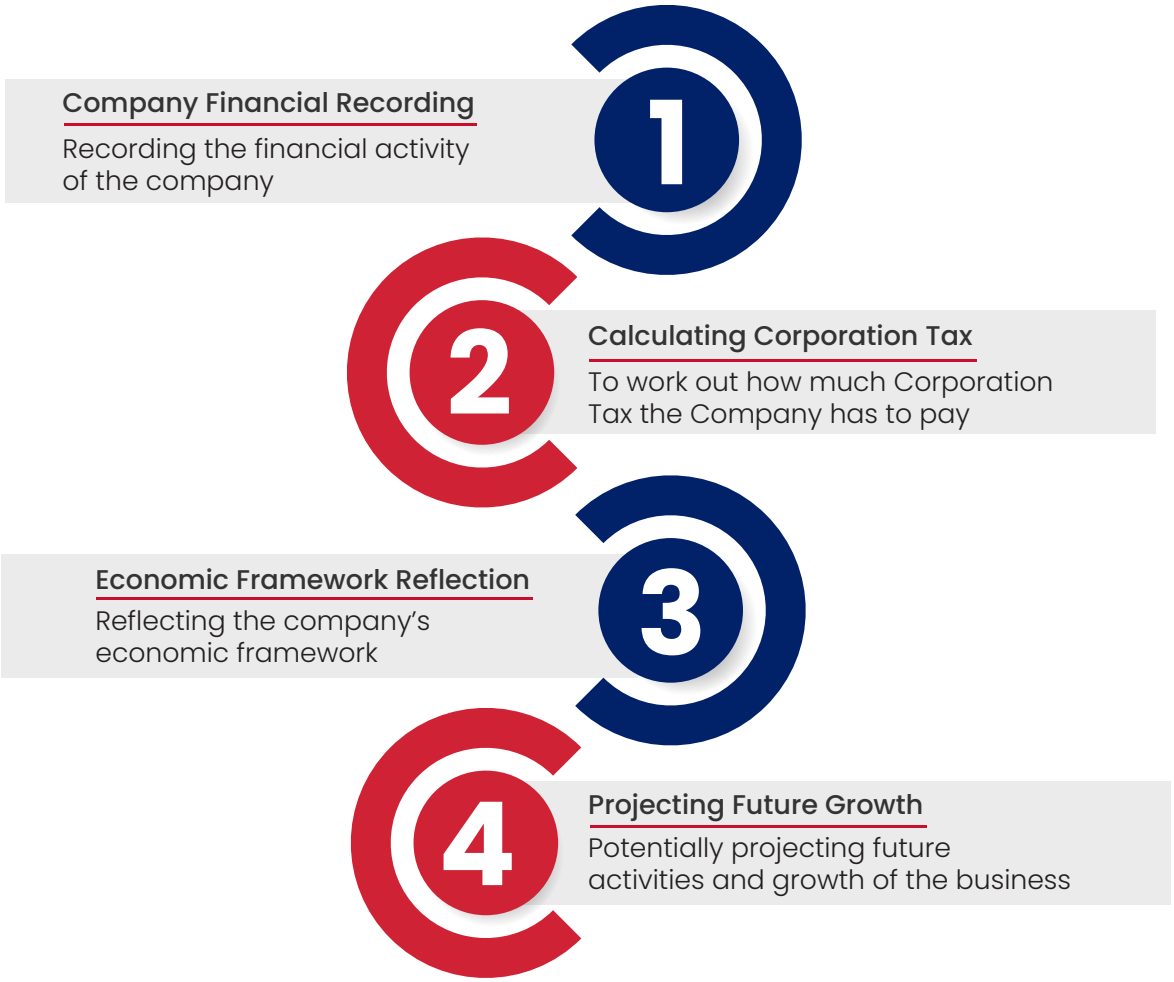
Annual accounts are financial records prepared yearly, including balance sheets, profit/loss, cashflow statements, and director's reports, submitted to Companies House.

