

Tax Research UK	
	500,000 missing people: £16 billion of lost tax How the UK mismanages its companies
Richard Murphy	

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1. Summary and recommendations

This report catalogues failure by two UK government departments - H M Revenue & Customs (HMRC) and Companies House. Companies House is an executive agency of the Department for Business, Innovation and Skills (BIS). Their failure relates to their administration of limited companies registered in the UK. The consequence of this failure is that the UK is losing £16 billion in taxes. In addition its companies provide a safe haven for fraud and crime of all sorts and for corrupt dictators to hide their identity and launder their stolen loot at cost to the developing countries of the world.

There are about 2.6 million limited companies in the UK at present. Each of them is legally a person in their own right – a person legally distinct from their owners and managers and liable to pay their own taxes – which most will owe since the main reason for forming a company is to undertake economic activity. And yet as this report shows:

- In the year to March 2010 more than 500,000 companies were dissolved, and in many cases we know almost nothing at all about those companies that disappeared forever;
- A majority of companies dissolved are removed from the Register of Companies because they have not filed documents that they are required to submit by law. Rather than chase or prosecute them Companies House simply gets rid of the offending companies – so sweeping the problem of non-compliance with the law out of view;
- About one third of all companies being dissolved were less than two years old – and had never filed accounts. Indeed, so keen are Companies House to get rid of the companies they are meant to regulate that they ensure that tens, and maybe hundreds of thousands of companies a year are struck off before they ever have to file a set of accounts with either Companies House or HM Revenue and Customs, meaning that the directors of these companies can avoid all their obligations to declare any of the income that they have earned as a result of the actions of a UK regulatory agency;
- HMRC seem to never demand information from companies struck off if they are less than two years old. They just let them disappear without trace;
- 40% of companies struck off have never filed accounts with Companies House;
- Companies House is now prosecuting a tiny proportion and declining number of directors of companies for not filing accounts with them as required by law – and has given up doing so altogether in Scotland where the law on filing accounts on public record seems not to be enforced any more;
- Some companies are dissolved when less than a year old – meaning that people have the chance to dissolve companies before any legal obligation to produce accounts arises – creating a gaping loophole that tax and commercial fraudsters can exploit;

- Only 70% of companies are asked to file tax returns by H M Revenue & Customs – the rest are ignored for periods of up to five years at a time (if the companies last that long);
- Of those companies asked to file tax returns in the year to March 2010 only two thirds actually did so.
- As a result of the combination of these statistics on the number of companies not being asked to file tax returns and those not actually doing so even when asked to so it this report shows that only just over 45% of all companies have filed tax returns for the year to March 2010.
- In the year to March 2009 (the last year with data available) just 33.6% of all UK companies actually paid corporation tax.
- The average tax rate of small companies was almost certainly bigger than that for large companies in 2009;
- A steadily increasing proportion of all UK corporation tax is paid by small companies – despite the fact that H M Revenue & Customs seems unable to get data from so many of them. The result is that any loss from failing to regulate them might is very significant;
- Almost 60% of all penalty charges (or fines) raised by H M Revenue & Customs on companies over a three year period for not submitting corporation tax returns on time were subsequently waived by that authority. In many cases this seems to be the result of the company not being traceable. Despite this high rate of waiver a large proportion of the remaining penalties that were supposedly due have not actually been paid. More than £220 million of penalties (not tax, just penalties) were outstanding March 2010, representing more than two year's penalty charges at that time. This suggests that H M Revenue & Customs are running a system that, even after penalty waivers, appears seriously out of control. The result is that the penalty system must be a wholly ineffective deterrent to those determined not to pay tax.

The result of this astonishing catalogue of failure to regulate is that UK tax and company law is not being enforced as envisaged by parliament. The consequences are serious for all of us. Just a few of those consequences are:

1. That UK companies can be easily used by those seeking to undertake tax and commercial fraud and other criminal activity without risk of their activities being disclosed even though UK companies are meant to publish their accounts on public record;
2. UK companies can be formed without ever disclosing the real owners of the company and the real identity of the directors. These processes are facilitated by the fact that no signatures are now needed to form a company, no checks are undertaken on those forming companies to prove they are real people, and no proof that a company is really trading from the address given when it is incorporated is required. UK company formation is as a result akin to an invitation to undertake identity theft because of the opportunity it provides to undertake trade without being identified. The risk of fraud is high as a result. . In addition, it means that the

UK is now a haven for those seeking to hide their identity behind a company in order to open secret bank accounts to move their funds around the world, hidden from regulatory view. This includes corrupt foreign politicians looking to launder stolen state funds, and terrorists seeking to fund their activities.

3. There is enormous risk of tax fraud at cost to the UK government in this process. Tax Research LLP has estimated that tax evasion costs the UK £70 billion a yearⁱ. Of course not all this loss relates to companies struck from the Register of Companies each year, but since this report shows that only 45% of all UK based companies might now actually declare their tax liabilities each year and the risk of penalty for not filing accounts or tax returns, let alone not paying tax, is extraordinarily low due to the 'blind-eye' approach to regulation adopted by both HM Revenue & Customs and BIS then the chance of considerable loss as a result of fraudulent trading by companies is high.

This report has sought to estimate that loss. It shows that the average corporation tax liability owed by the average small company that pays tax in the UK amounts to more than £10,000 a year. That though is not all the tax they pay: VAT, PAYE and other taxes will also be due on activity undertaken to generate that profit and are likely to be several times the corporation tax due. But if corporation tax is not paid it is unlikely that these taxes are paid over either. That means total taxes lost for each company trading fraudulently might amount to £30,000 a year on average. And, as this report shows, having made appropriate allowance for dormant, non-trading, companies and those companies that trade but make losses there may be at least 570,000 companies that do not declare the taxes they owe each year. In that case the total tax lost through the fraudulent trading of companies whose activities HM Revenue & Customs and BIS ignore might reasonably be estimated to cost the UK Exchequer £16 billion a year.

4. This tax loss has to be compared with the cost of regulating companies. It costs just £66 millionⁱⁱ a year to run Companies House and about £4.4 billion to run HM Revenue & Customsⁱⁱⁱ. The losses in tax arising from failing to regulate companies might as a result exceed more than threefold the entire cost of running the departments meant to regulate their activities. In that case the economic justification for taking action to stop these losses is not hard to make.

Of course these consequences are speculative and involve estimates: the simple fact is that because the activities of companies in the UK are now largely unregulated this is inevitable. The price for not enforcing regulation is not just lost tax; it is the lost opportunity to make effective decisions on how to address the issues we face within our economy.

It is the evidence of behavioural responses to this lack of regulation, and the opportunity it provides for tax abuse, that does however itself suggest that this abuse is likely. When, just over a decade ago, companies still had to have their accounts monitored by independent accountants there were more than a million fewer companies in the UK than at present. In

the last decade third party oversight of small companies (turning over less than £6.5 million a year in 2011) by independent auditors has almost disappeared as a result of the progressive abolition of the audit requirement for these companies, which was finally abandoned in 2004. Just before then, in 2003, considerable tax incentives to incorporate businesses were provided, whether deliberately or inadvertently by the Labour government, and the number of companies incorporated jumped from 225,000 in the year to March 2002 to more than 325,000 in the following year, reaching a peak of 450,000 in the year to March 2007. This was double the activity level seen five years earlier as a result of deregulation, low tax and a decline in the standard of regulation imposed by Companies House and H M Revenue & Customs as evidenced in this report.

Given this evidence it would be illogical to think that all these additional companies were formed to sit dormant and do nothing. It is logical to think they were formed to undertake trades. But what we do know is that recently fewer than half of all companies in the UK are reporting the trade they undertake, either on time or even at all. And we also know that up to 500,000 such companies have simply been swept from view in the space of one recent year by a government department that cannot face the consequence of its own inability to regulate: a duty to regulate imposed on it by parliament. The cost to the UK has to be enormous: no other conclusion is possible. At a time when the UK government needs every penny of revenue it can get it is this obvious conclusion that justifies the estimated loss suggested in this report.

Thankfully recovery of much of this cash is in the opinion of Tax Research LLP possible, some of it as a result of quite simple new regulation. This report makes a series of recommendations that would bring the UK's companies back into effective regulation without imposing significant cost on those who want to trade honestly, accountably and tax compliantly. These recommendations are that:

1. All banks in the UK must report to both H M Revenue & Customs and Companies House if they open or close a bank account for a UK limited company. If this information is known by H M Revenue & Customs they will know which companies are really trading in the UK, meaning that accounts can be demanded from all those that are trading;
2. No application for the striking off of a company which has a bank account should be accepted by the Registrar of Companies until it has received up to date accounts to support that application and is satisfied that H M Revenue & Customs has received all tax owing to it;
3. It should be illegal for anyone in the UK to assist, directly or indirectly, a UK company to open a bank account with a bank outside the UK without that person who provides assistance having notified both H M Revenue & Customs and Companies House of the fact that they have done so, with full details of the account opened being supplied^{iv};

4. UK banks should be required to provide full and direct disclosure to H M Revenue & Customs of the bank statements of companies that fail to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time. They should also be required to provide the full names and addresses of all those authorised to operate that account;
5. The tax liabilities of UK limited companies should become the personal responsibility and liability of their directors if their companies have failed to submit either their accounts to Companies House on time or their corporation tax return to H M Revenue & Customs on time, with this liability only being avoidable if all documents are filed and payment is made or if a proper liquidation of the company takes place with it being shown that the inability of the company to pay arose through no fault of the directors;
6. No one should be allowed to become a either director or company secretary of a company or a shareholder owning 10 per cent or more of the shares in a UK limited company without that person having first proved their identity to the Registrar of Companies to the standards required by money laundering regulations for the opening of a bank account in the UK. This obligation to disclose proven identity leads on to the following additional recommendations:
 - The obligation for proving these identities should rest with the Registrar of Companies although it would be acceptable for them to delegate that duty to suitable persons already regulated for money laundering purposes, who shall however have personal liability for any errors or omissions in the documentation they permit to be filed, and who shall be responsible for all liabilities and fines arising from default on the part of those whose identities they confirm for a period of two years commencing from the time that they verify that identity.
 - The use of nominees to record the ownership of shares will be permitted, but only if the name of the beneficial owner is also recorded on public record.
 - Those holding appointment as director or secretary who act in accordance with the instruction of a third party should also be obliged to disclose that fact and place a copy of their instructions on public record and disclose the identity of those on whose behalf they believe they are acting.

Since these standards broadly match those expected for money laundering purposes when any company opens a bank account they impose no additional burdens on limited companies whilst they do only require Companies House to match the standards now expected of private sector organisations registered for money laundering regulatory purposes. The benefit of these regulations would be:

- a. That the true identity of those owning and controlling UK companies would be known, with their place of residence having been proven.
 - b. The people liable for any breach of regulation could then be properly identified and they could then be pursued and held liable for the penalties owing;
 - c. Those professional people who wish to assist those incorporating or managing limited companies will be fully aware of their responsibilities, and will have liability for their own negligence or that of those whom they choose to assist. The standard of professional conduct will, inevitably, rise as a result;
 - d. Those wishing to engage with a company will be fully aware, if they make suitable enquiry, of the identities of those persons who are directing the entity with which they are engaging, and will, as a result, be able to make better informed choice as to whether they wish to contract with it, or not.
7. The fees charged on incorporation of a company should be increased significantly to fund the necessary arrangements required to ensure that those engaged in that process can be properly identified in accordance with internationally recognised money-laundering standards.
 8. The annual fee due by a limited company should be increased significantly to ensure that all changes in appointments of directors and shareholders can be subject to the same standard of checking as recommend on incorporation.
 9. The validity of the addresses of company's registered offices should be rigorously checked and the entitlement of a company to make use of that address should be verified before the Registrar of Companies should be allowed to accept that location as a proper trading address from which the company really operates. The use of nominee addresses such as those of professional firms, registration agents and accommodation addresses should no longer be allowed since it is entirely possible for the company to ignore correspondence and legal notices sent to such addresses, in the process subverting the whole process of regulation. A suitably increased fee should be charged to cover the cost of this checking process.
 10. No company should be allowed to apply to be struck from the Register of Companies unless it has filed a set of accounts ending not less than nine months before the application for striking off is made.
 11. Only companies without bank accounts should be allowed to file dormant company accounts with the Registrar of Companies;

12. All limited companies should be required to have their accounts subject to third party checking. That check should in the case of small companies be limited to verification of the identity of the company's bank accounts and a statement that all transactions on all disclosed bank accounts have been included in the accounts of the company for the period in question. This does not constitute an audit and is not meant to do so. It is a simple statement that transactions have been recorded, but not that the resulting accounts are true and fair.
13. Every company should be required to file a corporation tax return for every period during which it is in existence, including one to the date of its dissolution.
14. If a company does not file a corporation tax return for any period during which it is existence then that company should, at a minimum, be liable to an assessment for corporation tax for the period of £10,000, with the directors being personally liable for that sum jointly and severally unless they either a) submit the corporation tax return or b) liquidate the company and in the process show that they had avoided liability to make payment through no fault of their own. H M Revenue & Customs should have the duty and right to substitute a higher estimated tax liability if they think it appropriate to do so. The settlement of these and other corporate tax liabilities should be rigorously pursued.
15. Penalties for non- filing of accounts and annual returns with the Registrar of Companies should arise and be due when the failure to submit occurs, and not when the documents are eventually filed. The liability for these penalties should always rest with the directors if the company fails to make payment unless on liquidation of the company it can be shown that non-payment arose through no fault of the directors.
16. The right to file abbreviated accounts – as a result of which small companies need not publish their profit and loss account, so rendering most of the data they publish largely irrelevant and incapable of meaningful interpretation – should be abolished.
17. H M Revenue & Customs and Companies House must be provided with all the resources needed to police the limited companies incorporated in the UK, paid for from additional charges and taxes paid by those companies.

This is not an imposition of an additional burden on business: indeed, it should be the exact opposite. Firstly this is because no one needs to trade through a limited company; it is a choice, and a choice that must be paid for.

Secondly, improved information on the financial position of the companies that trade in the United Kingdom will reduce risk of bad debt arising, so for those businesses that seek to undertake their trades openly, honestly and accountably

higher charges should result in overall smaller losses from bad debts, meaning that they would benefit from this change.

Thirdly, if more small businesses actually paid the tax that they owe a level playing field would be created between those who trade honestly and those who do not, which would be of benefit to the economy as a whole, and most especially of benefit to honest businesses.

Finally, if all small businesses trading through limited companies paid the taxes that they owe then additional tax would be paid into the Treasury, allowing at least potentially an overall decrease in taxes in general, at least in the long term.

18. Adoption of this policy would require reversal of the policy of reducing staffing at H M Revenue & Customs by 15,000 people over the period to 2015 and recruiting new staff at Companies House as opposed to the 250 redundancies announced^v in March 2011.

This report presents a catalogue of failure, mismanagement, error, and official neglect, most of which arise as a consequence of inadequate resourcing for the activities that two government departments are meant to undertake to fulfill their statutory obligations.

The consequence of those failures are:

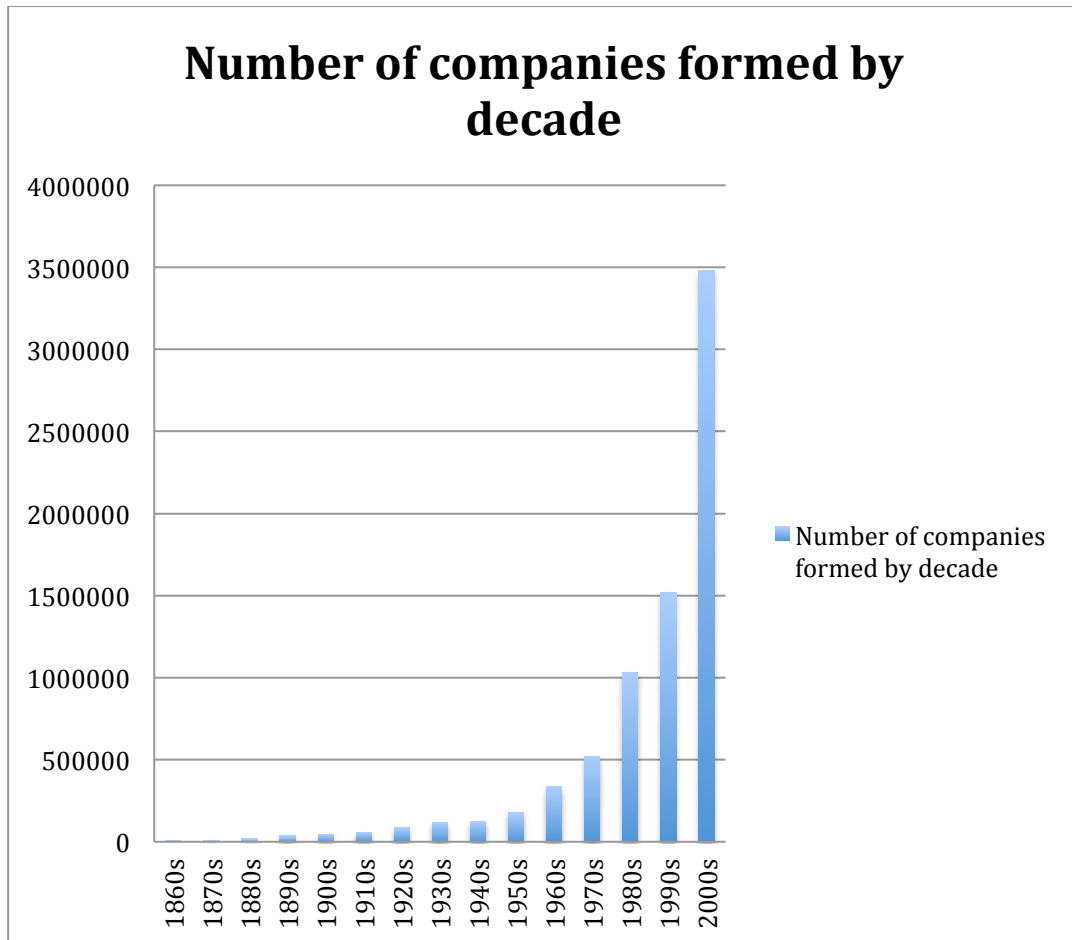
- A significant loss in taxation revenue, probably far exceeding the cost of remedying the faults identified;
- The failure of regulation in the markets in which most businesses conduct their trade in the United Kingdom, resulting in a loss of efficiency in the UK economy at likely considerable cost to us all.

An increase in undetected tax evasion, crime, commercial fraud and international corruption undertaken through UK limited companies.

The UK cannot afford any of these consequences of failure to regulate the companies that are incorporated in this country. A programme of easily implemented, self-financing reforms to remedy these faults is recommended in this report. It is essential that this programme of reforms is undertaken to ensure that in future the UK sets the international benchmark for the regulation and taxation of companies which can be used as an exemplar of good practice when demanding transparency and accountability from other states, including the world's tax havens, for so many of which the UK is responsible.

