

Persons with significant control

Recent changes to company law have imposed new obligations on UK companies, as well as those holding interests in UK companies.

From 6 April 2016, all UK companies that are not already subject to similar requirements must produce a register of 'persons with significant control' – or PSC register – containing details of the ultimate beneficial owners of the company.

This information must be filed with Companies House, where it will be held in a public register, with the stated aim of improving the level of transparency of UK companies. The information must be provided to Companies House from 30 June 2016.

What is significant control?

The definition of a person with significant control is any person to whom one or more of the following points applies:

- the individual either directly or indirectly holds more than 25% of the shares in a company
- the individual either directly or indirectly holds more than 25% of the voting rights in a company
- the individual has the right to appoint or remove a majority of a company's board of directors
- the individual exercises, or has the right to exercise, significant influence or control over the company
- the individual exercises, or has the right to exercise, significant influence or control over the activities of a trust or firm which is not a legal entity, and which itself meets one of the above conditions.

Companies with simple ownership structures should find the new requirements relatively straightforward, although for those with more complex arrangements, or where the issue of ownership is unclear, the situation may be more challenging.

Identifying PSCs

Under the new rules, companies are required to take reasonable steps to identify whether a person or legal entity has significant control and to include relevant details relating to them in the PSC register. This means that companies will need to look beyond the individuals who immediately own their shares, to identify those individuals or entities which ultimately have significant control of the company.

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Updated July 2017

Additionally, if an individual knows, or ought reasonably to know that they should be registered as a significant controller, a proactive disclosure obligation will apply to that individual, requiring them to notify the company of their interest.

Reporting rules

Following changes which came into force on 26 June 2017, companies must now report all changes to their PSC information as they take place. Previously, companies could wait until their annual confirmation statement to report such changes.

Companies have up to 14 days to update their PSC register and a further 14 days to send the information to Companies House. Failure to comply with the new rules could potentially result in financial penalties and a criminal conviction.

This article is for general information only and you are always advised to consult an expert for further advice.