Major Highlights

- The company's annual accounts are prepared every fiscal year and submitted to Companies House.
- Annual accounts contain a balance sheet, profit and loss statement, notes about the company's accounts, and a director's report.
- Company Tax Returns are filed at the end of the accounting period to HMRC after paying the Corporation Tax bill on the nine-month mark of the accounting period.
- Late filing and submission of both annual accounts and company tax returns leads to financial penalties.
- The first annual accounts and tax returns of your company will have a different reporting date.

Why Prepare Annual Accounts?

Each and every registered company has to submit its annual accounts to Companies House at the end of the fiscal year. These accounts are created for specific purposes, which are:



What do Annual Accounts Contain?

Preparation of Annual Accounts includes financial data collection and good bookkeeping practices. Financial data collection includes transactions, receipts, invoices, and more. Proper financial data collection and bookkeeping can help to prepare accurate financial statements and tax returns. Annual accounts also contain some form of financial records. Here is what they are:

Balance Sheet

A balance sheet is a financial statement that provides the details of what the company owns, what it owes, and the value of the business. In simpler terms, it includes the details of the company's assets, liabilities, and shareholder's equity. A balance sheet is prepared from day one of the accounting period or the day the company starts to the end of the accounting period.

A typical format of the balance sheet is as under:

Particulars	Amount	Particulars	Amount
Non-Current Assets		Current Assets	
Property, Plant & Equipment		Inventories- Trading Property	
Right Of Use Assets		Trade And Other Receivables	
Investment Property		Cash And Cash Equivalents	
Intangible Assets		Other Current Assets	
Deferred Tax Assets			
Total Non Current Assets		Total Current Assets	
Total Assets			

Particulars	Amount	Particulars	Amount
Shareholders Equity		Current Liabilities	
Share Capital		Lease Liabilities	
Retained Earnings		Refundable Security Deposit	
Other Reserves		Banks Overdrafts And Borrowings	
Total Shareholders Equity		Trade & Other Payables	
		Income Tax And Property Tax Liabilities	
Non-Current Liabilities		Provisions	
Interest-Bearing Loans And Borrowings		**Total Current Liabilities**	
Employee Benefits Liabilities			
Provisions			
Deferred Tax Liabilities			
Total Non-Current Liabilities		**Total Liabilities**	
Total Shareholders Equity And Liabilities			

Profit and Loss Statement

A profit and loss statement displays the income and expenses of the company throughout the accounting period. It provides details of how much revenue the company generates, how much it spends and the overhead costs, which include interest and tax.

A typical format of the profit and loss statement is as under:

Particulars	
Revenue	
Other Operating Income	
Less:	
Employee Benefits Expense	
Depreciation	
Other Operating Expense	
Operating Profit	
Finance Cost	
Profit Before Tax	
Less: Tax Charge	
Profit After Tax	

Notes About the Accounts of the Company

The notes contain additional information and details for the data provided in the balance sheet and the profit and loss accounts. It explains accounting policies and significant events that may impact the accounts.

Director's Report

A director's report includes the company's overall business activities, which are mandatory for annual accounts. However, micro-entities do not need to prepare a director's report. The statement also includes the future prospects, relationships with employees, and other Environmental, Social, and Governance (ESG) factors. Furthermore, this statement can include the financial condition, risks and uncertainties, and employee involvement of the company.

Cash Flow Statement

The cash flow statement reveals how transactions impacted a business's cash accounts over a specific period, highlighting the company's ability to manage cash for operations and growth.

It answers key questions:

- How much cash was generated or used in operations?
- What was the source of cash invested in new assets?
- How was cash raised?
- Did the cash balance decrease from the previous period, and if so why?
- How did the company manage to pay dividends?

Particulars	Amount
Cash Flow From Operating Activities	
Profit For The Year	
Depreciation And Amortisation	
Adjustment To Change In Working Capital	
Profit/Loss On Disposal Of Property	
Interest And Tax Payment	
Net Cash Flow From Operating Activities	
Cash Flow From Investing Activities	
Proceeds From Sale Of Property	
Acqusition Of New Property, Plant And Equipment	
Dividends Received From Associates	
Loans Advanced To Joint Ventures	
Net Cash Flow From Investing Activities	
Cash Flow From Financing Activities	
Proceeds From New Borrowings	
Repayment Of Mortgage & Borrowings	
Dividend Payment	
Net Cash Flow From Financing Activities	
Net Increase/(Decrease) In Cash And Cash Equivalents	
Cash And Cash Equivalents At The Beginning Of The Year	
Cash And Cash Equivalents At The End Of The Year	

How to File Annual Accounts and Tax Returns?