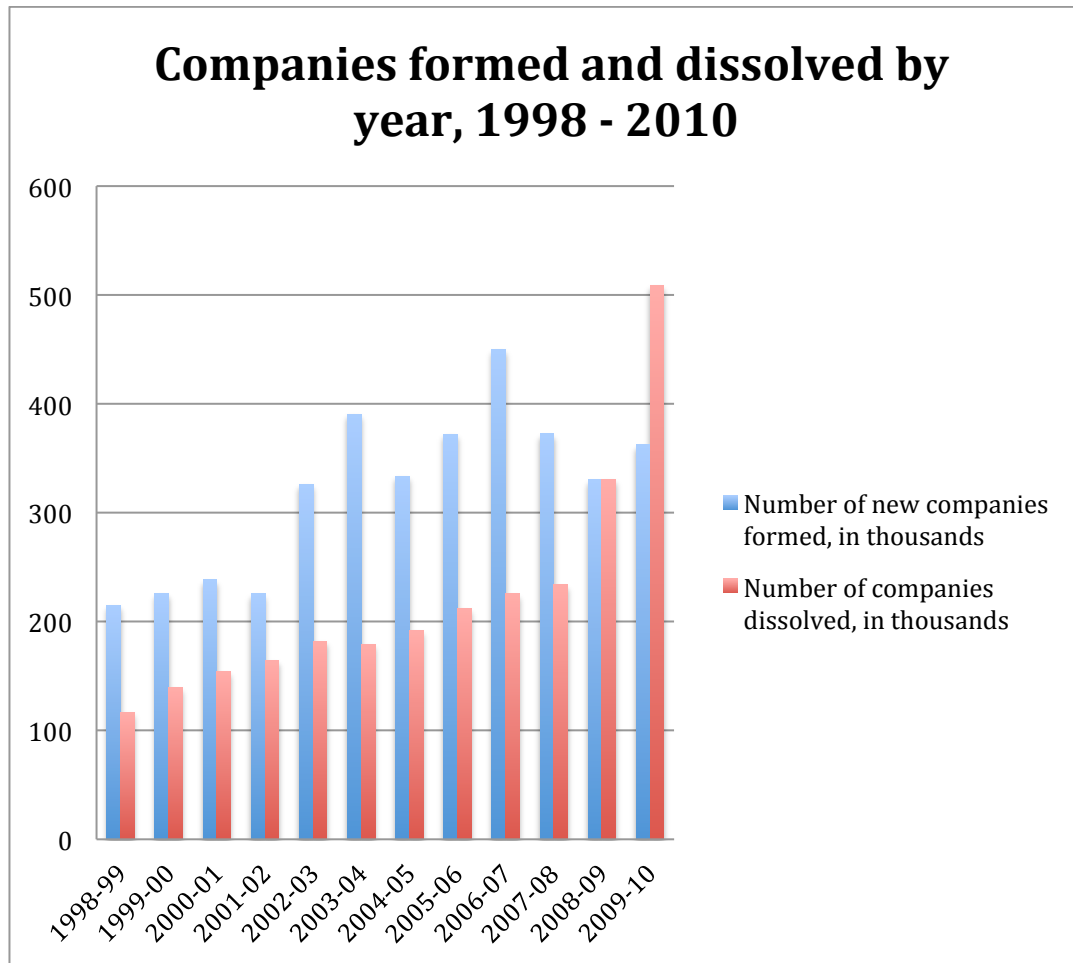
2. Background – companies in the UK

Companies have been formed in the UK under statute law, rather than by separate Acts of Parliament, since the 1860s. The number incorporated by decade since then is shown in the following graph:

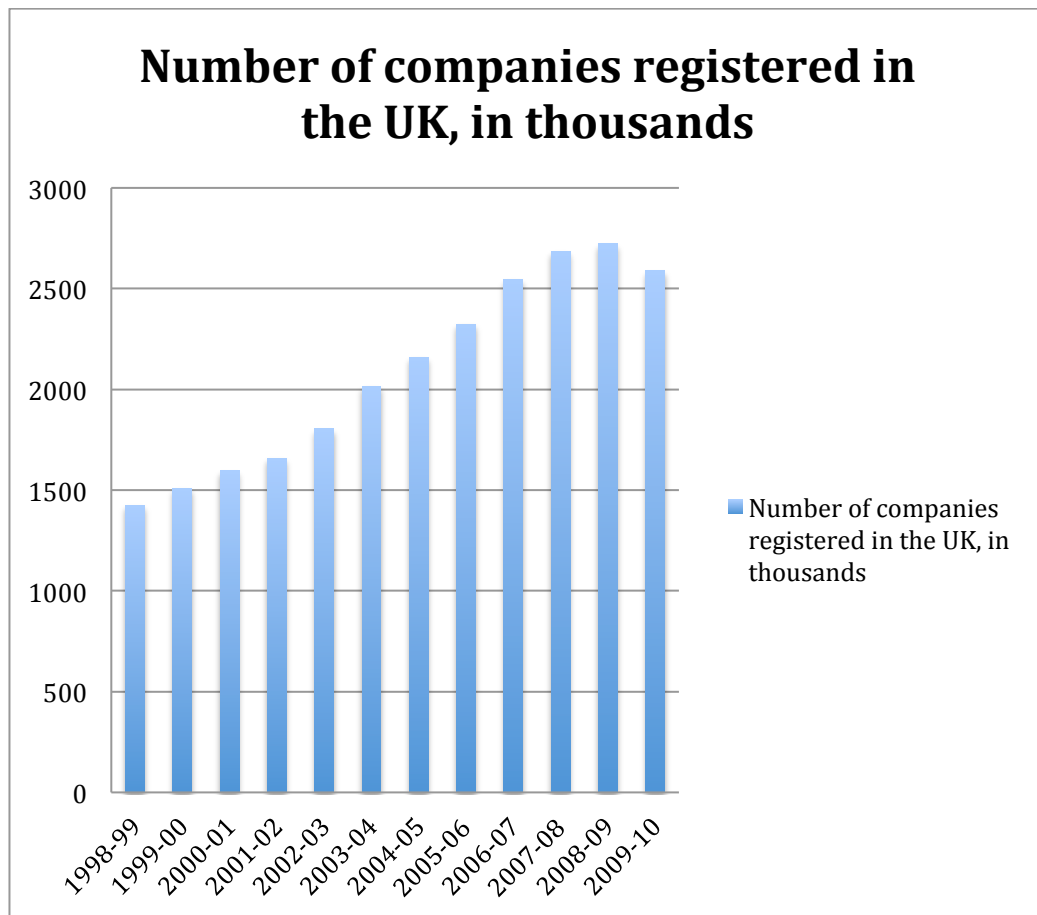


If the data seems a little sparse in the 1860s and 1870s then there is good reason. Just 5,000 companies were formed in the first decade of their availability, and 9,900 in the second decade. By the year 2000 a total of 4.1 million companies have been formed in all. In the decade that followed almost 3.5 million were incorporated. In 2010 just 780,000 of all the companies formed up to 1999 remained in existence. Of the remaining 2,283,000 companies then in existence all had been incorporated since 2000. This does, however, in itself, indicate that more than 1.2 million of the companies formed in that decade had already been dissolved. This does, incidentally represent a radical shift in the age profile of companies in the UK. As recently as 2000 it was argued that 31% of UK small companies (then 99% of the total) had been incorporated for up to 10 years, 33% between 11 and 20 years and 36% for more than 20 years^{vi}.

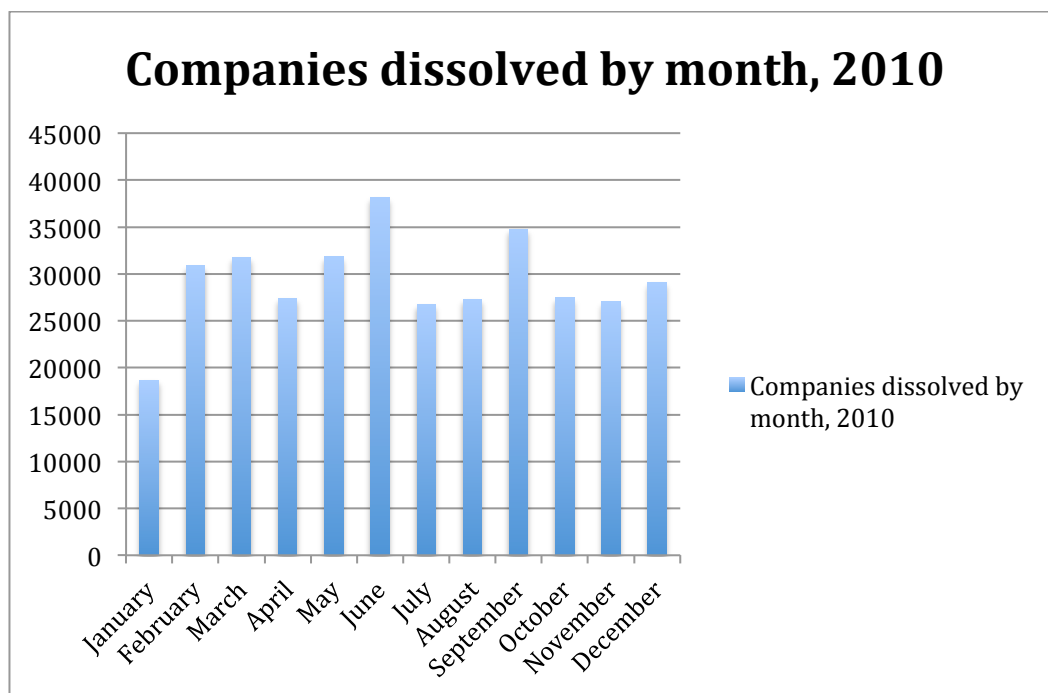
This is unsurprising. The number of companies removed from the Register of Companies annually since 1998 is shown in the following graph:



There was an explosion in the rate of company formation from 2002 onwards, reaching a peak in 2006–07. There has been a maybe not wholly unrelated explosion in the rate of companies being struck off the Register of Companies from 2008 onwards. Such was that rate both striking off in 2009–10, when the total number of companies dissolved exceeded 500,000 for the first time ever, that in that year the total number of countries on the register actually fell, an almost previously unknown situation, as this graph shows^{vii}:

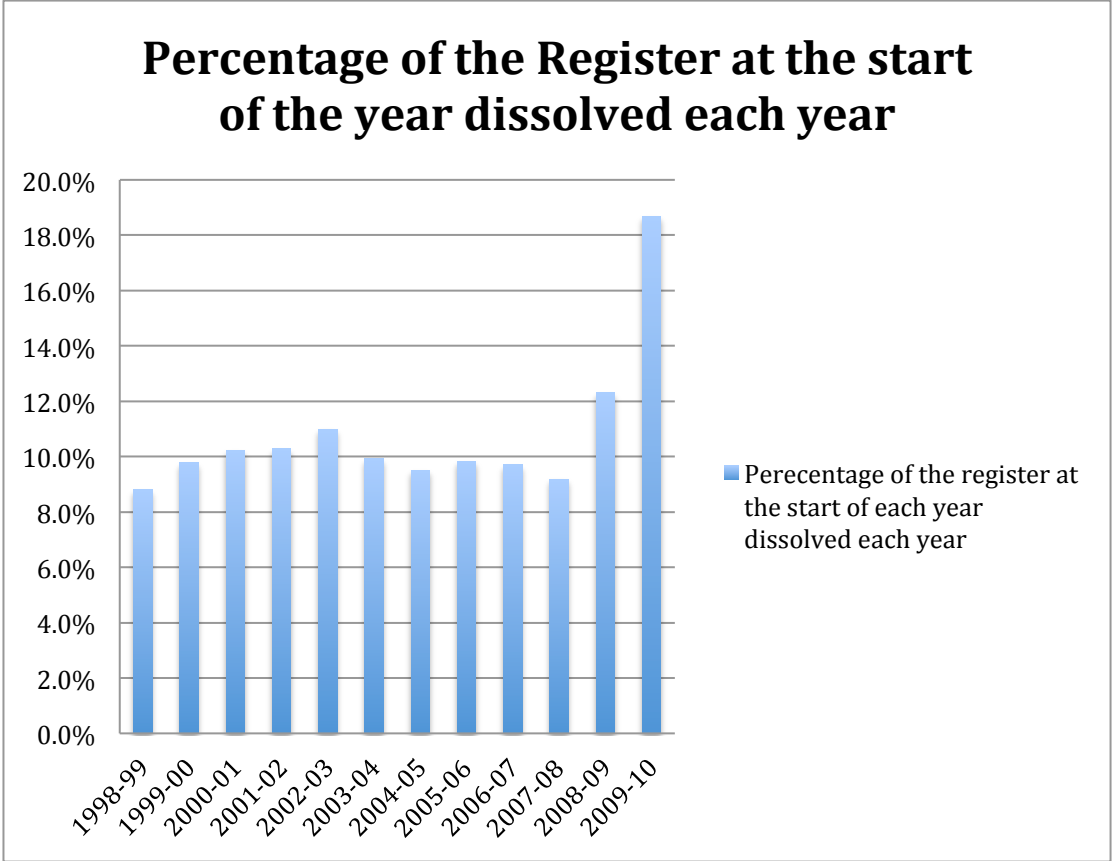


The rate of companies dissolved has fallen during 2010, for which year monthly data is as follows:



The total number of companies dissolved during the course of that year was 350,936. Since more than 400,000 companies were incorporated during the course of the year the decline in the total number of companies on the Register has now been reversed, and is increasing again.

The scale of company dissolutions during the course of each year is significant. Expressed in percentage terms in relation to the number of companies on the register at the start of each year the percentage ratio of companies dissolved in each year from 1998 onwards is as follows:



It is apparent that the number of companies dissolved in 2009– 10 was aberrational and without precedent. Nonetheless, a persistent trend of at least ten per cent of all companies on the register being dissolved during the course of the year was seen throughout this period. It is this persistent trend and the consequences that flow from it that is the main subject of this report.

3. Why the number of companies increased in the UK has increased so significantly

Before considering the main thrust of this report it is important to speculate on the reasons why the number of companies incorporated in the UK exploded from 2002, or thereabouts, onwards. There are three obvious explanations, which are:

1. The audit requirement for the account of almost all the companies was abolished from 2004 onwards;
2. The cost of incorporation of a limited company has steadily fallen in both absolute in real terms during the course of this period;
3. Extraordinary incentives to incorporate the trade of a self-employed person through a limited company were offered from 2002 to 2006.

Each of these issues is considered briefly, in turn because each contributes to the failures in regulation, and its consequences, that this report highlights:

The abolition of the small company audit

All UK companies are required by law to prepare annual accounts in a format laid down by the Companies Acts. The 1967 Companies Act did for the first time introduce a requirement that all companies must file their annual accounts at Companies House: until then private companies enjoyed an exemption from filing. In addition, that Act required that all accounts of private limited companies be audited by an independent qualified person. This requirement arose as a result of a recommendation of a committee in the early 1960s that had emphasized the value to credit insurers of reliable information on the trading of all companies being available on public record. That benefit was not hard to see; if reliable information on the creditworthiness of a company with which a person planned to trade was available then the risk of suffering a bad debt as a result of that trade was very obviously reduced, and that had to be to the benefit of society as a whole because the efficiency and reliability of markets would be enhanced as a result.

The benefit of that information placed on public record was substantially reduced from 1981 when, as a result of the implementation of the European Commission Fourth Company Law Directive, the then Government took advantage of the exemptions then made available throughout the EU allowing small and medium-sized companies to file short-form or abbreviated accounts. Despite the fact that this meant that these companies filed either no, or very limited, profit and loss accounts and many fewer notes than in a full set of accounts, it remained a legal requirement that they publish full audited accounts for the benefit of their members. In other words, there was no saving in cost for the companies as a result of this change because they actually had to prepare both full and abbreviated accounts, with the latter merely meaning they could publish less information on public record. The logic of this has always been hard to work out, but it should be stressed that the

costs involved were not, necessarily, onerous. Some small companies bought their audit services for only a few hundred pounds a year.

In 1993, following implementation of the European Commission Eighth Company Law Directive there was a further change in UK company law as a result of which very small private companies (those with a turnover of £90,000 or less) no longer needed their accounts audited whilst private companies with a turnover between £90,000 and £350,000 were required to have an accountant report on their accounts, but those accountants did not need to undertake an audit, a situation that lasted for just four years, after which the turnover limit below which an audit was not required was increased to £350,000. There was no doubt that this increased the attraction of small limited companies to some businesses because most would have enjoyed a reduction in costs as a result of between a few hundred pounds and maybe, at most, £1,000 a year. It is stressed, however, that the company still had to prepare full accounts for presentation to its members, although they did not now need to be audited.

In 1999 this issue was considered again as a result of further changes in European Union law. At the time it was noted that an analysis of data for some 750,000 companies whose accounts filed at Companies House included turnover data indicated a distribution as follows^{viii}:

Turnover interval	Number of companies
Up to £350,000	520,000
£350,000 to £1 million	110,000
£1 million to £2 million	40,000
£2 million to £3 million	20,000
£3 million to £4.2 million	15,000
Over £4.2 million	45,000

The preponderance of very small companies on the Register at the time was obvious: there is no reason to think that this situation has changed since then.

As a result of the 1999 review^{ix} the thresholds at which an audit was required changed again, being substantially increased in 2000 to £1 million^x, and then again in 2004 to the EU maximum of £5.6 million, a figure now raised in turn again in 2008 to £6.5 million^{xi}.

The result has been that in little over a decade the requirement that companies have their accounts audited, or even examined by an independent third party, has been virtually abolished in the UK. According to the 2009-10 statistical data on company registration activities published by the Department for Business, Innovation and Skills (table F2) at least 91.6% of all accounts (and maybe more) were either unaudited or qualified as abbreviated small company accounts and were therefore highly likely to be unaudited in 2009-10.

This is a matter of considerable significance. Whereas in 1993 every company had to have its accounts subject to independent review by a qualified person by 2008 the vast majority did not. It cannot be said that this directly increased the number of companies incorporated, but

it must have increased the attractiveness of using a limited company for some, and most especially those with little regard for regulatory obligations. At the same time an essential third party regulatory control on small business activity and regulatory compliance in the UK has almost entirely disappeared. In the light of the evidence in this report this change must, inevitably had a detrimental effect on compliance and resulted in a serious increase in the UK tax gap.

The cost of incorporation of companies

Quite remarkably the annual cost of maintaining a company with the Registrar of Companies has remained extraordinarily low for a very long time^{xii}. The maximum fee now payable annually is just £30, the sum due when filing an annual return form on paper for a limited company. This charge has remained constant for a considerable period, but even this modest sum can now be halved since those now filing their annual return form on line pay a reduced sum of £15.

Similarly low charges are found for other Companies House services. For example, the fee due on incorporation of a company is just £20, but when done on line that sum is reduced to £15.

These charges are now so insignificant that they represent no obstacle to the operation of a limited company, at all.

Tax incentives to incorporate

Since the introduction of corporation tax (as distinct from income tax) on the profits of UK resident companies in 1965 there has been a deliberate policy in force that has meant that small companies (as measured solely by the amount of taxable profit earned in a year) should pay tax at a lower rate on those profits than larger companies pay on their larger earnings. The nominal rate of tax paid by small companies has fallen over time, currently being 21% for small companies (soon to be 20%), compared to 28% paid by large companies (soon to be 27%).

