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The Companies Act 2014

Filing thresholds and audit exemption

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In this Companies Act 2014 update, we outline some of the more minor changes contained in the Act which, whilst not representing dramatic change or innovation, may nonetheless have a significant impact on some Irish companies.

Company thresholds – filing requirements

The first of these changes relates to the small and medium company thresholds. Under the Companies Act 2014 (the "Act"), the threshold for a small company remains the same as it currently is however, the threshold for medium sized companies has increased thereby enabling additional companies to avail of the reduced disclosure and filing obligations.
The thresholds under the Act are as follows:

	Small-sized company	Medium-sized company
Turnover (proportionately adjust if not 12 months)	€8,800,000	**€20,000,000** (was €15.2m)
Balance sheet total (fixed + current assets)	€4,400,000	**€10,000,000** (was €7.6m)
Average no. of employees	**50**	**250**

Small and medium sized companies, who satisfy the necessary conditions as laid out above, will be permitted to file abridged financial statements with the Companies Registration Office (CRO). As is currently the case, a company must satisfy the relevant criteria in the financial year in question plus in the preceding financial year. Where a company fails to meet the criteria in any particular financial year then it must fail to meet the criteria in two consecutive periods in order for its status as a small or medium company to change.

Exemption from having an audit

1 Company

Under existing legislation (Companies Acts 1963 – 2013) an individual company not being part of a group, has to satisfy three criteria (which are the same as outlined in the above table) regarding qualification as a 'small' company in order to avail of audit exemption.

Going forward under the new legislation, a company will now only have **to meet two out of the three** criteria thus potentially enabling more companies to benefit from audit exemption. In addition to meeting two of the three criteria, the company must also file the current and preceding year's annual return on time with the CRO. Failure to submit the annual return on time will prevent a company from having the option to claim audit exemption. The requirement to meet these criteria is with respect to the current period only and the previous financial results do not have to be considered.

2 Small groups

Furthermore, a 'small' group may now also avail of the audit exemption if the parent company, together with all of its subsidiaries, satisfies two out of three of the same criteria set out above. This is a significant change for small groups which previously had to have an audit due to being part of a group.

Where a group is not 'small' and therefore fails to qualify for the group audit exemption, any dormant companies within the group may avail of the audit exemption provided there are no significant accounting transactions and the assets and liabilities only comprise investments in group companies and intra-group balances.

It should be noted however, that a public limited company or a company with listed securities on a regulated market cannot avail of audit exemption.

New significant development to note: companies limited by guarantee and unlimited companies may now avail of the audit exemption which is a significant change from existing legislation. Under the Companies Act 1963-2013, the audit exemption applied to private limited companies only. Since a company limited by guarantee was not a private company, it was not able to avail of the audit exemption. However, the Act contains no such qualification and therefore Companies Limited by Guarantee or CLGs as the Act identifies them, may now avail of the audit exemption. This has immediate implications for some entities such as; charities that are companies and property management companies. With respect to charities, it is possible that the Charities Regulatory Authority (CRA) may require any charities formed as companies to have an audit.

Conclusion

The Companies Act 2014 has simplified legislation with regards Irish companies in a lot of areas by seeking to enable more efficient and competitive business.
In summary, more companies can now avail of audit exemption, however it should be noted that while a company might qualify under the Act to avail of audit exemption there may be a requirement to have an audit regardless. In addition to some of the examples given above, banks may have a requirement under the terms of loans to receive audited accounts within a fixed time-frame from year end. Members may also request that an audit be carried out on the financial statements of the company.

Contact

If you require assistance or want to learn more about the Companies Act 2014, please refer to our other publications at www.grantthornton.ie/The-Companies-Act-2014 or contact our Companies Act 2014 team at companiesact2014@ie.gt.com.

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