The statutory account details are submitted to Companies House, which then reviews the balance sheet, profit and loss accounts, and director's reports, which are submitted as a part of the company's annual accounts.

The tax returns based on the accounts are submitted to HMRC. You can submit annual accounts and tax returns to Companies House and HMRC together or separately.

To submit your annual accounts and tax returns, you will need:

- Company Registration Number
- Companies House online account details
- HMRC online account details

Here are some ways to file your annual accounts and tax returns:

Methods	How to file
File Annual Accounts and Tax Returns Together	Using HMRC's online service or accounting software
File annual accounts with Companies House separately	Using the Companies House online portal to send your accounts
File tax returns with HMRC separately	Using HMRC's online service or accounting software

Crucial Deadlines

In this section, we will discuss the crucial deadlines for filing the annual accounts to Companies House. We will also discuss in detail the deadline for filing the tax return as well as the deadline for making the tax payment to HMRC.

Annual Accounts

Unless you are filing your company's first accounts, the time normally allowed for delivering accounts to Companies House is:

- 9 months from the accounting reference date for a private company
- 6 months from the accounting reference date for a public company

Example: A private company with an accounting reference date of 4 April has until midnight on 4 January of the following year to deliver its accounts (not 31 January).

But this does not apply if your accounting reference date is the last day of the year.

Example: A private company with an accounting reference date of 30 April has until midnight on 31 January of the following year to deliver its accounts (not 30 January).

Note: If a filing deadline falls on a Sunday or Bank Holiday, the law still requires you to file the accounts by that date.

Deadlines for Filing Your Company's First Accounts

If you are filing your company's first accounts and those accounts cover a period of more than 12 months, you must deliver it to the Companies House:

- Within 21 months of the date of incorporation for private companies or 3 months from the accounting reference date (whichever is longer)
- Within 18 months of the date of incorporation for public companies or 3 months from the accounting reference date (whichever is longer)

Example: A private company incorporated on 1 January 2024 with an accounting reference date of 31 January has until midnight on 1 October 2025 (21 months from the date it owes) to deliver its accounts.

Deadline for Filing Your Company's Accounts If You Have Shortened Your Account Period

When a company shortens its accounting period, the new filing deadline will be the longer of the following options:

- 9 months from the accounting reference date for a private company
- 6 months from the accounting reference date for a public company

Tax Return and Payment

The deadline for submitting your company tax returns is 12 months after the end of the accounting period it covers. For instance, if you have submitted your company tax returns up to 31 December 2023, you must file your company tax returns by 31 December 2024.

The deadline to pay your Corporation Tax bill is after nine months and one day after the end of the accounting period. For instance, if you have submitted your company tax returns up to 31 December 2023, your due date for Corporation Tax payment will be 30 September 2024.

Annual Accounts of Limited Companies

Every trading and non-trading company must prepare annual accounts and submit the records to the Companies House. A company might be able to send simpler accounts, also called abridged accounts, to Companies House, depending on whether it qualifies for a small or dormant company or a micro-entity.

Trading companies must also submit accounts to HMRC with company tax returns.

Who Needs to File Annual Accounts?

All limited companies registered in the UK need to prepare the annual accounts from the financial records of the year and submit them to Companies House. Each and every company, whether trading or non-trading, needs to file for Annual Accounts. Trading companies can be small, medium and large. They can also be micro-entities and dormant companies. The company's records will then be publicly available in the Companies House online register.

Small Company Accounts

A company is categorised as small if any two of the following conditions apply:



However, a public company, banking company, insurance company whose shares are admitted to trading on a UK-regulated market, etc, must have an audit and cannot prepare and submit small company accounts.