Since the late 1980s it had been widely recognised that many small businesses can obtain a tax advantage when compared to the situation of the self employed or employed on similar levels of income, particularly with regard to securing a reduction in the overall national insurance charge that they and their owners, with whom they are frequently considered synonymous, might pay on the extraction of the rewards from their endeavours from the company (on which point there is more, below). This tax advantage, coupled to labour market reforms during the 1980s, and especially the recession at the close of that decade and the resulting increase in the supply of labour as a sub-contracted service in some industries (and especially the IT sector), gave rise to a rapid increase in the number of companies in use for the operation of small businesses owned by a new contracting, consulting, managerial, professional and technical class of personnel. It is a trend that the dot.com boom of the 1990s, further labour market liberalization and the current economic

recession that has forced many into involuntary self-employment on a labour only supply basis has only exacerbated. The protection secured from a potential allegation of making payment to an employee without the operation of Pay As You Earn (PAYE) income taxation that the use of a limited company also provided to 'employers' in this labour only contracting market has also meant that many such 'employers' insist that those working for them use such entities, or do so via agencies that act as intermediaries to facilitate such arrangements, and this also led to a significant increase in the number of incorporations in the 1990s and subsequently.

It is however tax, and tax alone, that explains the boost in incorporation that occurred from 2002 onwards. Quite unexpectedly Gordon Brown's 2002 budget introduced a new starting rate of corporation tax of zero per cent on the first £10,000 of taxable profit a small company earned, with the rate over the next £40,000 of taxable profit increasing to nineteen per cent, the rate then charged on any additional profits of up to £300,000. This led to a significant increase in the number of companies incorporated as businesses that had previously operated on a self-employed basis, paying income tax as a result on profits from just over £5,000, were attracted to the new corporation tax rate of 0% on all income earned up to £10,000. In addition, because dividend payments paid out of these profits carried a basic rate tax credit the result was for the owners of these companies, at least potentially, a significant tax saving when the profits from their previous self-employment were now passed through a limited company rather than being taxed in the name of the individual whose efforts generated them. As a result the number of new companies incorporated leapt from 2002 onwards. In the year to March 2003 alone incorporations increased by 44.5% with an additional 100,000 companies likely to have been incorporated as a result in that year alone, with the trend becoming even stronger the following year.

Although the government rapidly realised its error of judgment in offering this tax incentive, whose popularity it appeared not to have anticipated, and which as a result it began to withdraw from 2004 onwards, eliminating it entirely from 2006, it appeared that the habit of incorporation had received a significant boost. Although the rate of incorporations declined by fourteen per cent in 2004-05, almost certainly as a result of the partial withdrawal of the tax incentive at that time, the rate recovered the year after, only declining again with the onset of broader economic problems in 2007-08.

The continued popularity of incorporation is almost certainly explained by the fact that although the starting rate of corporation tax was abolished from 2006 onwards, meaning that the taxable profits of small companies (which for these purposes were those earning profits of less than £300,000 per annum) were charged at 19% in 2006-07, 20% in 2007-08 and 21% from 2008-09 (with that rate not falling back to 20%, making it the same as the basic rate of income tax, until 2011) there still remained a substantial tax incentive to incorporation for many small businesses. This incentive does not come from the corporate tax system itself, but from the opportunity that incorporation provides to a person who runs their business through a limited company to avoid national insurance charges on income they can recategorise from being earnings arising from labour to being those arising from capital. This is possible through the use of a limited company because the earnings a person

generates for that company through their effort can be notionally retained by it as profit, and then be distributed as dividend to the owners of the company. This has two tax advantages. Firstly, neither employer's or employee's national insurance is paid on dividends, giving rise to savings in some cases of more than 20% of income paid when compared to the alternative of making a salary payment. Secondly, a person can be designated as a shareholder / owner of the company that generates these profits and be paid a dividend even though they have done little or no work to generate the profit from which they then benefit. Whilst this diversion of profits to a person who has not worked for the entity has been considered tax avoidance, and unacceptable in some circumstances, by HM Revenue and Customs it is almost certainly widespread, assisted by the fact that HM Revenue & Customs lead case against the practice failed in court in 2007^{xiii}. One estimate of the loss HM Revenue and Customs might suffer from this activity each year amounts to some £1.2 billion per annum^{xiv}. This calculation was based upon comparison of the tax and National Insurance due by a self-employed person on an income of £50,000 per annum when compared to the same source of income taxed through a corporate entity, having allowed for the costs of running the company, with the income being distributed to the sole owner either as a dividend, or in part as a salary at a level below that at which national insurance would be paid.

With a tax incentive of up to £3,000 per company in the tax year 2007-08 (with this sum having changed little since) on this relatively modest income arising from self-employment as a direct result of incorporation of the trade the obvious attraction of establishing a limited company is clear, particularly when the risk of tax avoidance activity within that country being discovered is very limited, as is noted below.

Summary of this chapter

Of the incentives for incorporation noted it is obvious that the impact of taxation had by far the greatest effect. With the costs of incorporation being insignificant, and the benefit of the saving in audit fees from (effectively) 2000 onwards paling into insignificance at a few hundred pounds at most a year after tax relief when compared to tax savings of maybe £3,000 a year on average it is reasonable to assume that the massive boost in incorporation has been the result of the tax incentive to do so in a liberalised labour market. In that case it is entirely appropriate to link the issue of the management of the UK's Register of Companies to tax as this report does.

4. Incorporating a company in the UK and the resulting obligations arising

It is remarkably easy to form a company in the United Kingdom. Search on Google and incorporation can be offered, on line, for a price of little more than^{xv} £15. Of this, quite remarkably, £10 represents the fee due to The Registrar of Companies for registering documentation on incorporation.

As Jason Sharman, an Australian academic who almost uniquely has studied the practical comparative ease of incorporating companies around the world has noted^{xvi}, the regulatory standards associated with incorporation of a company in the UK are extraordinarily weak. It is for example:

- Possible to form a company entirely on line^{xvii}. No checks on identity are required during the course of this process and no document need ever be signed by the person forming the company^{xviii}. The formation agent acting as an intermediary in this process, if one is employed (and that is usually the case) also has no obligation at all to identify the client on whose behalf they are acting, or seek verification that they actually have entitlement to use the name or address they are registering for the purposes of incorporation. A company incorporated to test this hypothesis for the purposes of this report demonstrated this to be the case, although a valid name and address was, of course, used for the purpose.
- The Registrar of Companies does not require that a person registering themselves as the owner of a share in a company actually enjoys beneficial ownership of the share in question. As such although it is required that a UK company does list those people recorded as owners of its shares there is no actual proof or publicly available information as to who does actually benefit from ownership of the entity, making the disclosure required by law meaningless for all practical purposes.
- No person acting as a director of a UK company is required to prove their identity when registering themselves as the holder of that position with the Registrar of Companies. It seems that the only check that is undertaken when forms recording such appointments are made is that the address shown matches with the declared postcode. Forms are rejected if any postcode error is found. Otherwise they always seem to be accepted.

The conclusion is obvious: a UK company can be formed by anyone using any identity and any address they wish although it is true that they will, to get an original certificate of incorporation, need to collect mail from a specific address. However, since many incorporation agents are more than happy to provide their addresses for this purpose at very modest cost^{xix} this is an easily surmounted obstacle.

Once a company has been incorporated, with just one shareholder and one officer (the sole director) having been named the company then has three recurring obligations it must meet if it wishes to continue in existence. These are that it must:

1. File an annual return, which as its name implies is due annually, with the first being required to be submitted just over twelve months after incorporation. This return may be filed electronically with no proof of identity of the signatory being required on submission. If filed electronically the fee for submitting this form is £15. If filed on paper and submitted by post the fee is £30. The annual return form requires that the directors, company secretary (if there is one), issued share capital, names of all shareholders and very limited information on the trade of the company (satisfied by making reference to a four digit trade classification code) be filed. As noted previously, there is no proof of identity required for any person named and the noted owners of shares need not be the beneficial owners.
2. Accounts. These are usually for an annual period, although the first accounts will run to the end of the month ending twelve months after the date of incorporation, on whatever day the company was actually formed during a month, unless the company nominates otherwise. A company can select a first period of accounts of up to eighteen months duration. This does not alter the fact that the first accounts must be submitted by the end of the month twenty-one months after incorporation, and annually (odd exceptions apart) thereafter. The accounts need not be audited if the company is considered to be small, as noted previously. The vast majority of companies meet these criteria. Although the format of company accounts appears odd to a layperson it is now relatively easy to use proprietary software to turn self produced accounting data into the format (or something approximating to it) required by UK company law. Since Companies House only check that the correct forms of wording with regard to declarations on the Director's Report and Balance Sheet are used, and that those reports have been signed and that the accounts do actually balance (i.e., the assets on the balance sheet equal the liabilities) the most extraordinary range of accounting errors can and do go entirely undetected on submission of accounts to Companies House, and experience of making complaints about accounts submitted by companies suggests that the Registrar of Companies has remarkably little appetite for pursuing errors in such accounts, even when they are drawn to their attention. No fee is due to the Registrar of Companies when submitting accounts. They may be filed electronically.
3. Changes in the appointment of any officers of the company, or of its registered office. As is the case on initial appointment, no proof of the validity of these changes is requested by the Registrar of Companies. No fee is due when submitting these forms. They may be filed electronically.

These obligations do not appear onerous, and in practice they are not. This is assisted by the fact that once initial contact with the Registrar has been made to establish entitlement to electronic filing of data almost no physical contact requiring there to be a physical address for the communication of information is necessary to maintain the file of a company with the Registrar of Companies, meaning that even the supposed physical location at which a company is located can remain practically unverified by the Registrar in a great many cases. However, as the next section of this report shows, non-compliance is prevalent.

5. Compliance with the requirements of UK law by UK companies

1) Objectives and methodology

Although the obligations imposed on UK registered limited companies appear relatively modest what is notable is the degree to which those obligations are ignored, and the apparent impunity that exists with regard to such negligence.

To test compliance with the requirements of the Companies Act a number of sources of data were used when preparing this report, including reports published the Registrar of Companies and information secured from parliamentary answers raised by Members of Parliament within the current parliamentary session of the UK's House of Commons. Two data samples were also used to test particular aspect of company compliance and to highlight issues raised in this report.

The purpose of the analytical work undertaken was to:

1. Test the degree of voluntary compliance with the regulatory requirements of the UK's Companies Acts;
2. Test the data on regulatory compliance published by the Registrar of Companies for its reliability;
3. Seek greater understanding for the reasons for the striking off (dissolution) of the hundreds of thousands of companies subject to this treatment each year;
4. Understand to what degree that process of dissolution was voluntary, and to what degree it takes place at the behest of the Registrar of Companies;
5. Review who might object to the process of dissolution, and how frequently objection arises;
6. Consider the causes and implications for dissolution at the request of the Registrar;
7. Consider the state of accounting compliance by those companies that are dissolved;
8. Consider exceptional applications for dissolution, especially from companies that have had a very short period of existence and to assess what data that is known about these companies, if any;
9. Consider the relationship between company dissolution and corporation tax compliance and the implications of this for the UK corporate tax gap;
10. Consider the implications of the policy of striking off initiated by Companies House on the regulation of fraud, criminality and illicit financial flows;
11. Consider those policy reforms that might address the issues identified.

The specific work undertaken to do so was:

1. To raise a series of parliamentary questions through the offices of MPs sympathetic to this work. Thanks are extended to Caroline Lucas MP and Kate Green MP for their assistance in this respect. These answers are extensively referred to in the notes that follow.

2. To secure a specific set of data on companies struck off the Register of Companies in the period from August 2009 to November 2010 where the companies in question had been incorporated for a period of less than a year at the time of striking off. Thanks are offered to Lois Rogers for making this data set available.
3. Undertaking specific research on a sample of 300 companies, statistically randomly selected from amongst the companies struck off the Register of Companies in September 2010. This sample of data has been subject to the most detailed analysis amongst the data used in this report.

The rest of this chapter considers the evidence that this work assembled, starting first, however, with a summary of the conclusions reached.

2) Conclusions

A number of very clear conclusions can be drawn from the sample of companies surveyed struck from the Register of Companies in September 2010.

a) Companies that have been in existence for less than a year can be struck from the Register of Companies

It seems illogical that a company may be struck from the Register of Companies before it has had obligation placed upon it to file accounts, and yet this happens. Thirteen of the companies struck from the Register in the sample data set had been in existence for less than a year at the time they were struck off. They had not, of course, filed accounts at that time.

b) Approximately one third of all companies being struck off are being removed before the second anniversary of their incorporation

Ninety-six of the three hundred companies in the sample surveyed were struck off before their second anniversary of incorporation and of these just two had filed accounts. These strikings off are largely at the behest of the Registrar of Companies, usually it seems because the companies in question had not filed their first required annual return form. The consequence is, however, that:

- i) a significant number of companies are never required to file accounts because the Registrar of Companies dissolves them before they have legal obligation to file their first set of accounts or a corporation tax return.
- ii) The consequence is that the directors of many companies are relieved of their legal obligation to declare its tax liabilities as a result of the actions of the Registrar of Companies;
- iii) It remains entirely possible that these companies do, after striking off carry on trading using their corporate identity and never thereafter file accounts or tax returns, contributing significantly to the shadow economy;
- iv) The perfect opportunity to set up a company, trade it and then let it disappear without trace is provided courtesy of a UK regulatory agency, with the directors

having no responsibility or liability for the dissolution or the making of false statements to any regulatory authority to secure this dissolution as a result of the striking off of their company by Companies House without action on their part being required. Immunity from any likelihood of prosecution is therefore granted to those directors using this loophole without anyone in authority seemingly being aware of this fact.

c) Of the companies surveyed over 40% had never filed accounts and many had only filed dormant company accounts when struck from the Register

One hundred and twenty five of the companies surveyed had never filed accounts at the time of their striking off. Many more (a significant proportion of the 16.3% of companies that filed dormant company accounts before striking off) had only ever filed dormant company accounts before striking off took place. With regard to these 58% of all companies almost nothing whatsoever will ever be learned from published accounts about their purpose for incorporation and any activity they had ever undertaken before their striking off. This is an extraordinary outcome for a system that is designed to ensure that accounts recording that activity and purpose are put on public record.

d) A significant proportion of the company struck off had overdue accounts at the time of their dissolution

Twenty four per cent of the sample had accounts overdue for filing at the time of their dissolution. This meant that any accounting information that they had filed was out of date by the time that the decision on dissolution took place.

e) Companies that have been in existence for a relatively short period of time are most likely to be subject to compulsory striking off from the Register of Companies

Companies are most likely to be struck from the Register of Companies between their first and third anniversaries of incorporation (42% of the sample). Companies struck off at this point in their history are also the most likely to be compulsorily dissolved. Sixty six per cent of all companies struck off between the first and second anniversaries of incorporation were compulsorily dissolved, with 55% of all companies compulsorily dissolved between the second and third anniversaries of their incorporation being struck off by the Registrar of Companies rather than by voluntary request made by the company itself.

f) Companies are usually struck off when they face a filing obligation

The data suggests companies are struck off when they face a filing obligation. In the case of companies struck off between their first and second anniversary of incorporation that filing obligation is the requirement to file an annual return. After the second anniversary of incorporation it seems likely that the striking off has strong

correlation with the requirement to file a set of accounts, which obligation is avoided by striking off instead. In both cases it seems likely that striking off is used as an alternative to meeting regulatory obligations.

g) The number of objections to companies being struck off is low

The absolute number of objections made to companies being struck off is low, with it seems the most likelihood of objection occurring if the company is between two and three years of age as measured from its time of incorporation. It seems very likely that most objections are made by H M Revenue & Customs but it seems almost certain that they do not raise objection if companies have not reached their second anniversary of incorporation at the time of striking off. For these 'young' companies the likelihood of being struck off without objection being raised is very high indeed.

The sample of companies surveyed that had been in existence less than one year at the time of their striking off also provide clear evidential basis for the following conclusions:

h) Companies can be struck off without difficulty even if they have been in existence for less than a year and as such have not yet reached a due date for filing accounts or an annual return form

Companies can be struck off the Register of Companies within 110 days of their incorporation. There is no requirement at that time that they file a set of accounts and as a result companies struck off after this limited period of existence are not required to submit such accounts, either to the Registrar of Companies for publication or to H M Revenue & Customs for the purpose of determining their corporation tax liabilities, if any. There is, however, no reason why a company should not have traded, and have even accrued significant profit during such a short period in existence. These activities are as such effectively unregulated and untaxed.

Whilst most companies struck off when a company has yet to reach its first anniversary of incorporation are the result of request by the company itself the Registrar does also initiate such action, but only it seems when the company has been left with no serving director after incorporation has taken place.

The review of Companies House published data gave rise to further significant findings:

i) The rate of compliance claimed by Companies House is misleading at best, and more likely is straightforwardly wrong

Companies House claim that 97% of companies file accounts on time and 989% of companies file their annual returns on time. This data is very misleading. Two thirds of the companies struck off in 2009 – 10 were removed from the Register for not filing their annual return forms – meaning over 325,000 were removed for this reason alone in that year – implying a failure rate of almost 12% for this reason alone. Companies

House do not report this statistic because instead of recognising this regulatory failure they instead seek to strike the companies that have not met their obligations off the Register. Companies House then calculate their compliance statistics on an artificially reduced number of companies stated net of companies being struck off for reason of their non-compliance which the statistic is meant to, but does not as a consequence, record.

j) Companies House is significantly reducing its prosecution rate for the non-filing of accounts and has abandoned making such prosecutions in Scotland altogether

Despite the clear evidence of massive non-compliance with the obligation to file accounts that this report identifies the rate of prosecution for this offence has fallen considerably over recent years and now runs at fewer than 5,000 a year. Half of all these cases fail to result in a prosecution as Companies House abandon cases if accounts are filed late even though this is a tacit recognition of guilt. All attempts to prosecute this crime now seem to have been abandoned in Scotland where no cases at all were brought in 2009–10. More than 600 cases were brought in Scotland in 2006-07.

k) There is a perverse incentive not to file accounts when they are late as penalties are only due when accounts are filed and are avoided if striking off takes place

There is a perverse incentive in the current Companies House penalty regime that encourages a company to be struck off rather than file its accounts once its accounts are late. This is the consequence of the penalty for late filing of accounts only becoming due once they are actually filed, and not at the moment they are late. If they are never filed and the company is struck off then no penalty for late filing arises even though, by definition, the failure to file has arisen. The law needs to be remedied to overcome this perverse incentive to not put information on public record.

This report also looked at data available on the UK's corporate tax system. The following conclusions were drawn with regard to this review:

l) Only 70% of UK companies are asked to submit corporation tax returns each year.

