

SIMPLIFYING COMPLIANCE: HOW NEW SIZE THRESHOLDS BENEFIT UK BUSINESSES

The UK Government has released new regulations impacting company size thresholds for companies and LLPs under the Companies Act 2006. These changes, effective from 6 April 2025, will affect tax calculations and relief applications.

Detail	Micro		Small		Medium	
	Current	Post April 2025	Current	Post April 2025	Current	Post April 2025
Annual turnover no greater than	£632K	£1M	£10.2M	£15M	£36M	£54M
Balance sheet total assets no greater than	£316K	£500K	£5.1M	£7.5M	£18M	£27M
Monthly average number of employees no greater than	10	10	50	50	250	250

Figure 1 shows the new thresholds for individual companies

Detail	Small		Medium		Large	
	Current	Post April 2025	Current	Post April 2025	Current	Post April 2025
Annual turnover no greater than	£10.2M	£15M	£36M	£54M	>£36M	>£54M
Balance sheet total assets no greater than	£5.1M	£7.5M	£18M	£27M	>£32M	>£27M
Monthly average number of employees no greater than	50	50	250	250	>250	>250

Figure 2 shows the new thresholds for group entities (Parent entities)



WHY ARE THESE CHANGES IMPORTANT?

The increase in company size thresholds will provide significant relief to companies previously on the verge of falling into higher categories. This relief includes reduced reporting and audit requirements as companies move into smaller categories.

➤ 1. REDUCED REPORTING BURDEN:

The updated thresholds allow more companies to qualify as micro, small, or medium-sized entities. This means they can benefit from simplified reporting requirements, reducing administrative overhead.

➤ 2. AUDIT EXEMPTIONS:

Companies that move into a smaller size category may be exempt from mandatory audits. For example, small entities are no longer required to have a statutory audit of their annual accounts, which can save time and costs.

➤ 3. INFLATION ADJUSTMENT:

The thresholds have been adjusted to account for inflation since the previous update in 2013. This ensures that the size categories remain relevant and reflective of current economic conditions.

➤ 4. FLEXIBILITY FOR GROWTH:

The transitional provisions allow companies to benefit from the new thresholds immediately, even if they didn't meet the criteria in the previous financial year. This flexibility supports business growth and adaptation.

TRANSITIONAL PROVISION:

The legislation includes a “two-year consecutive rule,” allowing companies to apply new thresholds retrospectively for the previous financial year. This enables companies and LLPs to benefit from the threshold uplift immediately after the legislation takes effect on 6 April 2025.

AMENDMENTS TO THE DIRECTORS' REPORT REQUIREMENTS

To reduce the UK's regulatory burden, especially in non-financial reporting, new regulations have removed several obsolete or overlapping requirements from the Directors' Report.

These changes aim to reduce administrative compliance requirements and associated accountancy costs. Further details can be found on the UK Government website.

If you have any questions or would like advice on how these regulatory changes may impact your business, please contact us at: hello@dixcartuk.com.

Contact Us