Relaxation Available to Small Companies

The small company enjoys different exemptions and relaxation available, which are enumerated as under:

- Small companies can also usually claim exemption from audit and submit unaudited accounts.
- Small companies do not have to deliver a copy of the directors' report or the profit and loss account to Companies House.
- Small companies can choose to send abridged accounts instead of annual accounts. Abridged accounts include a balance sheet and a profit and loss account with limited information compared to full accounts.
- If the group qualifies as small a parent company, it does not have to prepare group accounts and submit them to Companies House.

Abridged Account

Abridged accounts are a simpler form of annual accounts that small companies can send if all the members agree to it. Abridged accounts contain:

- Simpler balance sheet with notes and the name of the director printed on it
- Simpler profit and loss account
- Copy of the director's report
- A director must sign the balance sheet

Less information about your company will be publicly available in the Companies House register if you send abridged accounts.



Dormant Company Accounts

Dormant companies are the type of companies that have had no significant transactions in a fiscal year. Those transactions do not include filing fees paid to Companies House, penalties for late filing of accounts, and money paid for shares when the company was incorporated. The dormant companies which qualify as small by the Companies House do not need to be audited.

Dormant company accounts submitted to Companies House do not need to include a profit and loss account or directors' report.

Dormant accounts have the same filing deadline as other accounts and the same late filing penalties.

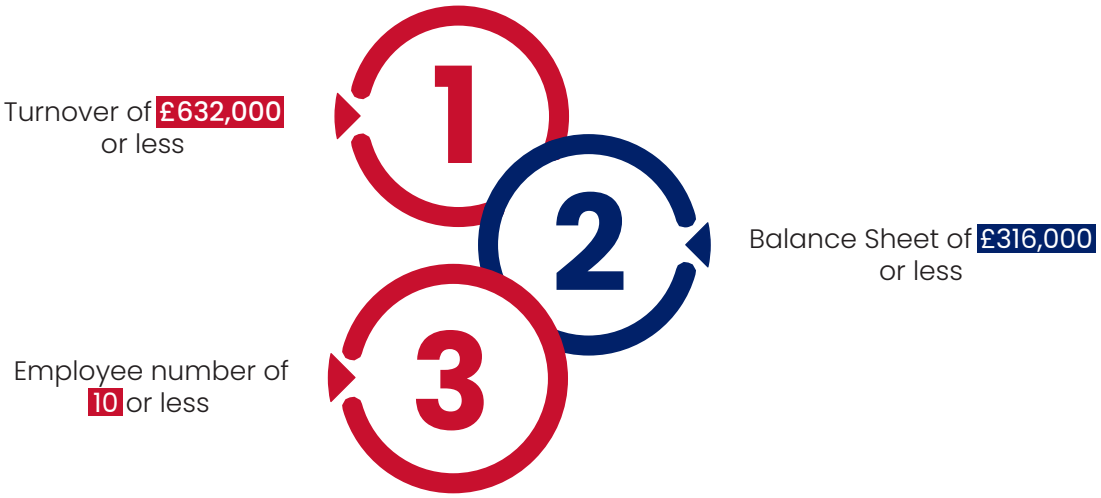
Restarting a Dormant Company

If you decide to restart your dormant company, you must notify HMRC and register for Corporation Tax. To do so, you can sign in to your business tax account. You will need your company's Government Gateway ID and password. If you do not have an ID, you can create one when you sign in.

Restarting a dormant company means your Corporation Tax accounting period will be different. It will start when the company restarts its business activities. However, your annual accounts accounting period will be the same as you should be sending accounts to Companies House while your company is dormant.

Micro-entities Accounts

Micro-entities are very small companies. A company is categorised as a micro entity if any two of the following conditions apply:



A micro-entity can prepare simpler annual accounts that meet the minimum statutory requirements. They can send only the balance sheet with less information to Companies House and benefit from the same exemptions available to small companies. Further, a micro-entity may claim audit exemption as a small company.