Only 70% on average (and with a declining trend) of companies in the UK are asked to submit a corporation tax return by H M Revenue & Customs each year. This is because H M Revenue & Customs believe the rest do not undertake economic activity even though less than 20% of all companies have recorded that they are dormant with the Registrar of Companies on average over the last few years.

m) Only 45% of companies actually submitted a corporation tax return for 2009-10

In 2009-10 only 64.7% of all corporation tax returns that H M Revenue & Customs asked to be submitted had been submitted by November 2010. Given that less than

70% of companies were asked to do so in that year the ratio of companies on the Register actually submitting a corporation tax return was just 45.7%

n) Only 33.6% of all companies paid corporation tax in 2009-10

Having made allowances for companies submitting tax returns that had losses or made no income the proportion of companies on the Register actually paying corporation tax in 2009-10 was just 33.6%. Almost two thirds of all companies do not pay corporation tax, whether legitimately or otherwise.

o) H M Revenue & Customs' attempts to penalise late submission of corporation tax returns seems largely ineffective

HMRC had to waive 59% of all penalties that it imposed for late submission of corporation tax returns over the four-year period to March 2010. Despite that more than £225 million of penalties remained unpaid at the end of that period, representing more than two complete years of outstanding debt. It is reasonable to conclude as a result that the corporation tax penalty and penalty collection systems are not working.

p) Statistics on corporation tax paid reveal some surprising trends

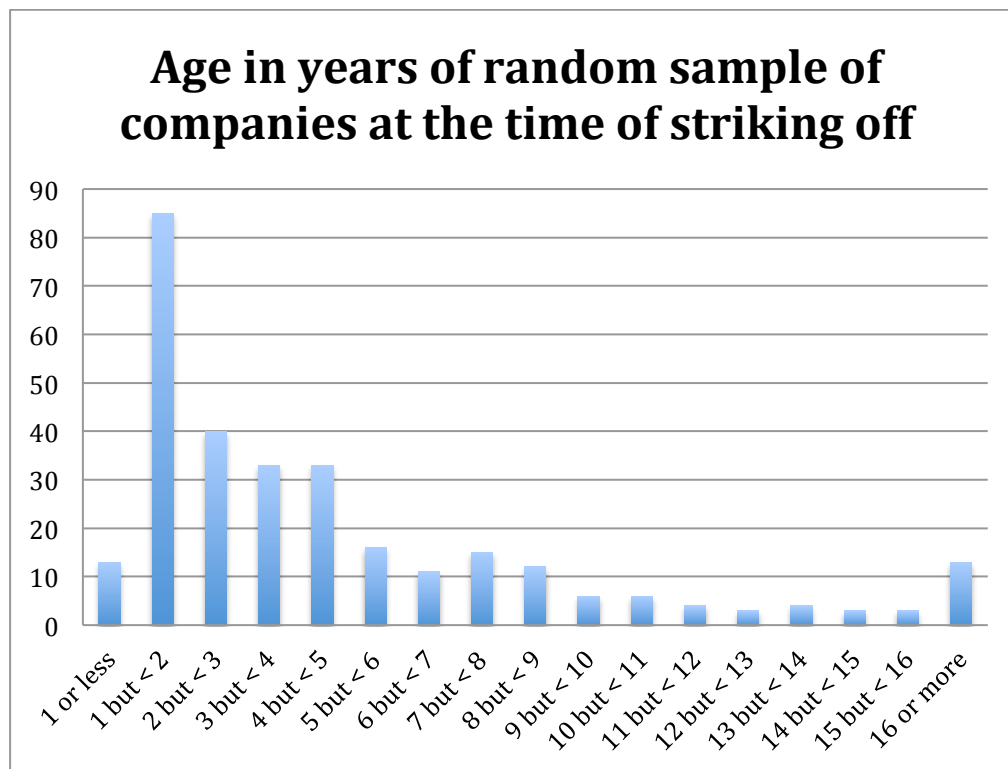
- The proportion of companies paying corporation tax has been declining since 2004-05 having been temporarily boosted by the incentive to incorporate offered from 2002-03;
- Only one third of companies pay corporation tax;
- Whilst total corporation tax paid increased significantly over the period this is largely explained by the expansion in the number of companies paying tax, and not by increasing profits;
- The average tax bill of a company fell over the period from 2002-03 when distortions as a result of the low starting rate in 2002 to 2006 are removed from consideration;
- The average tax bill of a small company is rising at the same time that the proportion paying corporation tax is falling;
- The average tax rate of small companies is increasing but that of companies over all (after offset of double tax reliefs) is at best stable or falling slightly;
- The proportion of corporate taxes paid by small companies has risen significantly over the period, emphasizing their growing importance in the corporate tax take;
- Large companies are no likely to be paying corporation tax at rates that are, overall, lower than those for small companies.

q) More than 530,000 companies a year are likely to be evading corporation tax in the UK

It is very likely that more than 530,000 companies a year are evading corporation tax liabilities in the UK. With losses per company estimated at £30,000, covering not just corporation tax but other taxes such as PAYE, National Insurance and VAT, the likely tax lost to tax evasion from companies that are not disclosing their tax liabilities due to the lax administration of companies in the UK might exceed £16 billion a year.

3) Age of companies at the time of striking off

The random sample data from September 2010 revealed a very marked pattern in the age of companies at the time that they were struck off the Register of Companies (dissolved):



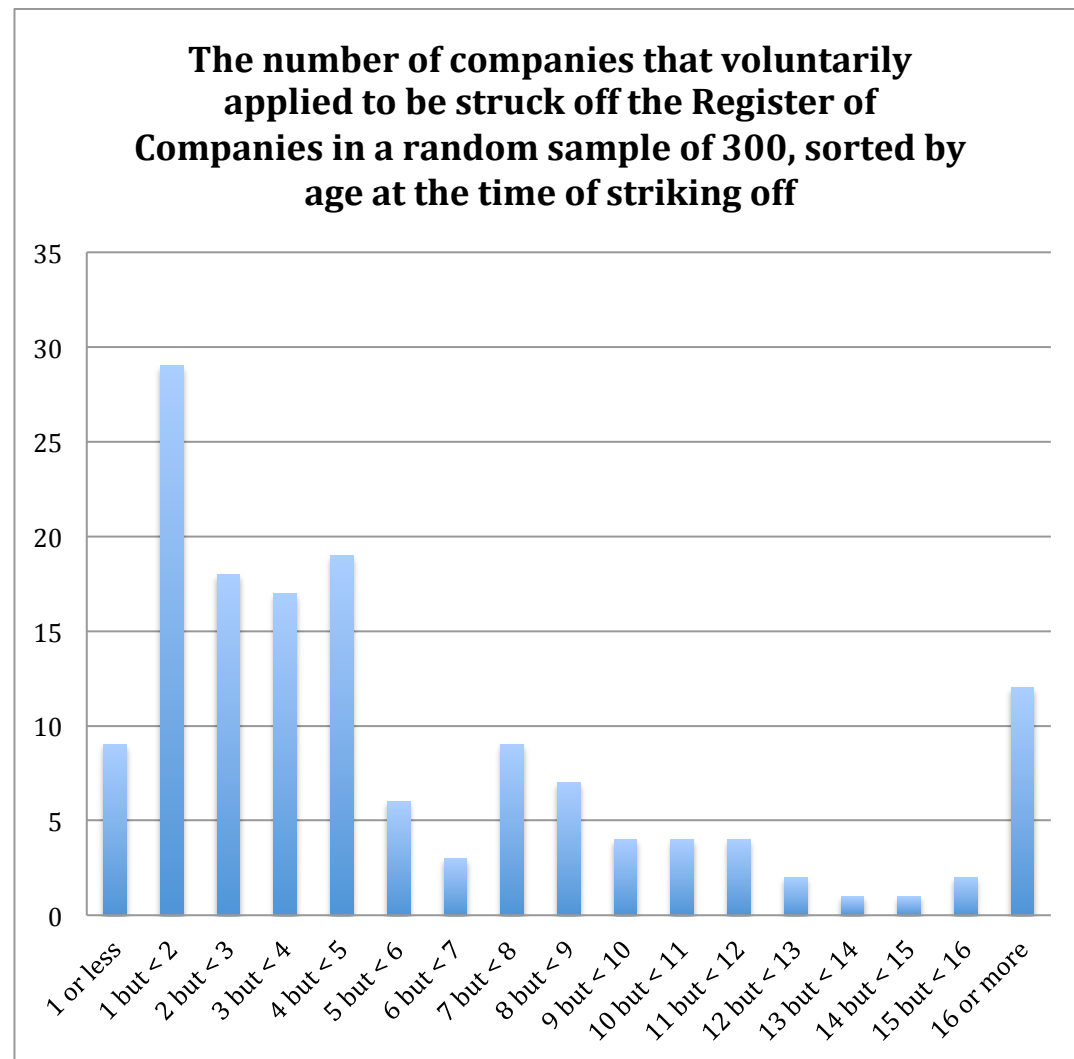
Eighty-five of the three hundred companies surveyed were between one and two years old, as measured from their date of incorporation at the time that they were dissolved. Of these companies a very large proportion were dissolved seventeen months after incorporation.

Surprisingly, thirteen of the sample were dissolved despite having been in existence for less than a year, the same number as were dissolved after being in existence for a period of more than sixteen years. The oldest company dissolved in the sample surveyed had been in existence for 63 years, the next oldest for 36 years.

It will be noted that once companies have existed for five years the rate of striking off falls quite rapidly: this does however reflect the relative youth of the Register as a whole.

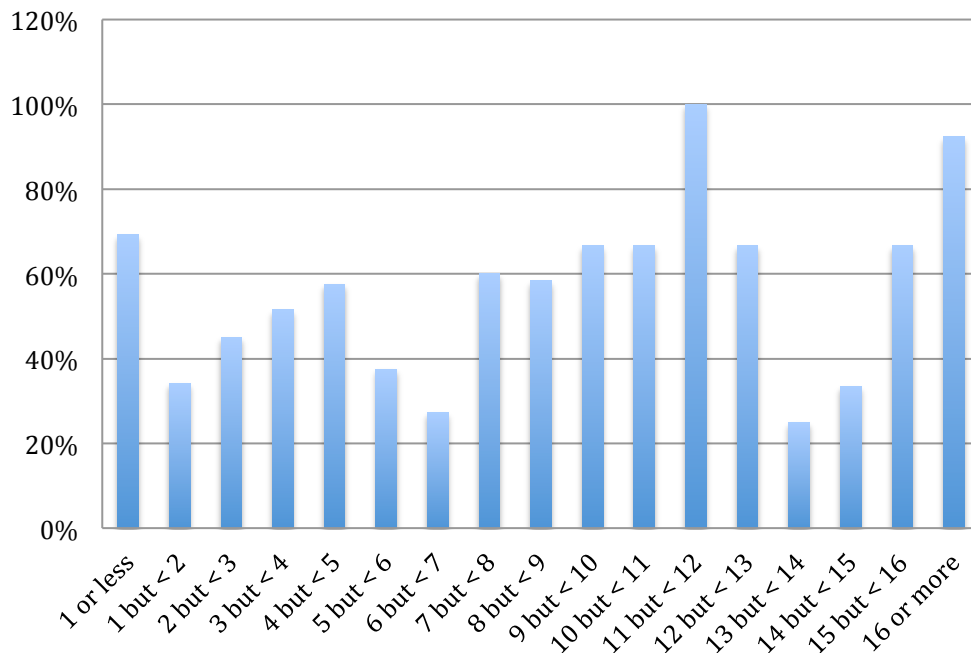
4) The number of companies voluntarily applying to be struck off the Register of Companies.

The number of companies voluntarily applying to be struck from the Register of Companies, sorted by their age as indicated by time elapsed since incorporation at the time that dissolution took place, was as follows:



This same data, expressed as a proportion (percentage) of the total number of companies struck from the Register in the sample surveyed and of the same age at the time of dissolution provides a more telling insight into behaviour patterns:

The percentage of total companies dissolved that voluntarily applied to be struck off the Register of Companies in a random sample of 300, sorted by age at the time of striking off



The period with the highest rate of dissolutions (companies aged one year or more but less than two years at the time of striking off) has a very low comparable rate of voluntary strikings off, and a corresponding high rate of strikings off initiated by the Registrar. It should be noted that overall 49% of the sample of companies from September 2010 were voluntarily removed from the Register. According to data supplied to Kate Green MP by Ed Davey MP^{xx} on 15 July 2010 about 33% of all companies dissolved in 2009-10 were voluntary dissolutions, the rest being actions initiated by the Registrar. However, compulsory dissolutions did run at a very high number during that year and the sample is thought representative of current year behaviour as a result.

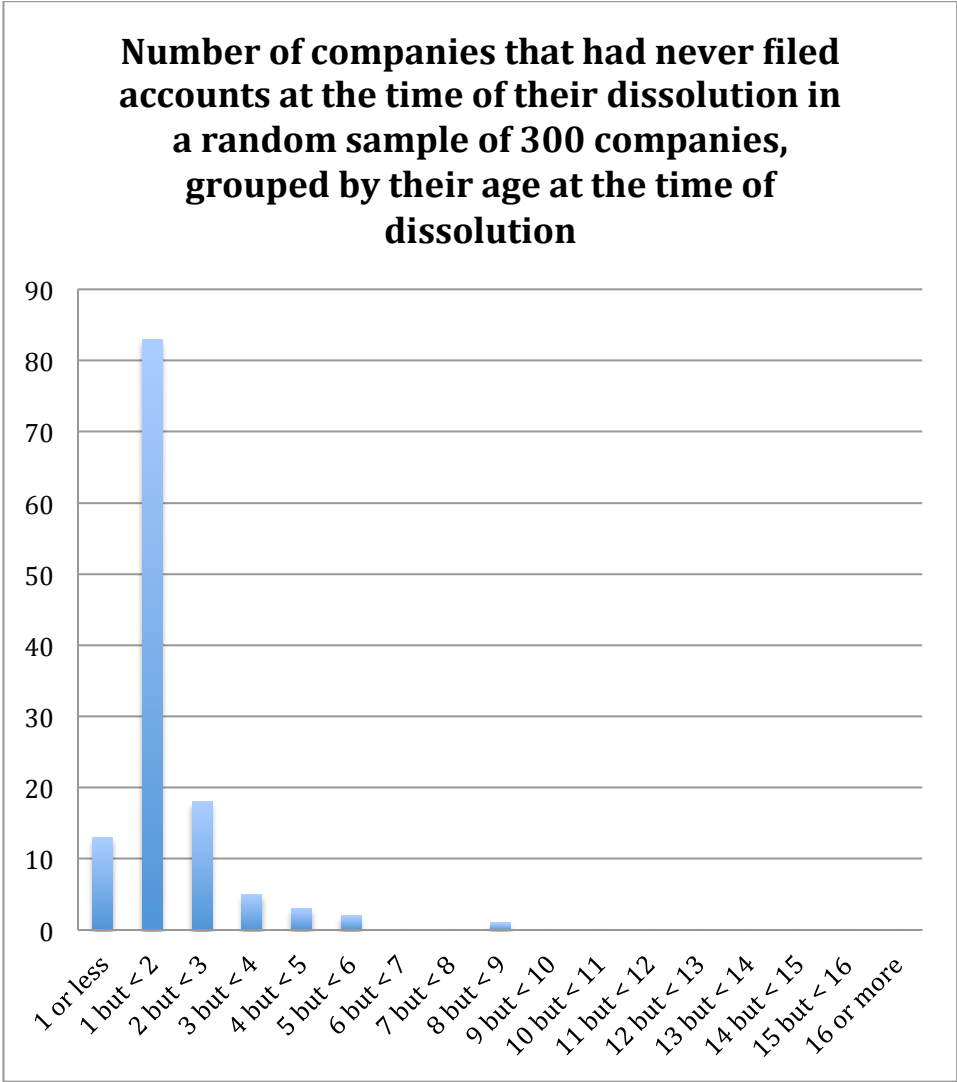
The conclusion that dissolutions in the second year after incorporation reveal unusual behaviour patterns tentatively drawn above is reinforced.

5) Number of companies being dissolved that have never filed accounts

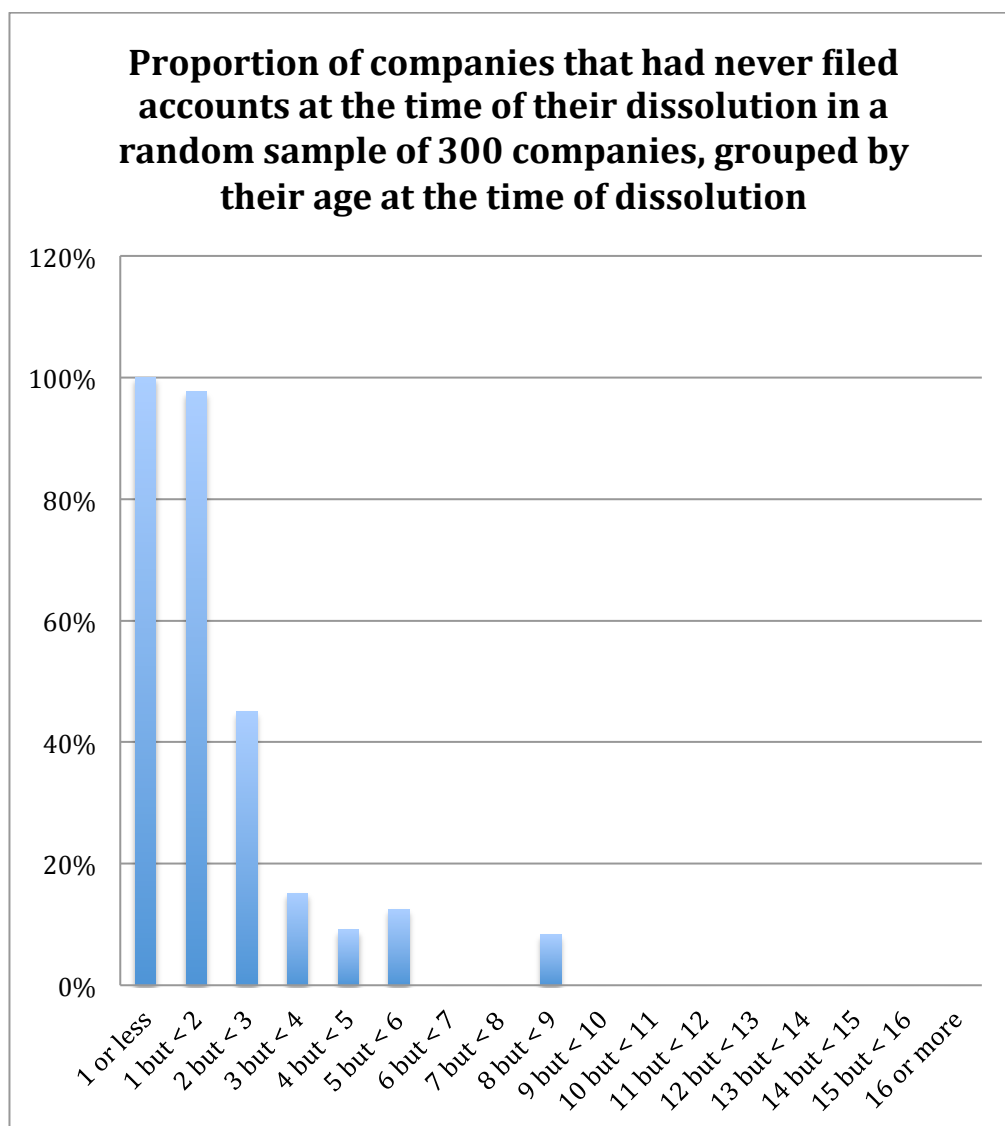
The striking off of a company from the Register of Companies is a significant act: of all the 2.6 million companies struck off between 1998 and 2010 less than 21,000 were restored to the Register because they had been removed in error – or less than 0.8% of all companies dissolved. This means that for more than 99% of companies being struck off represents the end of their corporate existence and for all practical purposes that means that all

documentary record of them ever likely to be made available will by that point in time have been presented to the Registrar of Companies.

