

Technical Accounting Alert

TA 2019-02

Financial reporting thresholds doubled for “Large” proprietary companies

Introduction

Financial reporting thresholds for ‘large’ proprietary companies have been doubled following a recent Australian legislative change which is effective from 1 July 2019.

This is a significant financial reporting development as it relieves many growing small and mid-sized Australian businesses from the requirement to prepare & lodge audited financial statements with the Australian Securities and Investments Commission (ASIC).

Based on Government forecasts, approximately one third of proprietary companies who currently lodge audited financial statements with ASIC will no longer have that obligation under the increased financial reporting thresholds.

Background

The *Corporations Act 2001* requires ‘large’ proprietary companies to lodge audited financial statements with ASIC whereas ‘small’ proprietary companies are only required to lodge audited financial statements if directed by ASIC or where requested by more than five percent of their shareholders.

Currently, based on the thresholds introduced back in 2007, a proprietary company is considered ‘large’ for a financial year if it satisfies at least two of the following:

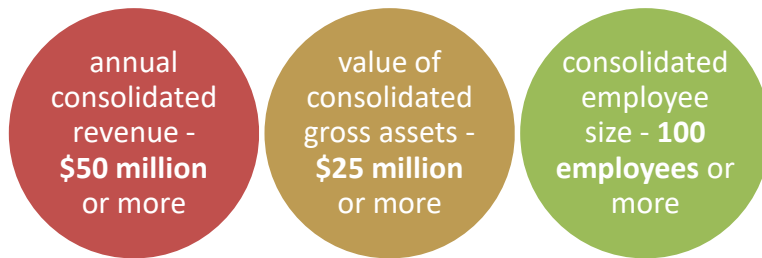
- The consolidated revenue for the financial year of the company and any entities it controls is \$25 million or more;
- The value of the consolidated gross assets at the end of the financial year of the company and the entities it controls is \$12.5 million or more; and
- The company and any entities it controls have 50 or more employees at the end of the financial year.

In response to calls from a number of stakeholders, in late 2018 the Commonwealth Treasury issued an Exposure Draft (ED) proposing to double the existing thresholds. The ED was open for public comment until 15 December 2018. There were 35 submissions to the consultation from various stakeholders, including [Grant Thornton](#).

The Amendments

Following the public consultation process, the Commonwealth Government has now issued the final amendments in the form of *Corporations Amendment (Proprietary Company Thresholds) Regulation 2019* which received royal assent on 4 April 2019.

The new requirements are consistent with the proposals in the ED. The Regulations adjust the thresholds by doubling them as follows:



The increase in thresholds is intended to ensure financial reporting obligations are targeted at economically significant entities while reducing compliance costs for relatively smaller proprietary companies.

Effective date

The new thresholds are effective for financial years beginning on or after 1 July 2019.

Grant Thornton Comment



We welcome these changes to the reporting thresholds as the increased thresholds will help relieve the compliance burden on many growing small and mid-sized businesses in Australia.

We note that the Regulations make no changes for 'grandfathered' proprietary companies. Accordingly, grandfathered entities that become 'small' as a result of the increased thresholds should consider continuing to have an audit in order to maintain their grandfathered status should the business grow and become 'large' again in future.

Further information



If you wish to discuss any of the information included in this Technical Accounting Alert, please get in touch with your Grant Thornton Relationship Partner or a member of the National Assurance Quality Team at national.assurance.quality@au.gt.com.