Article Information

Author: Andrea Beatty
Service: Banking & Finance, Corporate & Commercial
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Proposed revision of large proprietary companies definition

The Government has begun public consultation on draft regulations to increase thresholds for determining what a large proprietary company is under the Corporations Act.[1]

Currently, large proprietary companies are required to prepare and lodge an audited financial report, a director's report and an auditor's report with ASIC each year. The increased thresholds will ensure the thresholds keep in line with economic growth and that the financial reporting obligations are targeted at larger companies.[2] The changes will also reduce compliance costs for the proprietary companies no longer over the threshold.[3]

The new regulations propose increase thresholds of:

1. The consolidated revenue for the financial year of the companies and its controlled entities from $25 million to $50 million
2. The value of the consolidated gross assets at the end of the financial year of the company and its controlled entities from $12.5 million to 425 million, or
3. The company and its controlled entities having 50 employees to 100 employees at the end of the financial year.[4]

The increased thresholds will reduce the number of proprietary companies that are required to have a whistleblower policy in place under the Treasury Laws Amendment (Enhancing Whistleblower Protections) Bill 2018, if passed.[5]

Responses for the consultation can be submitted up until 14 December 2018.

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[1] Australian Government Treasury, 'Reducing the financial reporting burden by increasing the thresholds for large proprietary companies' (16 November 2018) https://treasury.gov.au/consultation/c2018-t342318/.

[2] Ibid.

[3] Ibid.

[4] Ibid.

[5] Ibid.