ABC Business Services

COMPANY SIZE · GUIDE 3 OF 9

Micro-entities, Small & Dormant Companies

Simpler accounts, audit exemptions and reduced public disclosure for smaller companies.

The accounting regime is proportionate: the smaller your company, the less you have to prepare, audit and disclose. Which simplifications you can use depends on whether your company is dormant, qualifies as small, or is a micro-entity.

> **A SIMPLIFICATION AT COMPANIES HOUSE IS NOT A FREE PASS WITH HMRC**
>
> Even when you file abridged or filleted accounts publicly, small companies and micro-entities must still send full statutory accounts to their members and to HMRC with the Company Tax Return.

Dormant companies

A company is 'dormant' for Companies House if it has had no significant accounting transactions in the year. Filing fees, late-filing penalties, and money paid for shares on incorporation do not count as significant. Dormant companies that qualify as small need no audit and file a much-reduced balance sheet. Note that being dormant for Companies House is separate from being dormant for Corporation Tax — you can be one without the other.

Small companies — meet any 2 of the 3 tests

TEST	SMALL COMPANY THRESHOLD
Annual turnover	£15 million or less
Balance sheet total	£7.5 million or less
Average employees	50 or fewer

If small, you can claim the audit exemption, choose whether to send the director's report and profit and loss account to Companies House, and prepare abridged accounts. Abridged accounts require the agreement of all members, contain a simpler balance sheet and notes, and mean less information appears on the public register. The balance sheet must still be signed by a director.

Micro-entities — meet any 2 of the 3 tests

TEST	MICRO-ENTITY THRESHOLD
Annual turnover	£1 million or less
Balance sheet total	£500,000 or less
Average employees	10 or fewer

Micro-entities can prepare minimal accounts under FRS 105, file only a short balance sheet, and benefit from the same exemptions as small companies. No director's report is required. The trade-off is that micro-entity accounts cannot use some accounting options (such as revaluing assets to fair value).

WHICH CATEGORY AM I · AND WATCH THE MOVING PARTS

Because the tests are 'any 2 of 3', a company can still qualify even if one figure breaches the limit. Re-check every year as you grow, and see Life of a company for exactly what each type must include. Thresholds are periodically revised by government, so confirm the current figures before relying on them.

OFFICIAL SOURCES Micro / small / dormant Audit exemptions Dormant for Corp Tax What to include

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