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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations come into force on 1st December 2014 and extend to the whole of the United Kingdom, reflecting the extent of the Companies Act 2006 (c.46) (“the Act”).

These Regulations implement chapter 10 of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings<sup>(1)</sup>. Chapter 10 requires certain undertakings active in the extractive or primary logging industries to make and publish reports on payments made to governments.

Regulation 3 sets out the application of these Regulations. These Regulations will apply to all undertakings in relation to a financial year starting on or after 1st January 2015, apart from those undertakings which are subsidiaries of parent undertakings who are obliged to prepare consolidated groups accounts in member States other than the United Kingdom. These Regulations will apply in relation to financial years for these undertakings beginning on or after 1st January 2016.

Regulation 4 contains the obligation on directors of undertakings which are both large or classified as public interest entities and active in the extractive or primary logging industries to produce a report on payments made to governments.

Regulation 5 sets out the required content of the report. It allows undertakings to disclose payments at the entity level rather than a project level where payments are made in respect of obligations imposed at the entity level instead of at project level. For instance, if an undertaking has more than one project in a host country, and that country’s government levies corporate income taxes on the undertaking with respect to the undertaking’s income in the country as a whole, and not with respect to a particular project or operation within the country, the undertaking would be permitted to disclose the resulting income tax payment or payments without specifying a particular project associated with the payment.

Regulations 6 and 7 contain exemptions from the requirement to prepare a report. These exemptions are for undertakings whose payments are included in a consolidated report of a parent undertaking in any member State.

Regulation 8 requires directors of parent undertakings that have subsidiaries that are mining or quarrying undertakings or logging undertakings to prepare a consolidated report on payments made to governments if obliged to prepare consolidated group accounts under the Act.

Regulation 9 sets out the required content of the consolidated report and regulation 10 contains exemptions from the obligation to prepare a consolidated report.

Regulation 11 provides that payments made by a subsidiary undertaking may be excluded from a consolidated report in certain situations, provided that those subsidiary undertakings are also excluded on the same ground from the consolidated group accounts.

Regulations 12 and 13 make provision for a further exemption for undertakings from the duty to prepare a report or consolidated report under these Regulations where an undertaking has already reported its payments made to governments under equivalent reporting requirements in a third-country.

Regulation 14 obliges directors of undertakings who are required to prepare a report or consolidated report to deliver such reports to the registrar of companies within 11 months after the end of the financial year of the undertaking.

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(1) OJ L 182 29.06.2013 p.19.

Regulation 15 requires directors of undertakings that produce reports in accordance with equivalent reporting requirements to deliver the information contained in such reports to the registrar within 28 days of the report being made publicly available under the third-country reporting regime. It allows for the delivery of such information to be in a language other than English if accompanied by a certified translation.

Reports delivered under regulations 14 or 15 must be delivered by electronic means.

Regulation 16 makes it an offence to deliver to the registrar a false, misleading or deceptive document or statement under these Regulations.

Regulations 17 and 18 create an enforcement regime to secure compliance with these Regulations.

Regulation 19 gives the court the power to order the directors of an undertaking in default of an obligation to deliver a report under regulation 14 or information under regulation 15 to make good such default.

Regulation 20 makes necessary consequential amendments to the Act and the Limited Liability Partnerships (Application of Companies Act 2006) Regulations 2009 ([S.I. 2009/1804](#)) to ensure that documents delivered to the registrar under these Regulations are subject to the Directive disclosure requirements.

Regulation 21 requires the Secretary of State to review the operation and effect of these Regulations and publish a report within three years after they come into force and within every five years after that. Following a review it will fall to the Secretary of State to consider whether these Regulations should remain as they are, or be revoked or be amended. A further instrument would be needed to revoke these Regulations or to amend them.

A transposition note is available and is available on [www.gov.uk/bis](http://www.gov.uk/bis).

A full regulatory impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET or from [www.gov.uk/bis](http://www.gov.uk/bis) and is annexed to the Explanatory Memorandum which is available alongside the instrument at [www.legislation.gov.uk](http://www.legislation.gov.uk).