Penalties for Late Filing

Time after deadline	Penalties for private company or LLP	Penalties for public company or LLP
Up to 1 month	£150	£750
Up to 3 month	£375	£1,500
Up to 6 month	£750	£3,000
More than 6 month	£1,500	£7,500

These financial penalties will be doubled if your annual accounts are late two years in a row. However, you can appeal against the late filing penalty if you have a valid reason. To appeal against the penalty, you need to give a specific reason and include all the relevant details, such as date and time. Also, you must be able to prove that the circumstances were out of your control.

What if You Need to Correct the Accounts Already Submitted?

You can send corrected or amended accounts to Companies House either on paper or through the online software if you use it to file your annual accounts. The corrected accounts must be for the same fiscal year as the original accounts. You must disclose the information that the amended accounts replace the original accounts and are now the original statutory accounts. Also, it must be clearly stated that the amended accounts are prepared as they were at the date of the original accounts.

The amended accounts must have “amended” written on the front. The original accounts will remain at the Companies House.

First Annual Accounts

The first annual accounts of your company may cover more than 12 months. The start of your annual account will be the day your company was incorporated or set up. And the end will be the last day of the month your company was set up or the accounting reference date that Companies House sets.

For example, if your company was set up on 4 July, the accounting reference date will be 31 July of the following year. So, your company will cover 12 months and 4 weeks on its first accounts. The financial year of your company will be 1 August to 31 July.



Company Tax Return

Company Tax Returns are the taxes you pay for the business done by your company and are submitted to HMRC. The tax returns must be submitted even if your company makes a loss or has no Corporation Tax to pay. The deadline for filing the tax returns is 12 months after the end of the accounting period it covers.

When a company submits its tax returns (CT 600), it also needs to submit a set of accounts together with any other detailed analysis and computations necessary to show that the return is complete and correct and answers all of HMRC's most obvious questions.

For example, A company makes its accounts for the 12 months to 30 June 2023. Hence. It is required to file the tax return (CT 600) within 30 June 2024.

What do Company Tax Returns Contain?

To submit your Company Tax Returns to HMRC, you must include the following:

- Profit or loss for Corporation Tax, which is different from the profit or loss shown in annual accounts
- The Corporation Tax bill

You can file the tax returns yourself or get an accountant to prepare and file it for you. You can submit the annual accounts to Companies House and file tax returns to HMRC together or separately.

How to file Corporation Tax Returns?

The Corporation Tax is paid on profits that your company made during an accounting period. Here is a step-by-step guide to working out the Corporation Tax and filing Company Tax Returns:



Registration

Register for Corporation Tax while starting your business



Financial Record Keeping

Keep all the financial records and prepare an annual account to submit to the Companies House



Tax Return Preparation

Prepare Company Tax Returns to work out how much Corporation Tax to pay



Tax Payment Reporting

Pay Corporation Tax or report if you have nothing to pay



Deadline

File your Company Tax Returns by your deadline

Penalties for Late Filing

If you fail to submit your tax returns or are late to submission, you will be subject to financial penalties. However, if your Company Tax Returns are six months late, HMRC will write to you notifying your Corporation Tax Returns yet to be paid. This notice is called tax determination. Here is a table highlighting the financial penalties you will be subject to if you are late to submit your Company Tax Returns.

Time after deadline	Penalties
1 day	£100
3 months	Another £100
6 months	10% penalty to your estimated Corporation Tax bill
12 months	Another added 10% to any unpaid tax

If your tax returns are late three times in a row, the £100 penalties will be increased to £500 each. You can also appeal against the late penalties with a valid reason. However, the tax determination cannot be appealed to. If you have a reasonable excuse and want to appeal against the late filing penalty, you will need:

- Your company's Unique Taxpayer Reference (UTR)
- Date on the penalty notice
- Penalty amount
- End date for the accounting period the penalty is for
- Explanation of why you did not file the tax returns on time



What Counts As a Reasonable Excuse?

A reasonable excuse that prevented you from completing your company's tax returns can be one of the following scenarios:

- You had a life-threatening or serious illness
- Your partner or a close relative died shortly before the tax return deadline
- You had to stay in a hospital in an unexpected scenario
- Service issues with HMRC online services
- Your computer or software failed before or while preparing online tax returns
- You could not complete the tax returns due to a fire, flood or theft
- You have a disability or mental illness that created the delay
- You misunderstood your legal obligation
- You relied on someone else who did not submit your returns
- Postal delays that you could not have predicted

Having said all these excuses, you must send your tax returns as soon as your issues are resolved. If there is any chance that HMRC or the Tribunal finds out that your excuse is not valid, your appeal will be dismissed, and you will have to pay the penalty amount.

