

People with Significant Control Register

April 2016



The Small Business, Enterprise and Employment Act 2015

FROM 6 APRIL 2016 ALL COMPANIES AND LLPS WILL BE REQUIRED TO KEEP A PSC REGISTER IN PREPARATION FOR THE NEED TO FILE THIS INFORMATION AT COMPANIES HOUSE FROM 30 JUNE 2016.

A PSC is anyone in the company who meets one or more of the conditions listed in the legislation.

This is a person who:

- Owns more than 25% of the company's shares;
- Holds more than 25% of company's voting rights;
- Has the right to appoint or remove a majority of the board of directors;
- Has significant influence or control over the company; or
- Where a trust or firm would satisfy one of the first four conditions if it were an individual.

One of the reasons behind this change is to improve transparency around who owns and controls UK businesses. This is also a measure to improve the UK's reputation as a fair place to do business.

The Small Business, Enterprise and Employment Act gained Royal Assent last year and has introduced a new statutory register called the Persons of Significant Control Register (PSC register).

The purpose of the new legislation is to promote trust and transparency by governing the disclosure around the controlling interests in UK companies and LLPs. The broader context of this lies in the G8 Summit and the fact that corporate transparency is high on the international agenda.

It is aimed at identifying ultimate beneficial owners and controllers and making their holdings public. This is primarily aimed at preventing tax evasion, money laundering and terrorist financing. The Fourth Money Laundering Directive, which must be implemented by 26 June 2017, introduces similar measures.

The legislation will apply to all companies except those already governed by transparency legislation, such as the London Stock Exchange main market, AIM companies and those that report under the Financial Conduct Authority regulations.

In addition to recording the names of individuals with significant control over a company, a company's PSC Register may need to record the names of legal entities with control (relevant legal entities). The legislation has some commonalities with the UK Corporate Governance Code, in that it employs a 'comply or explain' approach.

The sanction comes at non-compliance, rather than with the information provided. The idea is that the UK will have a central registry of beneficial ownership and control and that this information will be publically accessible. There is an argument that this creates a larger compliance burden for businesses but in reality, owner-managed businesses will simply confirm that their shareholders and directors are the beneficial owners and controllers. As long as directors comply with this legislation (or explain why not), in the prescribed manner, we don't expect any significant hurdles.

Consequences of failing to respond to a request for Persons of Significant Control information can range from:

- Restricted voting rights;
- Voiding of transfers;
- Withheld dividends;
- A fine; and/or
- Two year jail sentence.



The register looks straight to the top to find out who the ultimate owner or controller of an entity might be. This would include an LLP and also covers foreign jurisdictions.

The PSC Register requirement applies to all companies and that includes not just those which are subsidiaries of listed entities or private companies, but those which are part of a group which may, rightly, think of itself fundamentally as a charity, a school or any other not-for-profit organisation. If you have a limited company in any part of your structure, this is for you.

From June 2016, the PSC information will need to be filed on incorporation and when you submit your confirmation statement, which will be a statement to replace the annual return.

You may elect to hold your PSC register on the public register at Companies House or to hold the register privately and file it at an appropriate time.

Most of the details around PSCs will be set out in secondary legislation. Updates will be given when more information is available.

The Government has published a five page summary guidance which is intended to be sufficient for the vast majority of companies with a simple corporate structure. Please note that there is specific text in the regulations that must be included in the PSC register, even if you don't have a PSC. In other words, it cannot be left blank.

Hazlewoods are able to prepare, maintain and file the PSC register subject to the condition that we will place reliance on information confirmed by the directors.

Hazlewoods use specialist software for the purpose of managing PSC registers.

In summary, in the vast majority of cases, the Person of Significant Control will be a shareholder or director but it is recommended that professional advice is sought if in any doubt.



Colette Reeves Chartered Secretary

01242 237661 / colette.reeves@hazlewoods.co.uk

Colette is the firm's company secretary, providing company secretarial services to our clients.

Colette leads the outsourced company secretarial service for Hazlewoods and is using her extensive commercial knowledge and experience to provide invaluable practical and relevant advice for our clients.

Windsor House, Bayshill Road, Cheltenham, GL50 3AT
Tel. 01242 237661 Fax. 01242 584263

www.hazlewoods.co.uk / @Hazlewoods

HAZLEWOODS
DRIVING LIFELONG PROSPERITY