

The minimum level of business disclosure that we need i...

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Yesterday afternoon I made the mistake of watching Kwan's Kwarteng, the Business Secretary, announce in the House of Commons what he claimed to be the biggest reform of the UK's Companies House in the last two centuries. It was a deeply disappointing experience.

Kwarteng claimed he was introducing emergency legislation today (Tuesday). But it turned out he was not. That was simply not true. We do not know when the legislation will be debated.

What we do know is that this so-called emergency legislation was in fact announced by David Cameron in 2016, and was available in draft by 2018. It is appalling that it is not on the statute book as yet.

Worse, what Kwarteng said was that he intended his moves should have no impact on existing UK users of Companies House, whilst across the House there was no appreciation that Companies House is not a regulator at all: it is merely a registrar of whatever nonsense is sent to it.

In that context, I thought it worth sharing the following which is adapted (i.e. with light editing) from [Making Tax Work](#), which is the report I have written on tax transparency with Prof Andrew Baker for the Global Initiative for Financial Transparency. It summarises the most basic levels of disclosure that we need for businesses and companies in the UK. I have highlighted in bold these things that we do not have, to make clear just how lacking we are:

It is important that a government establishes and publishes the information noted below with regard to any business, however large or small, operating in a state so that those who engage with it can appreciate with whom they are trading, and so have and means of recourse against it.

First, a register of all businesses is required, including details of:

- * The business name;**
- * The person or entity that owns the business;**
- * The place at which they may be contacted;**
- * Other contact details e.g. phone, email and website;**
- * The nature of the trade;**

In addition, in the case of limited liability entities trading within a jurisdiction the following additional information is required:

- * The name of the entity;**
- * Its registered number;**
- * The country of incorporation if not within the jurisdiction itself;**
- * Its registered office;**
- * Its place of business, if different;**
- * The identify of its directors or other senior management;**
- * The identities of all persons owning more than 5 percent of the entity;**
- * The identity of the person (whether human or legal) controlling the identity if such a person exists;**
- * The issued capital of the entity;**
- * The constitution of the entity;**
- * The accounts of the entity that give a true and fair view of its trading and financial position including:**
 - * A narrative explanation of the trading activity undertaken during a period;**
 - * An income statement or profit and loss account;**
 - * A statement of affairs or balance sheet;**
 - * A statement of cash flow or source and application of funds;**
 - * Notes as necessary to provide sufficient information to understand these reports including tax due and paid;**
 - * An explanation of the accounting framework used to prepare the accounts in question;**
 - * Such additional information (not required for public record) as tax authorities require.**

A threshold for registration, probably based in turnover, might be appropriate in the case of the self-employed.

It would seem that no such exemption should apply in the case of limited liability entities though. The creation of such entities is deliberate, and such is their significance in the economy of any jurisdiction that it is essential that their registration be required.

It is also essential that the other data noted to be required from limited liability entities be registered on public record. Limited liability creates the risk of moral hazard from the transfer of trading losses onto the creditors of companies and society at large. This risk has to be mitigated by the provision of data on the activities of companies.

That risk also needs to be mitigated by the imposition of an audit requirement on limited liability entities. Whether that be required for all entities or only for those above a chosen size is a matter for each jurisdiction to decide upon but the risk of fraud increases if any exemption is offered.

We have not had a register of all businesses in the UK since the 1980s. That is an omission that has to be corrected.

And we do not have sufficient accounting and ownership data for almost all limited companies right now.

This is the moment when we have to appreciate that unless we aim for the highest standards we provide loopholes for the crooks to get through.