Changes Made to Tax Returns

Both the company and HMRC can make amendments to form CT 600 once it has been submitted.

- The company has 12 months from the due filing date to make any amendments to the return.
- HMRC has nine months from the actual date of filing a return to correct any obvious errors. Further, HMRC may also amend anything else in the return that the officer has reason to believe is incorrect in light of information available to the officer.

However, HMRC can charge you a penalty for the errors made in the tax returns. To amend the Company Tax Returns, you can either use the commercial software, HMRC's online filing service or send a paper return to the Corporation Tax office.



DID YOU KNOW

Timeline to Keep and Preserve Records

The company must keep and preserve records for six years from the end of the period for which the company may be required to deliver a tax return.

First Company Tax Return

Similar to annual accounts, your company's first company tax return will be on different reporting dates. However, tax returns cannot cover periods longer than 12 months. So, you might have to file two tax returns to cover the period of your first accounts. You will also have two payment deadlines in that case. Then, in your second year, you can file one tax return normally. Also, whether you file your company tax returns two times or not depends on the following criteria:

- You started trading the day your company was set up
- You started trading after your company was set up

Legal and Regulatory Framework

Here are the legal and regulatory frameworks that guide the Annual Accounts and Company Tax Returns of the UK.

Companies Act 2006

The Companies Act 2006 is the primary legislation governing company law in the UK. It outlines the requirements for company formation, management, and financial reporting. Recent amendments to the Companies Act 2006, such as those related to company registration and disclosure requirements, have impacted how companies manage their reporting and compliance.

HM Revenue & Customs (HMRC) Guidelines

HMRC provides guidelines on tax compliance, including the preparation and submission of tax returns. These guidelines help ensure that companies pay the correct amount of tax and stick to deadlines.

Financial Reporting Standards (FRS)

Financial Reporting Standards set the rules for preparing financial statements. They ensure consistency and transparency in financial reporting.

International Financial Reporting Standards (IFRS)

IFRS are global accounting standards that some UK companies, particularly larger ones, may follow. These standards facilitate international business and investment by providing a common financial language. Typically, larger UK companies and those listed on international stock exchanges will follow IFRS to maintain consistency with global financial reporting practices.



FAQs

1 What is an Annual Tax Return in the UK?

Annual Tax Return in the UK, also known as Company Tax Return, is a tax submission for the financial records of a company for a complete accounting period. Company Tax Returns must be filed within 12 months after the end of the accounting period.

2 Do you need to submit Annual Accounts to HMRC?

No, the annual accounts prepared are submitted to Companies House. However, the tax returns to be paid are based on Annual Accounts, which are submitted to HMRC.

3 Do you need an accountant to file Annual Accounts and Tax Returns?

No, you do not need an accountant to file Annual Accounts and Tax Returns, you can do it yourself. However, the complex rules and deadlines for tax returns can be a challenge for a person without accounting knowledge to understand. So, taking professional help can avoid any future errors as HMRC can give you a penalty for your errors.

4 How to file your Company Accounts?

Company Accounts can be filed by using the Companies House online portal or by sending accounts on paper. The company accounts or annual accounts include:

- A balance sheet
- An income statement
- Director's Report
- Notes of financial statements
- Auditor's report (if applicable)

5 How to send amendments and corrections?

The amendments and corrections can be sent on paper or through commercial filing software. The amendments must be of the same accounting period and the company must clearly state that the changes replace the original accounts.

6 Can I apply for an extension to file my company's accounts?

Yes, you can apply to extend your filing deadline if an unplanned event prevents you from filing your accounts on time.

7 How long must companies keep their accounting records?

Private companies must keep their accounting records for three years from the date they were made whereas public companies must keep their accounting records for six years from the date they were made.

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Let's Talk

SCAN ME!

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