It is in that case important to note that of the sample of 300 companies tested for the purposes of preparing this report significant numbers (125 in all, or about 42% in all) had never filed a set of accounts before being struck off. By age distribution at the time of striking off this data is as follows:



By proportion of companies being struck off of similar age the distribution is:



None of the thirteen companies struck off before reaching their first anniversary of incorporation had filed a set of accounts. Just two of the eighty-five companies struck off between their first and second anniversaries of incorporation had done so. Of course ratios improved thereafter, but it is notable that a company more than eight years old had not filed accounts when it was struck off, although it should be noted that this appeared to be due to complications during a liquidation and was not, therefore, perhaps as serious as it might otherwise seem.

The conclusion drawn from the first indicators that there are serious problems with companies that have existed for relatively short periods of time recur with this indicator.

6) The number of companies filing dormant company accounts before being struck from the Register of Companies

A dormant company is defined by the Registrar of Companies as^{xxi} :

“A company [that] has had no 'significant accounting transactions' during the accounting period. A 'significant accounting transaction' is one which the company should enter in its accounting records. The amount paid for shares on the formation of a company and a few costs that the company may incur in order to keep the company registered at Companies House do not count as significant accounting transactions.”

As Companies House also says^{xxii}:

Companies may be dormant for various reasons, for example, to protect a company name, in readiness for a future project, or to hold an asset or intellectual property. Some flat management companies whose main purpose is to own the head lease or the freehold of a property choose to become dormant by setting up a residents' association to deal with any expenses.

There may be another very good reason for having a dormant company. This is the only type of company where a form on which the accounts can be submitted can be downloaded from the Registrar's own web site and be submitted in an action requiring almost no effort at all. The form in question looks like this:

This information can be filed securely and accurately online using WebFiling. This downloadable form, however, contains no built checks and must be printed, signed and posted to Companies House for manual processing.

Companies House
— for the record —

CHWP000

DCA

**For a company limited by shares which is not
a subsidiary and where the only transaction
is the issue of subscriber shares**

Company Number

Company Name in full

Balance Sheet as at

	Current Year	Previous Year
Called up Share Capital not paid	£	£
Cash at Bank and in Hand	£	£
NET ASSETS	£	£

Authorised share capital:

ordinary shares of £ each

Issued share capital:

ordinary shares of £ each

SHAREHOLDERS' FUNDS

Notes:

- During the year the company allotted ordinary shares with an aggregate nominal value of £....., the consideration received by the company was £.....
- During the year the company acted as an agent for a person - if this applies please tick the box ☐

Statements:

- For the year ended(date) the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.
- Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.
- The director(s) acknowledge(s) responsibility for:
 - ensuring the company keeps accounting records which comply with section 221, and
 - preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit and loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These accounts were approved by the Board of Directors

on
and signed on their behalf by:
Director(s)

You do not have to give any contact information in the box below but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Contact details:

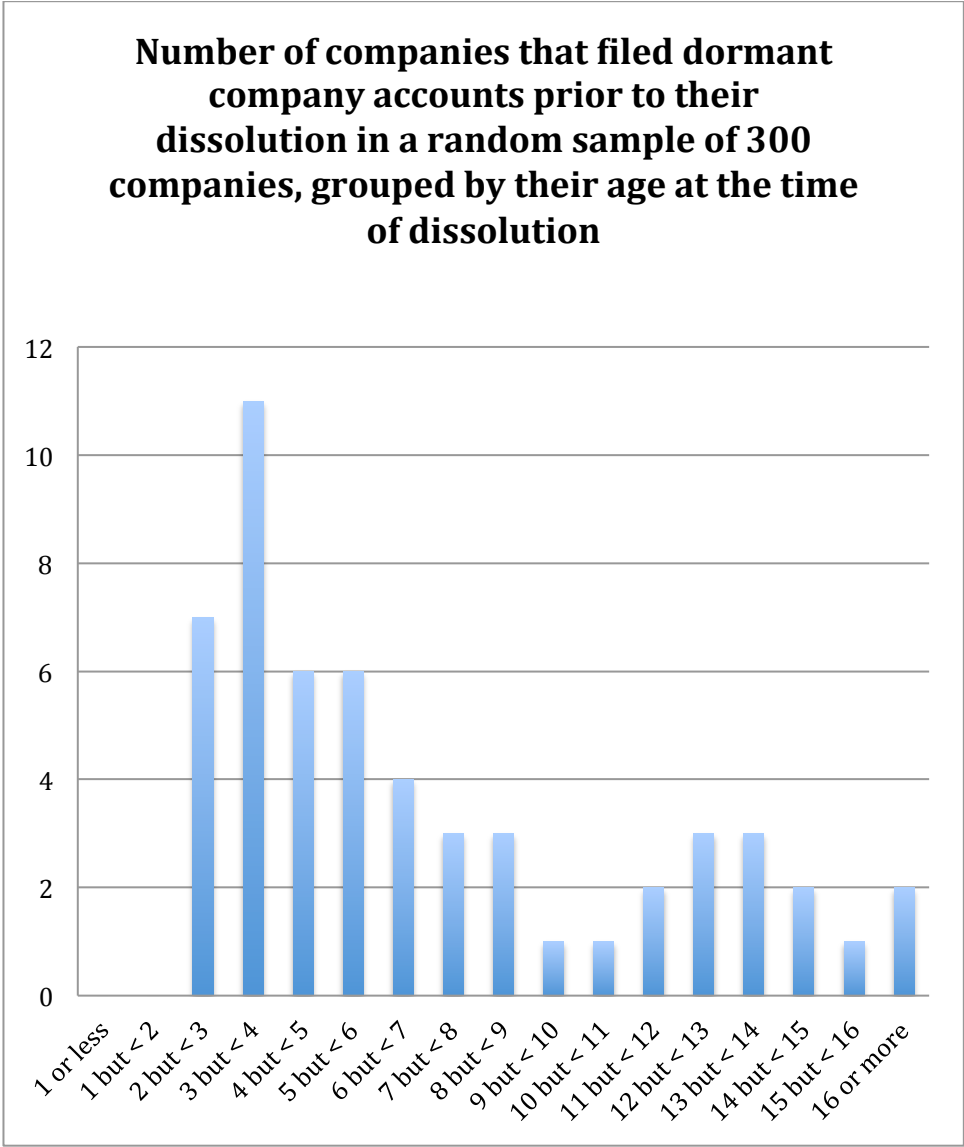


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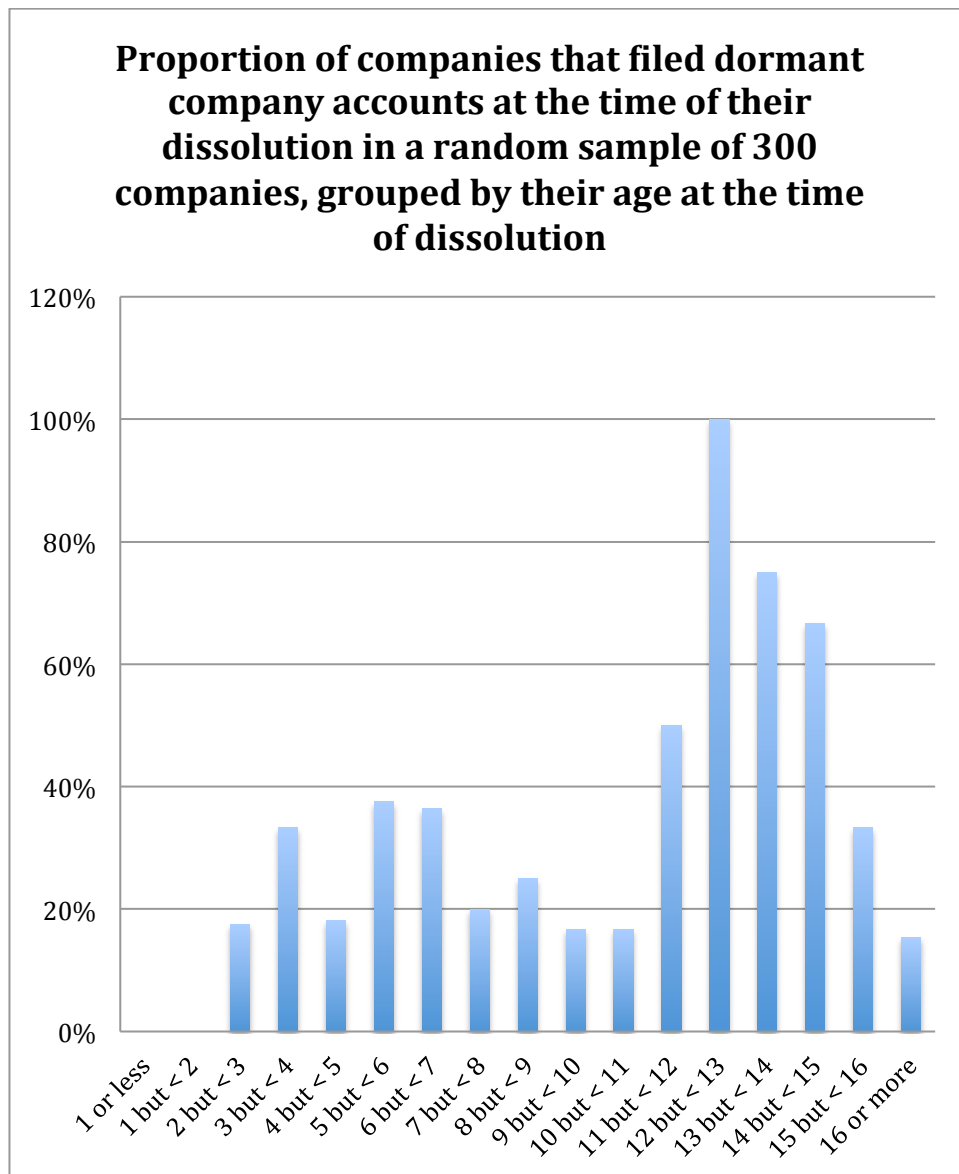
As is readily apparent, and as the one page of notes attached to the form also make clear, this is not an onerous task. It is simply a case of filling in the blanks and making sure that the net assets equal the shareholder's funds, following which filing can take place^{xxiii}. There is no other set of accounts that can meet regulatory requirements and yet be so easily completed,

and with absolutely no check whatsoever being in operation that the information filed bears any relationship at all with the actual position of the company.

Fifty-five of the companies that were struck off the Register in the sample of three hundred tested for the purpose of this report had filed dormant company accounts before being struck off (fifty of these using the above form, five that were dormant did file accounts saying that instead). This data was distributed in age terms as follows:



As a proportion of companies struck off in each period these companies were as follows:

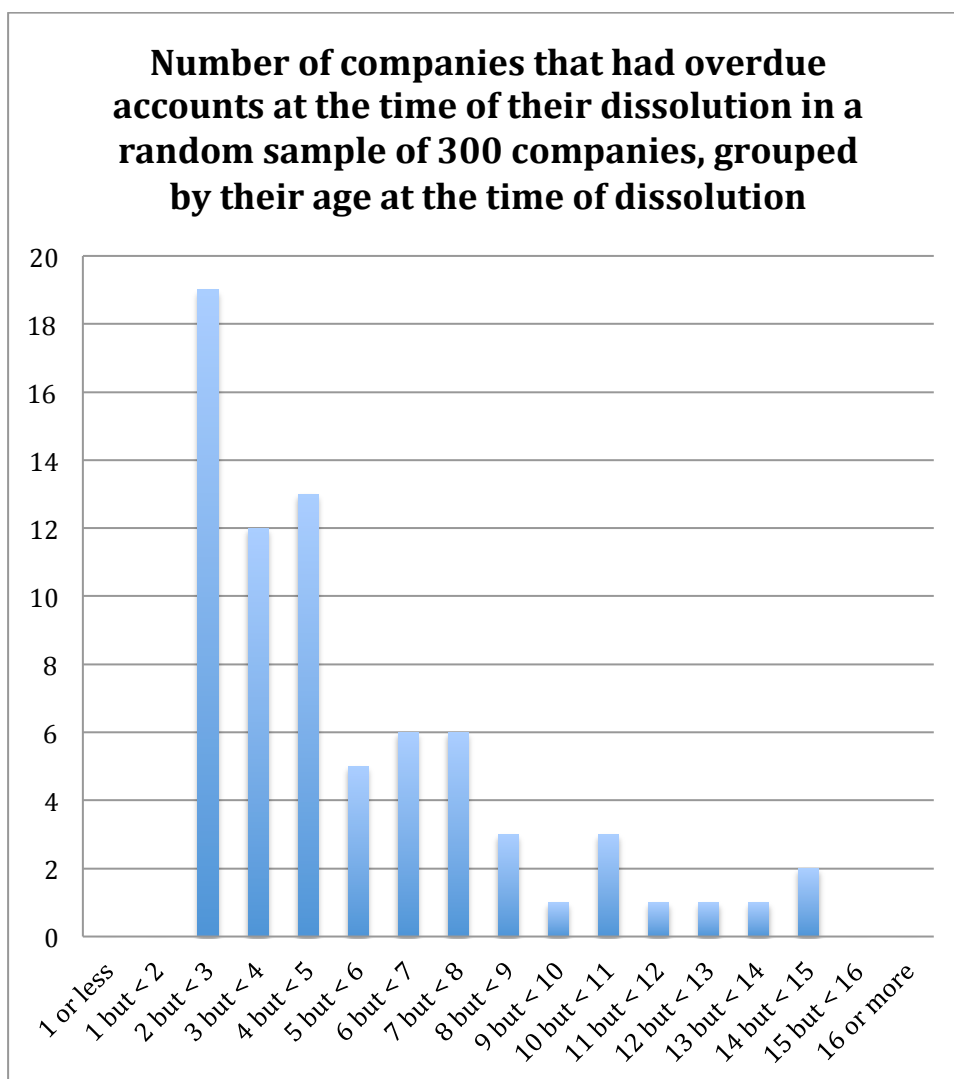


The implication is clear: the older a company is the more likely it appears to be that a period of dormancy precedes the striking off of the company. Curiously dormant company accounts were not filed by any of companies struck off before reaching their second anniversary, but were a significant factor in companies of ages between three and seven years.

7) The number of companies with overdue accounts at the time of their striking off

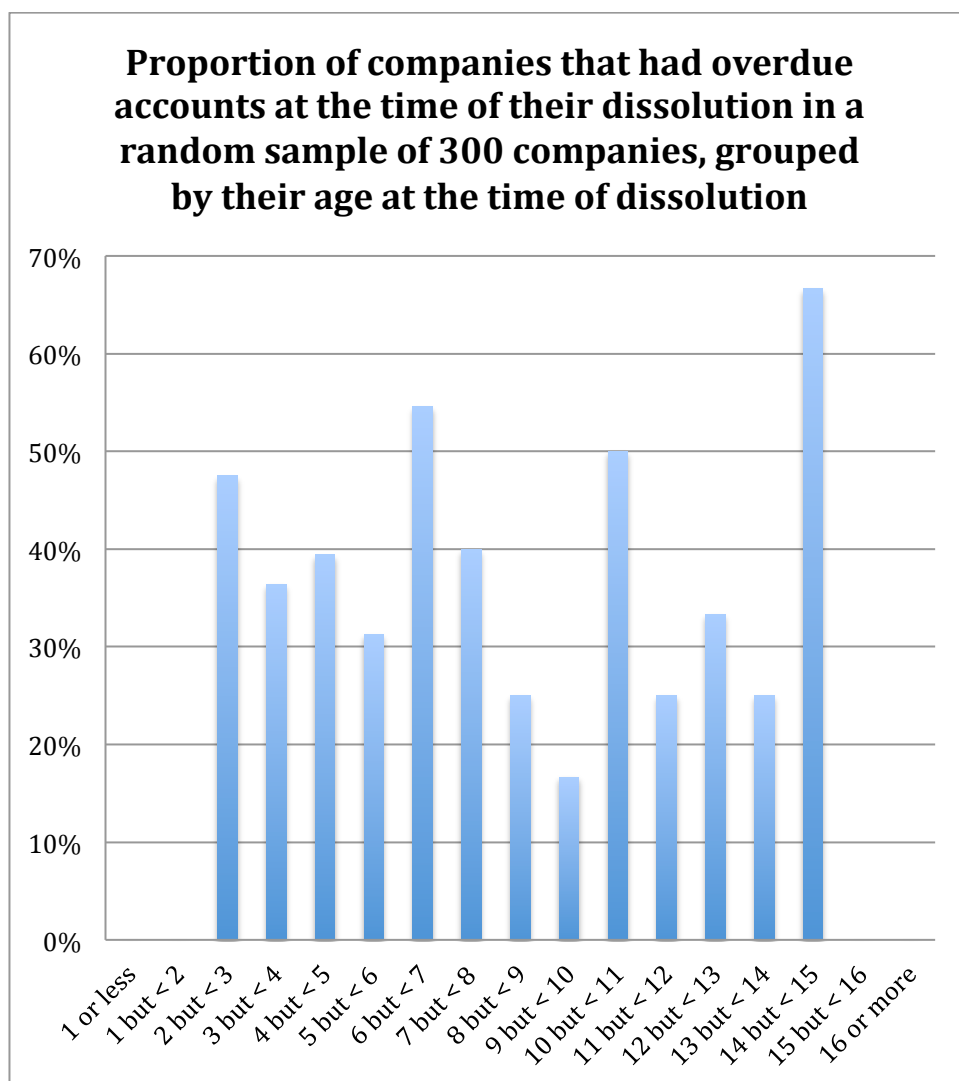
In the period being considered companies had nine months to file their accounts after their year-end to meet the reporting obligations laid down by the Companies Acts. This time period had relatively recently been shortened from ten months.

The number of companies that had failed to meet this obligation before being struck off was as follows:



Data is not shown for companies struck off when less than two years old. Many had not existed for twenty-one months when struck off. Those that had were also subject to the slightly arbitrary rules on allocating a first accounting data and this data was therefore thought misleading. Ninety-six companies were not considered as a result, and since only two of them had filed accounts the issues they give rise to are considered separately above anyway.

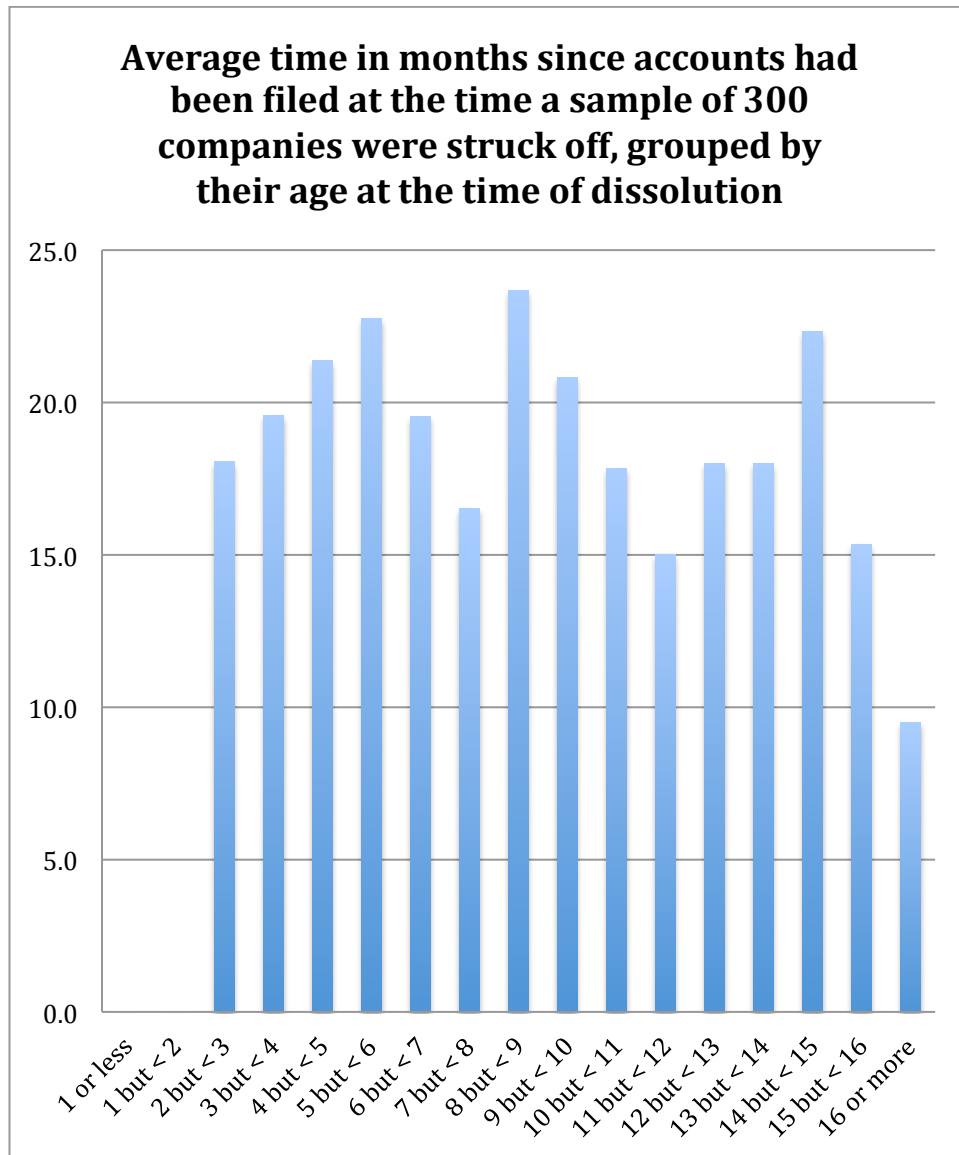
Of the remaining 204 companies some seventy-three were overdue to file accounts at the time of striking off. This sample when aged from the time of their incorporation was, as a proportion of total companies struck off of similar age within the population sample as follows:



Although in absolute numbers the problem is largest amongst young companies as a proportion of companies struck off the problem seems consistent and commonplace across the sample population.

8) Average time elapsed since accounts had been filed at the time of striking off of a company

Given that the maximum legal time period that should elapse since the end of an accounting period and the filing of accounts for that period should be nine months then the maximum period for which accounts should not be legally available at the time of a striking off application being made is twenty one months (the allowed period of nine months plus the twelve months of the accounting period itself) and the average should, very obviously, be considerably lower. The time elapsed since the end of the last accounting period for which accounts were filed for the sample of three hundred companies surveyed has been calculated and is, when sorted by the age of the company at the time of dissolution as follow:



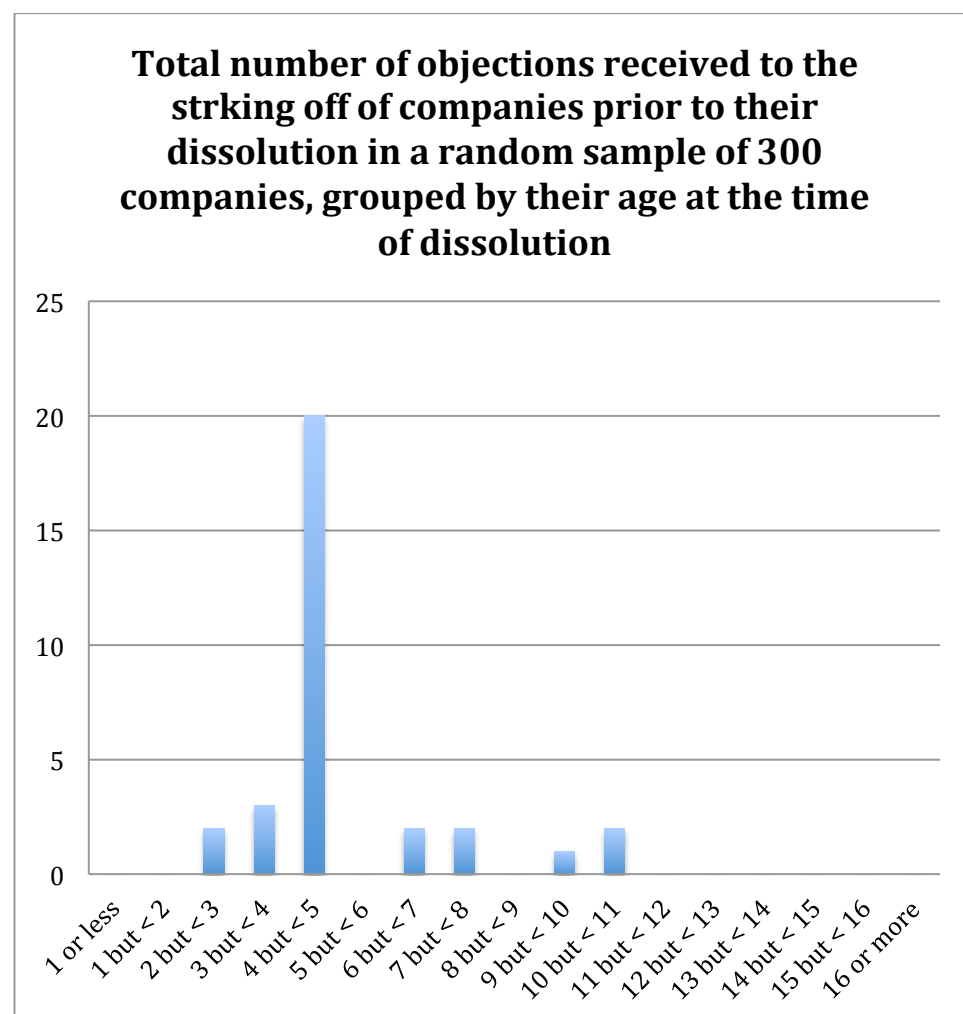
Data has not been calculated for companies struck off during their first two years of existence as many would not have reached the time when accounts were due at the time of their striking off.

What is apparent is that most strikings off occur when a full accounting period has elapsed since accounts were last filed and in many cases striking off occurs after a considerable time period has elapsed since any data on the trading activities of the company has been made available on public record. If striking off occurred randomly then the time period since the end of the last accounting period should be, assuming legal compliance by the companies in question, be less than ten months on average. This is only true in one case and a considerably longer time delay is common in almost all cases, suggesting a non-random and potentially deliberate pattern of behaviour, implying striking off occurs when accounts are due, or in place of filing accounts.

9) The number of objections received to companies being struck from the Register of Companies

The process of striking a company from the Register of Companies involves the publication of notices that this action is planned. The publication is, admittedly in the decidedly obscure official government journal called The London Gazette^{xxiv}, the existence of which is almost certainly unknown to the vast majority of the UK population but to whom however, it is legally assumed that notice has been given if an entry is included in that official newspaper. Anyone may object to accompany being struck from the Register so long as they have reasons to give. This reason will, in many circumstances be their belief that they are owed money by the company that is to be struck off. Unfortunately the identity of those raising objection to a striking off is not recorded at Companies House, although the fact that an objection has been made is.

The total number of objections raised to the strike off of companies included in the survey sample of 300 companies struck off in September 2010 sorted by age of the company at the time it was eventually struck off was as follows:



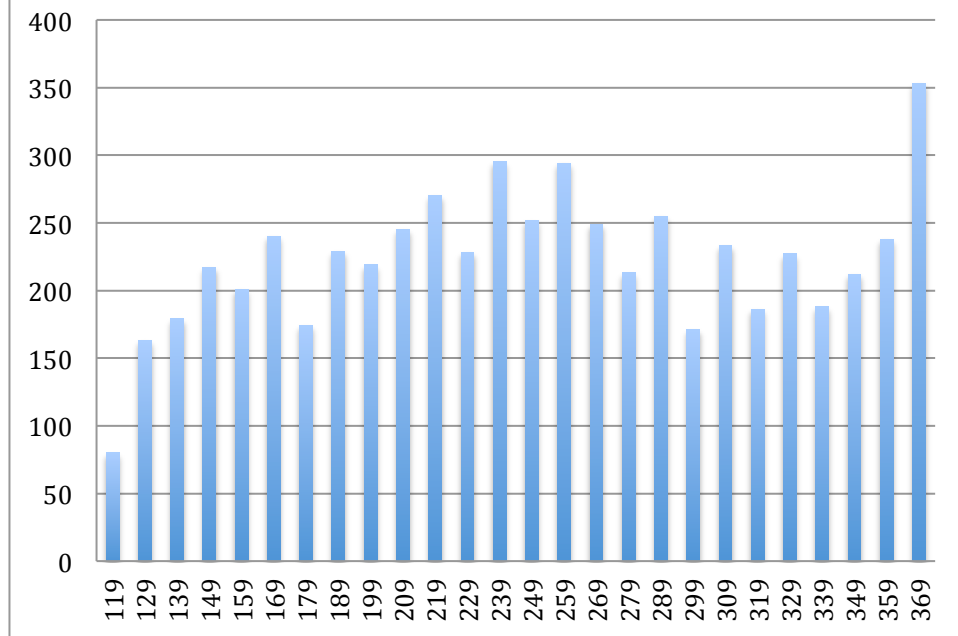
It is notable that no objections at all were raised to the striking off of companies that were less than two years old even though this was by far the most prevalent group of companies struck off in total. The absolute number of objections raised, at just thirty-two in all, is also notable. Several of these objections were also multiple objections to the striking off of one company, which did as a result require several attempts to remove it from the Register of Companies. As is noted from further analysis, below, it is believed that most of the objections raised to the striking off of companies are submitted by H M Revenue & Customs. This might explain why no objections were made to companies less than two years old being struck off. Since only two of these had ever prepared accounts it was highly unlikely that the Revenue had grounds for objecting since they would in that case be unaware of the existence of any liabilities owing to them.

10) Companies struck off after less than a year in existence having never filed accounts

The particular issue of companies struck from the Register of Companies that had been in existence for less than one year at the time of striking off was examined using a data set of such companies covering all those apparently struck off in this situation over a period of approximately fifteen months ending in November 2010. A total of 5,811 companies featured in this data set. Because almost no information of any sort, bar those documents required to originally incorporate the company, had been filed by any of these companies as none is due in the first year after incorporation the issue of real significance was the length of time elapsed between incorporation and the striking off of these companies.

This frequency, split into bands of ten days, was as follows:

The number of companies struck off when less than one year old between Aug 2009 and Nov 2010 plotted by age in days at time of striking off



No company was struck off in less than 110 days. This is not surprising. As the Registrar of Companies explains on their web site^{xxv}:

Striking-off is only applicable to a company if, in the past three months, it has not:

- *traded or otherwise carried on business;*
- *changed its name;*
- *disposed for value of property or rights that, immediately before ceasing to be in business or trade, it held for disposal or gain in the normal course of that business or trade; or*
- *engaged in any other activity except one necessary or expedient for making a striking-off application, settling the company's affairs or meeting a statutory requirement. A company can, however, apply if it has settled trading or business debts in the previous three months.*

It is, as a consequence, impossible for application for striking off to be made until a company has existed for at least ninety days. It would appear that some must make the application to be struck off as soon as that time limit has been reached.

What is also notable is that not all companies struck off less than a year after the date of their incorporation are struck off voluntarily, although it would seem that the great majority are. Several of the companies struck off in this situation in the sample of 300 companies surveyed were struck at the behest of the Registrar. The reasoning for such action is never

possible to ascertain with certainty, but it appears that in each case the Registrar took action because almost immediately after incorporation the company was left with no directors, presumably as a result of the resignation of the person acting as nominee for the formation agents who created the company and subsequent failure by the acquirer of the company to deliver notice of a new appointee. This would appear a reasonable basis for action on the Registrar's part.

There is, however as a consequence, the clear capacity for companies formed in the UK to operate for a limited period and to be struck off the Registrar of Companies without the company in question ever having passed any deadline for the filing of accounts with either the Registrar of Companies or H M Revenue & Customs and as such never actually having to file any information with anyone on what the company has ever done.

Data taken from Companies Houses own published data illustrates its own approach to law enforcement on these issues, as the next set of conclusions reveal:

11) Companies House prosecution rates

In the light of the very obvious failures catalogued above, in particular by companies failing to file documents required of them by law, it is interesting to note the reaction of Companies House both with regard to its acknowledgement of this issue and in its law enforcement activities.

Companies House produces statistics on the rate of compliance of companies with the requirements to file accounts and annual returns on time. Those for 2009 – 10 were as follows^{xxvi}:

	Thousands
Effective Register	2,347
Annual accounts up to date	2,275
Percentage annual accounts up to date	96.90%
Annual return up to date	2,303
Percentage annual returns up to date	98.10%

The impression clearly given is that the rate of compliance with legal requirements by UK companies is very high.

Unfortunately, the impression given is very misleading. The data for compliance is compared with the 'effective register' of companies. This is not the real number of companies on the register. In March 2010 Companies House calculated the 'effective' register as follows:

	2009-10
	Thousands
On register at start of period	2,722.7

New companies incorporated	362.3
Dissolved	508.5
Restored	4.2
On register at end of period	2,589.9
Of which in liquidation	74.1
Of which in course of removal	191.4
Effective number on register at end of period	2,324.4

Discrepancies with the total noted above are in the original data, all published in the same source material.

It will be noted that to come to their compliance ratios Companies House eliminate from consideration all companies in the course of being dissolved and yet the majority of those companies being dissolved are in that process at their behest because of their non-compliance with the requirement to file either an annual return or accounts. Given that the figure for companies in the course of removal is also, of course, a snap shot at a point in time and not an annual figure, the actual rate of non-compliance is much higher than would be calculated by simply comparing those compliant with those on the Register at the year end date: most of those dissolved in the year would also be non-compliant. In that case the published rate of compliance prepared by Companies House is seriously misleading at best. It might more accurately be described as straightforwardly wrong.

In the light of the actual rate of failure to comply, which is closely related to the number of companies dissolved based on evidence in this report meaning it is reasonable to assume real ratios exceed 15% non-compliance, and may be higher, the reaction by Companies House in taking steps to enforce the law is interesting. The data they provide on law enforcement activity is provided in their summary of activity for the year to March 2010, which provides details of prosecutions for the late filing of accounts, summarised as follows^{xxvii}:

Companies House prosecutions	2005-06	2006-07	2007-08	2008-09	2009-10
Prosecutions - failure to deliver accounts, England	7507	6583	5724	3550	4607
Prosecutions - failure to deliver accounts, Scotland	503	643	522	3	0
Total prosecutions	8010	7226	6246	3553	4607
Total successful prosecutions	4149	3970	2555	1870	2322
Percentage successful prosecutions	51.8%	54.9%	40.9%	52.6%	50.4%

A number of issues need highlighting.

First, prosecutions apparently usually fail because accounts and / or annual returns are filed when a prosecution commences. This is perverse: this does not mean the accounts were not filed late; it actually confirms guilt and yet this is apparently accepted as reasons to abandon

a prosecution even though the parties being prosecuted are by definition at that point of time guilty.

Second, the steady decline in prosecutions despite the steady growth in the number of companies and the number being struck from the Register is apparent. It is obvious that Companies House is dedicating steadily fewer resources to upholding the law.

Thirdly, as is apparent, all attempts to uphold the law in Scotland has now been abandoned with no prosecutions at all in the year to March 2010 and none effectively for two years to that date. People not filing accounts can now do so with complete impunity in Scotland knowing there is no risk of penalty arising.

Finally, it is apparent that rather than enforce the law or even admit there is a problem with the law Companies House would simply prefer to strike off companies failing to undertake their legal obligations – whatever the third party consequence of doing so, including the loss of tax revenue and the failure of company and tax law that this implies.

12) The perverse incentive not to file accounts with the Registrar of Companies

There is a perverse incentive to not file accounts with the Registrar of Companies once they are late. As Companies House note since 2009 the penalties for the late filing of accounts are as follows^{xxviii}:

<i>How late are the accounts delivered?</i>	<i>Penalty – Private Company</i>	<i>Penalty - PLC</i>
<i>Not more than one month</i>	<i>£ 150</i>	<i>£750</i>
<i>More than one month but not more than three months</i>	<i>£375</i>	<i>£1500</i>
<i>More than three months but not more than six months</i>	<i>£750</i>	<i>£3000</i>
<i>More than six months</i>	<i>£1500</i>	<i>£7500</i>

In addition where there was also a failure to comply with filing requirements in relation to the previous financial year then the penalty will be double that shown in this table.

These penalties look significant. But there is a perverse problem with the process. The penalty is only triggered when the accounts are actually delivered. This means that once a company is late in filing its accounts there is a strong incentive not to file at all.

The failure to file accounts appears one of the easiest penalties to determine liability for. The simple failure to submit accounts should trigger liability. Since the due date for filing is readily identifiable the issue of a penalty notice the day after the obligation has not been met seems to be one of the easiest possible penalty notices to deliver and yet this does not happen. The notice seems only to be issued when the accounts are filed. The penalty is therefore, in essence, voluntary and the incentive to not file is high once an accumulated penalty has arisen. The result, no doubt, is that companies opt to strike off their companies instead of filing, as evidence in this report suggests happens.

Next, data on corporation tax return compliance, secured from parliamentary questions asked by Caroline Lucas MP, provides further illustration of the problems arising with non-compliance with both company and taxation law on filing relevant reports and returns required by that law:

13) The proportion of companies asked to submit a corporation tax return

Data requested through parliamentary questions on the operation of the corporation tax system was only requested for three years, being the years 2007/08, 2008/09 and 2009/10 (ending on 31 March in each of the years in question). The data in question has been particularly focused on determining the scale of requests made by H M Revenue & Customs for corporation tax returns and the extent to which their requests are met.

Initial data is as follows, based on information supplied to Caroline Lucas MP^{xxix}, matched with data from Companies House on the number of companies registered at the start of the periods in question:

Tax year	Number of companies sent a corporation tax return	Number of companies on register	Number of companies apparently not sent a corporation tax return	Proportion from whom tax returns requested
2007-08	1,925,000	2,686,500	761,500	71.7%
2008-09	1,961,000	2,722,700	761,700	72.0%
2009-10	1,796,000	2,589,900	793,900	69.3%

A slightly declining proportion of companies were sent corporation tax returns each year. Almost thirty per cent of all companies in existence were not required to file a corporation tax return each year, even to confirm that they were not trading.

14) The number of companies actually submitting the tax returns requested of them each year

About seventy percent of all companies were asked to submit a tax return each year: unfortunately a great many of those asked fail to do so. The data is as follows:

Tax year	Number submitting a return on time	Number submitting a return after the close of the time limit for doing so	Total returns submitted by November 2010	Proportion of returns submitted on time	Total proportion submitting a return	Proportion of companies on the Register submitting a return
2007-08	1,390,000	184,000	1,574,000	72.2%	81.8%	58.6%
2008-09	1,402,000	98,000	1,500,000	71.5%	76.5%	55.1%
2009-10	1,162,000	21,000	1,183,000	64.7%	65.9%	45.7%

The proportion of companies submitting a return is calculated with reference to the total number of returns requested, as shown in the previous table. The proportion of companies on the register submitting a return is calculated with reference to the total number of companies on the Register in the period, again as shown in the previous table.

Two trends are very obvious. Firstly, the proportion of companies submitting returns on time is falling sharply. Secondly, the absolute proportion of companies that have submitted returns has fallen significantly over this period. It is, of course, possible that this data, accurate to about November 2010, will improve with the passage of time as more late returns are submitted, but it is still clear that more than fifty per cent of the companies required to submit corporation tax returns during the tax year 2009/10 had not done so almost nine months after the end of that year. The rate of corporation tax compliance must, as a result, be very low.

15) Action taken by H M Revenue & Customs to prevent tax abuse by companies being struck off

According to parliamentary answers provided to Caroline Lucas MP the number of objections raised by H M Revenue & Customs to companies that it was proposed be struck from the Register in the three years being surveyed in this part of the report were as follows:

Year	Number of objections raised to striking off of companies in England and Wales by HMRC in the year	Number of companies struck off in the year (England and Wales)	Approximate ratio of objections raised
2007-08	14,587	223,200	6.5%
2008-09	50,917	288,900	17.6%
2009-10	56,126	489,000	11.5%

The rate of objections appears low.

It is worse when compared to data supplied, apparently from Companies House sources, to Kate Green MP a little earlier in the parliamentary year which suggested that the number of companies where objections to striking off were received from Her Majesty's

Revenue and Customs was as follows in 2009-10 alone (the data was not supplied for any other year):

Jurisdiction	Voluntary dissolution- instigated by the company	Compulsory dissolution- instigated by the Registrar	Total
Scotland	1,934	2,796	4,730
England and Wales	8,882	13,870	22,752
Northern Ireland	85	19	104
Total	10,901	16,685	27,586

It would seem that 51% of H M Revenue & Customs' objections in the year must have got lost in the post to Companies House or related to multiple objections to particular instances of striking off.

On the basis of the Companies House data the rate of objections raised is of course much lower than suggested by H M Revenue & Customs data, and that has to be a concern for two reasons. First it suggests it possible fewer objections are being raised than H M Revenue & Customs suggest. Second, the disparity in recording suggests significant problems in handling the system of objections. Whichever is right H M Revenue & Customs clearly make no attempt to recover information from the vast majority of companies struck off the Register.

16) H M Revenue & Customs don't just exclude dormant companies from their requests for tax returns

If H M Revenue & Customs only excluded those companies that claim to be dormant from their requests for tax returns there may be some logic to their process. The reality is that this is not the case, as the following data shows:

As at 1 April each year	The number of companies at the beginning of each tax year for which HM Revenue and Customs had not issued a notice to deliver a return of corporation tax	Number of companies on the Register	Proportion for which a tax return not requested	Ratio of dormant company accounts filed in that year (Data from the Registrar of Companies)
2007	589,923	2,546,200	23.2%	18.6%
2008	658,126	2,686,500	24.5%	18.9%
2009	838,370	2,722,700	30.8%	18.5%

The ratio of companies from whom a tax return is not requested far exceeds the number of registered dormant companies according to the records of Companies House. The risk that

trading companies do not have tax returns requested of them does, therefore, appear to be high.

One reason why the Revenue may think that there are more dormant companies than the Registrar of Companies does is that H M Revenue & Customs do make their own enquiries of new companies, on what is called form CT41G. One of these is sent to every new company, asking of it information about what the company is doing, when it commenced trading (if at all) and if it employs people (including its own directors), amongst other details. Information requested by Carline Lucas MP revealed the following number of forms CT41G were issued in the following tax years:

	Number of forms CT41 G sent by HM Revenue and Customs in the year	Number of companies incorporated in year	Difference
2007-08	436,179	372,400	63,779
2008-09	333,224	330,100	3,124
2009-10	345,137	362,300	-17,163

There can be disparity between the number of companies incorporated and forms being issued because there is always a time delay before form CT41G is issued.

Unfortunately, the parliamentary answer confirmed that H M Revenue & Customs kept no record of the number of forms CT41G completed. This most complete enquiry made of all new limited companies is as a result not a control mechanism at all, a fact confirmed by the fact that another parliamentary answer confirmed that “HM Revenue and Customs does not conduct investigations into CT41Gs ... forms as such. Checks are made, on the basis of risk, to provide assurance that companies that have not been required to deliver a return are not chargeable to corporation tax.”

Given that no record of these investigations is maintained, and given that there appears to be no evidence of H M Revenue & Customs raising any objection to companies that had yet to reach their second anniversary of existence since incorporation being struck off in the sample data noted above it seems highly unlikely that any serious attention is given to this issue. If a company sent form CT41G ignores the request made of it, as it seems able to do with impunity, then the opportunity to avoid (or evade) all obligations to report income to H M Revenue & Customs seems to exist with almost no risk of penalty occurring.

17) H M Revenue & Customs and the management of late returns

It is apparent from parliamentary answers that it is not just Companies House that has problems with the late filing of returns by those obliged to submit them. H M Revenue & Customs also has this problem, as revealed in a parliamentary answer on penalties raised for the late submission of corporation tax returns to Caroline Lucas MP, which data is, when combined with other data noted here, or calculated by deduction from the information supplied to Carline Lucas, as follows:

	Corporation tax penalties for late filing charged in year	Amount discharged on appeal	Net due	Outstanding unpaid at end of year	Amount paid estimated	Proportion of penalties waived
	£m	£m	£m	£m		
2006-07	191.1	91.4	99.7	237.3	n/a	47.8%
2007-08	232.2	51.6	180.6	338.7	79.2	22.2%
2008-09	207.7	198.7	9.0	248.5	99.2	95.7%
2009-10	327.6	225.9	101.7	228.1	122.1	69.0%

The rate of discharge (or more likely, waiver) in 2008-09 is clearly exceptional, and appears to relate to balances brought forward from the previous year, where the rate of waiver was low. However, overall 59.2% of all penalties were waived on appeal. In addition, it seems very likely that a considerable proportion of the remaining penalties are simply not paid, as there was more than two years debt outstanding in respect of unpaid penalties at the end of the period.

The rate of discharge might also suggest considerable rates of official error in issuing corporation tax returns. But if that is true then the implication is that the number of returns sent out correctly is a much smaller proportion of those really required to be submitted than the already low rates in proportion to the total number of companies in existence, noted above, implies. That would then be more worrying still.

In addition the rate of cash recovery of the penalties actually imposed suggests that this system is largely ineffective in imposing penalties on those who owe them. The corporation tax return system appears to be out of any effective control as a result. This is almost certainly because of the lack of resources dedicated to it.

18) Setting the tax data in context

Data noted above from H M Revenue & Customs needs to be set in context. To do this data published by H M Revenue & Customs on its own web site has been used, and especially table 11.3 of that data^{xxx}.

Based on the information that provides on the number of companies having taxable income, taxable profits and the rates at which they pay tax the following data has been extracted (with the data on tax paid by small companies being calculated using disclosed taxable profit at prevailing tax rates assuming no double tax relief on the basis that this is almost certainly attributable in the main to large companies, an assumption supported by a recent report from the Oxford Centre for Business Taxation^{xxxi}):

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
	Thousands (unless noted)							

Number of companies reporting trading income	558	593	705	818	859	915	974	984
Number of companies reporting taxable profits	526	578	713	829	874	883	922	915
Total number of companies	1658	1804	2017	2160	2323	2546	2687	2723
Proportion paying tax	31.7%	32.0%	35.4%	38.4%	37.6%	34.7%	34.3%	33.6%
Total chargeable profits (£'bil)	134.4	122.9	164.8	173	208.2	221.8	219.2	220.8
Profits per company, average (£)	240,860	207,251	233,759	211,491	242,375	242,404	225,051	224,390
Tax paid (£'bil)	28.4	27.8	29.9	35.2	42.8	43	45.9	44.4
Tax paid per company, average (£)	50,896	46,880	42,411	43,032	49,825	46,995	47,125	45,122
Average tax rate	21.1%	22.6%	18.1%	20.3%	20.6%	19.4%	20.9%	20.1%
Tax bill small companies (£'bil)	3.8	4.1	4.5	5.7	6.9	7.7	9.1	8.7
Number of small companies	471	518.3	646.8	756.2	795.2	796.3	835.1	830.4
Tax paid per small company, average (£)	8,158	7,989	6,988	7,553	8,688	9,649	10,930	10,492
Average tax rate, small companies	18.0%	16.8%	16.7%	16.7%	17.1%	19%	20%	21%
Proportion of companies that are small	89.5%	89.7%	90.7%	91.2%	91.0%	90.2%	90.6%	90.8%
Proportion of tax paid by small companies	13.5%	14.9%	15.1%	16.2%	16.1%	17.9%	19.9%	19.6%

Some surprising statistics emerge:

- The proportion of companies paying corporation tax has been declining since 2004-05 having been temporarily boosted by the incentive to incorporate offered from 2002/03;
- Only one third of companies pay corporation tax;
- Whilst total corporation tax paid increased significantly over the period this is largely explained by the expansion in the corporate tax base, and not by increasing profits;
- The average tax bill of a company fell over the period when distortions as a result of the low starting rate in 2002 to 2006 are removed from consideration;
- The average tax bill of a small company is rising at the same time that the proportion paying corporation tax is falling;
- The average tax rate of small companies is increasing but that of companies over all (after offset of double tax reliefs) is at best stable or falling slightly;
- The proportion of corporate taxes paid by small companies has risen significantly over the period, emphasizing their growing importance in the corporate tax take.

19) The tax loss resulting from the failure to administer companies

The UK 'shadow' economy has been estimated to exceed 13% of our GDP^{xxxii}. The existence of many hundreds of thousands of unregulated companies, almost none of them subject to any third party checking since the audit requirement was abolished for almost all of them by

2004, means that the plausibility of the resulting estimated tax loss – amounting to some £70 billion a year^{xxxiii}, is enhanced.

Of course not all this loss relates to companies struck from the Register of Companies each year, but if only 45% of all UK based companies might now actually declare their tax liabilities each year and the risk of penalty for not filing accounts or tax returns, let alone not paying tax, is extraordinarily low due to the ‘blind-eye’ approach to regulation adopted by both H M Revenue & Customs and BIS then the chance of considerable loss of tax arising as a result of fraudulent trading by companies is high.

The average corporation tax owed by the average small company that pays tax in the UK amounts to more than £10,000 a year, as this report shows. VAT, PAYE and other taxes due on activity undertaken to generate that profit would be several times that sum in all likelihood. As PricewaterhouseCoopers noted in March 2011^{xxxiv}:

Corporation tax is still the largest tax borne by these companies but the survey results show that for the year to 31 March 2010, for every pound paid in corporation tax, Hundred Group members paid £1.97 in other taxes borne and £6.79 in taxes collected.

There is no doubt at all that these ratios are lower for small companies: a ratio of one to almost nine with regard to corporation tax due to total tax liabilities settled is obviously unlikely for small businesses as some will not be VAT registered and the employment ratios of such entities is bound to be smaller than for larger companies. But profits do not arise without labour being expended in the vast majority of cases and VAT being due in many more. If corporation tax is not being paid it is highly likely that settlement of these obligations is also not occurring. A ratio of one to three, corporation tax to other taxes owing does seem conservative in that case given that corporation tax is due at relatively low rates after other costs have been settled for most small businesses. In that case it seems fair to assume that total taxes lost for each company trading fraudulently might amount to £30,000 a year on average.

The number of companies where non-payment arises is, of course, open to speculation. A benchmark might be set by speculation on this issue in a report by the Oxford Centre for Business Taxation published in March 2011 that said^{xxxv}:

Strikingly, the number of companies which have either positive taxable income or tax liabilities is significantly less than half of the registered businesses. While we can attribute about 20 percent of the difference to dormant companies, there remains a big gap between the number of registered companies and the number of companies with taxable profits. The number of companies with positive taxable income increased from around 450,000 in 1998/99 to over 920,000 in 2007/08, before falling back slightly in 2008/09. This trend is roughly in line with the doubling of companies on the register.

That report did not seek to speculate on what the non-dormant but non-reporting companies did. This report does what Oxford University did not wish to do, and suggests that, as they do, it be accepted that there are probably as many dormant companies as claim that status by filing dormant company accounts. This ratio, as they note, has remained remarkably consistent at around 19% of the Register over a reasonable period of time, lending credibility to the ratio. That does, however, suggest the following data in the year ending in March 2010 (data sources for the number of companies and tax returns submitted already being noted in this report):

	2009-10
	Thousands
Number of companies on Register at start of period	2,723
New companies incorporated	362
Dissolved	509
Restored	4
On register at end of period	2,590
Less 19% dormant companies, not trading and so with no tax bill	492
Net non-dormant potential trading companies	2,098
Less, allowance for new company that might never trade and which might never declare that fact (estimate, 50% of all incorporations)	181
Net likely trading companies	1,917
Number submitting a tax return for 2009 - 10	1,183
Number of likely trading companies not submitting a corporation tax return	734
Of which the likely proportion owing tax is 73%	536

This calculation needs some explanation. The ratio of dormant companies is as noted above.

It seems entirely reasonable to assume that a special case should be made for new companies incorporated which will be struck off before ever recording that they are dormant, but which are struck off for that very reason. An allowance for fifty per cent of all new incorporations falling into this category has been made in the above estimate of the likely number of trading companies – i.e. it is assumed that half of all new companies formed are never used by their new owners for the economic activity that they intended for them and as a result never trade. This effectively inflates the ratio of dormant companies to allow for the fact that these entities never get as far as recording the fact that they have this status because they are struck off before ever having the chance to do so.

This still leaves a potential 1.9 million trading companies on the Register of which in the year ended March 2010 just under 1.2 million had filed tax returns. Of those that filed tax returns the Revenue reports that about 915,000 paid tax (a slightly different rounding of data from that noted by Oxford, above, but immaterial in this case). This is a ratio of about 73% paying

tax. This has to be allowed for in estimating tax lost and it is assumed that none of these companies would have any tax liability in the estimates that follow – although not having a corporation tax liability does not, of course, mean that liability for other taxes does not arise, so this assumption is generously cautious.

If for the reasons noted above £30,000 a year is not paid on average in tax by each company that ignores its regulatory obligations to file accounts or annual returns or a corporation tax return then the tax lost would be £16 billion a year – almost 23% of the estimated tax evaded in the UK each year.

It cost just £66 million^{xxxvi} to run Companies House in 2009-10 and about £4.4 billion to run H M Revenue & Customs in the same year^{xxxvii}. The losses in tax arising from failing to regulate companies might as a result exceed by a ratio of three to one the entire cost of running the departments meant to regulate their activities.

The consequences of regulatory failure for the UK economy are enormous, and one that the ordinary people of the UK are now bearing as a result of tax increases and service cuts when there should instead be many thousands of people employed by the government to crack down on abuse in the form of tax evasion through limited companies that the current ‘blind-eye’ approach of both H M Revenue & Customs and the Department for Business, Innovation and Skills permits.

In the name of ‘cutting the burdens on business’ successive governments have allowed an environment to develop in which fraud and criminality can thrive. It is time that an end was put to this abuse, in the interest of honest business and ordinary people.

Appendix 1

Sample of Companies struck from the UK Register – Methodology

The sample of 300 companies used for some of the analysis used in this report was extracted from the final Gazette notices for September 2010. The final Gazette notices are published weekly, on a Tuesday for the London Gazette and a Friday for the Edinburgh and Belfast Gazettes. The relevant issue numbers and page ranges for September 2010 were identified from the Gazette website. These were summarised and a population size was estimated. This was then tested at a fixed interval from a random starting point to select 300 entries for testing.

The information for each company checked was taken from the company details and company filing history pages of Companies House Webcheck service.

The company details page on the Companies House Webcheck site states if the accounts filed for a company are dormant, small company accounts etc. This description was considered reliable. Evidence of trading was assumed to arise from the submission of accounts not flagged as dormant on the company filing history. If dormant accounts or no accounts had been filed this was taken as evidence of a claim for not trading.

Where there was a suspension to the striking off process the relevant documents were downloaded from Companies House. These give no information except to say an objection has been received. Therefore there is no evidence from the Company Register as to whether an objection came from an official source.

Appendix 2

Parliamentary answers used to support this report

The following are the texts taken from official records of the parliamentary questions and answers used to support this research:

31 Jan 2011 : Column 577W

Corporation Tax

Caroline Lucas: To ask the Chancellor of the Exchequer what the monetary value was of corporation tax losses subject to group relief claims in (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32813]

Mr Gauke: The gross value of group and consortium relief claimed by UK companies (from UK companies) stood at £140 billion in 2007-08 and increased to £155 billion in 2008-09. Results are not yet available for 2009-10.

Group and loss relief policies remain broadly unchanged since the inception of the CT regime in 1965. Group and loss relief are important elements of the corporation tax regime which ensures that companies with similar profits over their life cycle but different patterns of profits and losses over the years, pay broadly the same amounts of tax overall and recognises the economic reality that grouped companies are part of a wider whole. This is balanced, however, with the need for a pragmatic approach to protect tax revenues.

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<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110131/text/110131w0004.htm#11013131001691>

Caroline Lucas: To ask the Chancellor of the Exchequer what estimate HM Revenue and Customs made of the number of companies liable for corporation tax in (a) 2007-08, (b) 2008-09 and (c) 2009-10; how many such companies were sent a corporation tax return for an accounting period ending in each of those years; how many submitted the

corporation tax return (i) within the required time limit and (ii) after the limit in each of those years; and how many were not sent a corporation tax return or a reminder to submit one in each of those years. [33953]

Mr Gauke: HM Revenue and Customs sends a notice to file a company tax return to every company which it believes to be active, so with any possibility of having a corporation tax liability.

A notice to file a return is for an accounting period of up to one year and is sent to a company in the month following the end of the period. The time limit for submitting the return is one year after the end of the period, but some returns are received after the time limit.

HM Revenue and Customs sent the following number of notices to file in respect of accounting periods ending in the following years:

	<i>Number</i>
2007-08	1,925,000
2008-09	1,961,000
2009-10	1,796,000

The figures include more than one notice for some companies, for example ones that are recently incorporated.

As regards returns filed: Complete data for accounting periods ending in 2009-10 are not yet available. This is because the time limit for accounting periods ending in March 2010 is not until March 2011, so some returns for that year are not yet due. Some late returns for earlier years are also still arriving, so figures for 2008-09 and even 2007-08 are also subject to minor change.

By the end of November 2010:

1,390,000 returns had been filed within the time limit for 2007-08 liabilities and 184,000 returns had been filed after the limit;

1,402,000 returns had been filed within the time limit for 2008-09 liabilities and 98,000 returns had been filed after the limit;

1,162,000 returns had been filed within the time limit for 2009-10 liabilities and 21,000 returns had been filed after the limit.

There is a significant balance of notices for each year which have not resulted in the delivery of a return. Where HMRC believes that a return is indeed outstanding, they make a determination of tax and pursue payment. The determination can be displaced only by delivery of a return. But in many more cases, information received since the issue of the notice has shown that no return is in fact required. Typically that will be the case where more accurate information about the true accounting periods of the company is received, or where HMRC learns that the company had gone into insolvent liquidation or ceased to trade.

If a company has not submitted its return two months before the filing date a reminder is sent. It is not possible to isolate the number of return reminders as a single output type is used for pure return reminders for payment reminders and for combined return and payment reminders.

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110125/text/110125w0003.htm#11012573001361>

Caroline Lucas: To ask the Chancellor of the Exchequer how much of the corporation tax losses declared in respect of the accounting period ending in

24 Jan 2011 : Column 113W

(a) 2007-08, (b) 2008-09 and (c) 2009-10 was carried back for offset against profits of previous periods; how much corporation tax was repaid as a result of such carry-backs of losses in each such year; and what the monetary value was of the tax losses carried forward for offset against future profits at the end of each such year. [32815]

Mr Gauke: Loss relief policy remains unchanged since the inception of the Corporation Tax regime in 1965.

From HMRC databases it is estimated that in 2007-08 just over £5.1 billion of allowable losses were carried back by UK companies. In 2008-09 the figure increased to just under £7.8 billion. These figures represent the gross value and not the tax impact of allowing carry-back of these losses. Complete data for 2009-10 are not yet available.

With regard to your question as to the value of tax repayments, the data provided by corporation tax returns it is very difficult to separately identify the total value of repayments made purely from carry back of losses; or the final value of losses made in-year that are carried forward across corporate groups. As such, these figures cannot be provided.

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110124/text/110124w0004.htm#11012432000355>

Caroline Lucas: To ask the Chancellor of the Exchequer what estimate he made of the revenue forgone by the Exchequer from (a) corporation tax, (b) income tax, (c) National Insurance contributions, (d) value added tax and (e) other taxes as a result of companies being struck from the Register of Companies in (i) 2007-08, (ii) 2008-09 and (iii) 2009-10. [32826]

24 Jan 2011 : Column 125W

Mr Gauke: HM Revenue and Customs does not retain the statistical data that would allow such estimates to be made.

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110124/text/110124w0005.htm#11012432000413>

Caroline Lucas: To ask the Chancellor of the Exchequer to how many notices of intention to strike a company from the Register of Companies HM Revenue and Customs raised an objection in each tax year since 2007-08. [32858]

Mr Gauke: HM Revenue and Customs objected to the following number of notices of intention to strike a company from the Register of Companies.

	<i>England and Wales</i>
2007-08	14,587
2008-09	50,917
2009-10	56,126

HM Revenue and Customs do not keep a central record in relation to the Register of Companies, Scotland and Northern Ireland.

Caroline Lucas: To ask the Chancellor of the Exchequer what the five reasons HM Revenue and Customs has most frequently given in objection to the striking off of a company from the Register of Companies since 2007-08; and if he will make a statement. [32862]

Mr Gauke: For reasons of taxpayer confidentiality, HM Revenue and Customs do not give Companies House a reason for objecting to the striking off of a company from the Register of Companies. HM Revenue and Customs write to the company explaining why an objection has been made. The precise reasons can vary from cases to case. The most common reasons are that the company owes money to HM Revenue and Customs, that an inquiry is being conducted into the company's tax affairs, or that a Corporation Tax return is outstanding.

10 Jan 2011 : Column 207W

Caroline Lucas: To ask the Chancellor of the Exchequer how many notices of intention to strike a company from the Register of Companies HM Revenue and Customs received in the tax year (a) 2007-8, (b) 2008-09 and (c) 2009-10. [32863]

Mr Gauke: HM Revenue and Customs received the following number of notices of intention to strike a company from the Register of Companies for England and Wales:

2007-08: 298,295

2008-09: 331,968

2009-10: 426,730.

HM Revenue and Customs does not keep a central record of the number of notices of intention to strike a company from Register of Companies for Scotland or Northern Ireland received for these years.

Caroline Lucas: To ask the Chancellor of the Exchequer in how many cases where HM Revenue and Customs raised objection to the striking off of a company by the Register of Companies was that objection acted upon in (a) 2007-8, (b) 2008-09 and (c) 2009-10; in how many such cases was additional tax revenue raised as a result in each such year; and how much additional revenue was raised in each such year. [32864]

Mr Gauke: HM Revenue and Customs keeps no central record of action taken by Companies House following an objection to the striking off of a company. Such objections might be made by several parties in relation to any proposal. HM Revenue and Customs keep no central record of the amount of tax protected as the result of objecting to the striking off of companies.

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110110/text/110110w0008.htm#11011127000270>

Caroline Lucas: To ask the Chancellor of the Exchequer how many companies which submitted form CT41G Dormant Company Insert in (a) 2007-08, (b) 2008-09 and (c) 2009-10 were granted dormant company status and were not asked to submit corporation tax returns; and how many other companies were granted exemption from filing corporation tax returns on the grounds that they claimed to be dormant companies in each such year. [32823]

10 Jan 2011 : Column 208W

Mr Gauke: The number of companies at the beginning of each tax year for which HM Revenue and Customs had not issued a notice to deliver a return of corporation tax is in the following table.

<i>As at 1 April each year</i>	<i>Number</i>
2007	589,923
2008	658,126
2009	838,370

This includes companies treated as inactive and newly incorporated companies that were not yet due to deliver a return.

Caroline Lucas: To ask the Chancellor of the Exchequer whether a standard period of exemption from filing corporation tax returns was granted to companies which claimed to be dormant in (a) 2007-08, (b) 2008-09 and (c) 2009-10; and if he will make a statement. [32824]

Mr Gauke: There is no exemption from filing a tax return for Corporation Tax. HM Revenue and Customs reviews companies treated as inactive on a risk basis, and in all cases reviews companies that it has recorded as being inactive every five years.

Caroline Lucas: To ask the Chancellor of the Exchequer how many inquiries into the suspected abuse of dormant company status for corporation tax purposes were undertaken in (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32825]

Mr Gauke: Where HM Revenue and Customs suspects that a company that was treated as inactive has come within the charge to Corporation Tax but has not informed the Department, a notice requiring a return to be delivered is sent. The Department does not keep a central record of how many notices requiring a return are sent in such cases.

Caroline Lucas: To ask the Chancellor of the Exchequer what the monetary value was of penalties charged in respect of late submission of corporation tax returns in respect of accounting periods ending in (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32814]

Mr Gauke: The information is held in relation to account years running from 1 November to 31 October. The amounts, rounded to the nearest £100,000, were as follows:

November 2006 to October 2007: £191,100,000

November 2007 to October 2008: £232,200,000

November 2008 to October 2009: £207,700,000

November 2009 to October 2010: £327,600,000.

The following amounts were discharged as allowed by law or on an appeal in each of the four years:

November 2008 to October 2007: £91,400,000

November 2007 to October 2008: £51,600,000

November 2008 to October 2009: £198,700,000

November 2009 to October 2010: £225,900,000.

The discharged amounts relate to penalties charged in the year or in an earlier year.

10 Jan 2011 : Column 209W

Caroline Lucas: To ask the Chancellor of the Exchequer in respect of how many (a) CT41G and (b) CT41G Dormant Company Insert forms submitted to HM Revenue and Customs in (i) 2007-08, (ii) 2008-09 and (iii) 2009-10 HM Revenue and Customs undertook an investigation. [32816]

Mr Gauke: HM Revenue and Customs does not conduct investigations into CT41Gs or CT41G Dormant Company Insert forms as such. Checks are made, on the basis of risk, to provide assurance that companies that have not been required to deliver a return are not chargeable to corporation tax.

Caroline Lucas: To ask the Chancellor of the Exchequer how many companies which submitted HM Revenue and Customs forms CT41G in (a) 2007-08, (b) 2008-09 and (c) 2009-10 also submitted form CT41G Dormant Company Insert in each such year. [32817]

Mr Gauke: HM Revenue and Customs does not record this information.

Caroline Lucas: To ask the Chancellor of the Exchequer how many CT41G forms HM Revenue and Customs (HMRC) sent to newly-formed companies in tax years (a) 2007-08, (b) 2008-09 and (c) 2009-10; and how many such completed forms HMRC received in each such year. [32818]

Mr Gauke: HM Revenue and Customs sent the following number of forms CT41G:

	<i>Number</i>
2007-08	436,179
2008-09	333,224
2009-10	345,137

The number completed and returned is not recorded.

Caroline Lucas: To ask the Chancellor of the Exchequer what the monetary value was of corporation tax penalties waived in respect of (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32819]

Mr Gauke: The information is held in relation to account years running from 1 November to 31 October. The amounts of penalties remitted, rounded to the nearest £100,000, were as follows:

November 2006 to October 2007: £35,000,000

November 2007 to October 2008: £42,300,000

November 2008 to October 2009: £89,600,000

November 2009 to October 2010: £88,000,000.

Amounts remitted are not formally waived and can be reinstated if new considerations come to light.

Caroline Lucas: To ask the Chancellor of the Exchequer what the monetary value was of penalties levied but unpaid in respect of late submission of corporation tax returns in (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32820]

Mr Gauke: Outstanding amounts charged and not discharged, remitted or paid, rounded to the nearest £100,000, were as follows:

10 Jan 2011 : Column 210W

31 October 2007: £237,300,000

31 October 2008: £338,700,000

31 October 2009: £248,500,000

31 October 2010: £228,100,000.

These unpaid amounts relate to penalties charged in the year or in an earlier year.

Caroline Lucas: To ask the Chancellor of the Exchequer what the average duration was of an exemption from filing corporation tax returns granted to a company which claimed to be dormant in (a) 2007-08, (b) 2008-09 and (c) 2009-10. [32822]

Mr Gauke: A company must deliver a return if it receives a notice from HM Revenue and Customs requiring it to do so. The Department issues notices to companies that it believes to be active, and thus within the charge to the tax because they are active. A company must inform the Department if it has become chargeable to corporation tax but has not received a notice requiring it to deliver a return. The period for which a company might not be active depends on the circumstances of the company.

HM Revenue and Customs could not provide information about the average duration for which it treats companies as inactive without disproportionate cost.

Caroline Lucas: To ask the Chancellor of the Exchequer how many corporation tax payers submitted a corporation tax return to HM Revenue and Customs in respect of an accounting period ending in (a) 2007-08, (b) 2008-09 and (c) 2009-10; how many of those declared profits giving rise to corporation tax liability in each such year; what the combined (i) monetary value of such profits and (ii) associated liability for corporation tax was in each such year; how many returns declared a loss in each year; what the combined monetary value of such losses was in each such year; and if he will make a statement. [32910]

Mr Gauke: No figures are available for (c) 2009-10 because corporation tax returns are submitted up to 12 months after the end of an accounting period.

Figures for the number of companies with chargeable profits and the amount of these profits along with the tax charge for the years 2007-08 and 2008-09 are given in table T11.3 on HMRC's website:

http://www.hmrc.gov.uk/stats/corporate_tax/11-3-corporation-tax.pdf

The number of companies submitting a tax return in (a) 2007-08 is estimated at 1.68 million and in (b) 2008-09 is estimated at 1.83 million.

The number of returns with gross trading losses in (a) 2007-08 is estimated at 330,000 with an amount of £82.8 billion and in (b) 2008-09 is estimated at 390,000 with an amount of £161.8 billion.

<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110110/text/110110w0008.htm#11011127000280>

Kate Green: To ask the Secretary of State for Business, Innovation and Skills how many companies were struck off the Register of Companies in (a) England, (b) Wales, (c) Scotland and (d) Northern Ireland in action instigated by (i) the company and (ii) the Registrar in 2009-10; how many such applications in each category did not proceed because objections were received; in respect of how many such applications in each category objections were received from HM Revenue and Customs; how many such applications in each category resulted in a striking off within six months of an objection being made regardless of that objection; how many companies struck off in each category (A) never filed accounts and (B) had accounts overdue for filing at the time the application was made; how many striking-off initiated by the Registrar in each category were in cases where accounts were overdue for filing at the time the Registrar commenced action to strike off; and how many months each company in each category struck off by the Registrar had been in existence since their incorporation. [7041]

Mr Davey: Companies House can provide figures for England and Wales, Scotland, and Northern Ireland but not for Wales alone, as it is not a separate jurisdiction from England.

The numbers of companies in each category struck off in 2009-10 were as follows:

<i>Jurisdiction</i>	<i>Voluntary dissolution-instigated by the company</i>	<i>Compulsory dissolution-instigated by the registrar</i>
Scotland	10,385	8,792
England and Wales	159,199	326,657
Northern Ireland	96	26

The numbers of companies in each category not struck off because objections were received were as follows:

<i>Jurisdiction</i>	<i>Voluntary dissolution-instigated by the company</i>	<i>Compulsory dissolution-instigated by the Registrar</i>
Scotland	1,962	2,976
England and Wales	9,358	17,943
Northern Ireland	91	22

The numbers of companies in each category where objections to striking off were received from Her Majesty's Revenue and Customs were as follows:

15 July 2010 : Column 879W

<i>Jurisdiction</i>	<i>Voluntary dissolution-instigated by the company</i>	<i>Compulsory dissolution-instigated by the Registrar</i>
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Scotland	1,934	2,796
England and Wales	8,882	13,870
Northern Ireland	85	19

The numbers of companies struck off following an objection were as follows:

<i>Jurisdiction</i>	<i>Voluntary dissolution-instigated by the company</i>	<i>Compulsory dissolution-instigated by the Registrar</i>
Scotland	2,935	1,452
England and Wales	15,827	24,101
Northern Ireland	9	1

The numbers above are higher than might be expected because the objection to the striking off may have been made in the previous year-2008-09.

The question as to how many companies were dissolved because no accounts were filed can be answered only in relation to compulsory dissolutions and are as follows:

<i>Jurisdiction</i>	<i>Compulsory dissolution-instigated by the registrar</i>
Scotland	7,147
England and Wales	135,636
Northern Ireland	8

The question as to how many companies were dissolved where accounts were overdue for filing can be answered only in relation to compulsory dissolutions and are as follows:

	<i>Compulsory dissolution-instigated by the registrar</i>	
<i>Jurisdiction</i>	<i>Number</i>	<i>Percentage</i>
Scotland	8,792	100
England and Wales	326,657	100
Northern Ireland	26	100

As the registrar only instigates striking off action against companies for failing to file their accounts the figures above will be the same as for the total number of companies struck off compulsorily (see first table).

The figures relating to how many months each company, in each category, struck off by the registrar had been in existence since its incorporation has been deposited in the Library due to the large volume (134 pages) of the information.

<http://www.theyworkforyou.com/wrans/?id=2010-07-15c.7041.h&s=kate+green+companies#g7041.q0>

Endnotes

- ⁱ <http://www.taxresearch.org.uk/Documents/PCSTaxGap.pdf>
- ⁱⁱ http://www.companieshouse.gov.uk/about/pdf/annrep2009_10.pdf
- ⁱⁱⁱ <http://www.hmrc.gov.uk/about/hmrc-accs-0910.pdf>
- ^{iv} This addresses situations and services such as those described here <http://www.ukincorp.co.uk/s-E5-online-anonymous-banking.html> accessed 4-3-11
- ^v <http://www.bbc.co.uk/news/uk-wales-south-west-wales-12647065>
- ^{vi} Collis, Jill and Jarvis, Robin, 2000, "How owner-managers use accounts", Kingston University, page x.
- ^{vii} It is obvious that the data noted above on the total number of companies still in existence based upon cumulative incorporation and dissolution information is inconsistent with the information shown in the following graph. The inconsistency is in the Companies House publications from which this data is taken, and not in the extraction from those publications undertaken for the purposes of preparing this report.
- ^{viii} Department for Trade and Industry, 1999, "The Statutory Audit Requirement For Smaller Companies, A Consultative Document"
- ^{ix} *ibid*
- ^x Institute of Chartered Accountants in England and Wales, 2006, "Audit-exempt companies - Beyond the threshold" an Issues paper
- ^{xi} http://uk.accaglobal.com/uk/members/technical/financial_reporting/legislation_standards/SI393
- ^{xii} See <http://www.companieshouse.gov.uk/toolsToHelp/productPriceListCompare.shtml>
- ^{xiii} See http://www.pcg.org.uk/cms/index.php?option=com_content&view=article&id=3919&Itemid=1094
- ^{xiv} <http://www.taxresearch.org.uk/Documents/SmallBusinessTaxation.pdf> page 10
- ^{xv} <https://www.theformationscompany.com/?gclid=CM-4uvzIsKcCFUEb4QodzDeNCO> on 2-3-11
- ^{xvi} <http://www.eduardomorgan.com/blog/wp-content/uploads/2010/12/Sharman-Fall-2010.pdf>
- ^{xvii} See for example here <http://www.completeformations.co.uk/index.html> accessed 3-3-11
- ^{xviii} This was verified by incorporating a company in this way during the course of this research
- ^{xix} See for example <http://www.completeformations.co.uk/company-registered-office.html> accessed 3-3-11
- ^{xx} See <http://www.theyworkforyou.com/wrans/?id=2010-07-15c.7041.h&s=kate+green+companies#g7041.q0>
- ^{xxi} See <http://www.companieshouse.gov.uk/about/pdf/gba10.pdf>
- ^{xxii} *ibid*
- ^{xxiii} <http://www.companieshouse.gov.uk/forms/generalForms/DCA.pdf>
- ^{xxiv} <http://www.london-gazette.co.uk/>
- ^{xxv} <http://www.companieshouse.gov.uk/infoAndGuide/faq/strikingOff.shtml>
- ^{xxvi} http://www.companieshouse.gov.uk/about/pdf/companiesRegActivities2009_2010.pdf
- ^{xxvii} http://www.companieshouse.gov.uk/about/pdf/companiesRegActivities2009_2010.pdf
- ^{xxviii} http://www.companieshouse.gov.uk/companiesAct/ca_lateFilingPenalties.shtml
- ^{xxix} Answers used are to be found at <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110110/text/110110w0008.htm#11011127000280> unless otherwise noted
- ^{xxx} http://www.hmrc.gov.uk/stats/corporate_tax/11-3-corporation-tax.pdf
- ^{xxxi} <http://www.sbs.ox.ac.uk/centres/tax/Documents/Corporate%20tax%20in%20the%20United%20Kingdom.pdf>
- ^{xxxii} <http://www.taxresearch.org.uk/Documents/PCSTaxGap.pdf>
- ^{xxxiii} *ibid*
- ^{xxxiv} <http://www.ukmediacentre.pwc.com/News-Releases/100-largest-UK-companies-contribute-12-of-all-government-tax-receipts-1011.aspx>
- ^{xxxv} <http://www.sbs.ox.ac.uk/centres/tax/Documents/Corporate%20tax%20in%20the%20United%20Kingdom.pdf>
- ^{xxxvi} http://www.companieshouse.gov.uk/about/pdf/annrep2009_10.pdf
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