In brief

Knowledge/Experience/Insight

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Changes to the legislative reporting requirements for companies

What's the issue?

The Regulatory Systems Amendment Act 2017 (Act) was enacted on 30 March 2017. The Act rectifies an acknowledged anomaly that existed in the Companies Act 1993, as amended in 2013, in relation to the reporting requirements of a company at the bottom of a New Zealand group.

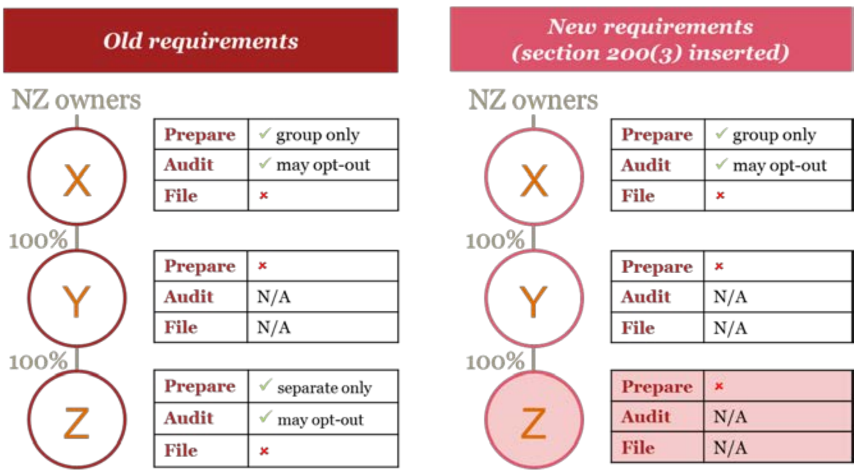
Among other changes, the Act also introduces further relief from reporting requirements for 'large overseas companies' and their subsidiaries.

The changes come into force on 30 May 2017 and can be applied to periods that commenced before that date but do not end by 30 May 2017, or to periods that commence on or after 30 May 2017.

What's the impact for New Zealand groups?

Currently Company Y in the example below is exempt from preparing *group* financial statements because it is a subsidiary of a body corporate incorporated in New Zealand (Company X) and that body corporate (Company X) prepares group financial statements that include Company Y. The anomalous outcome was that Company Z, also a subsidiary of a body corporate incorporated in New Zealand and included in the group financial statements of Company X was not exempt from preparing *entity* financial statements.

The Act corrects this anomaly by inserting section (s) 200(3) to remove the preparation requirement for Company Z.



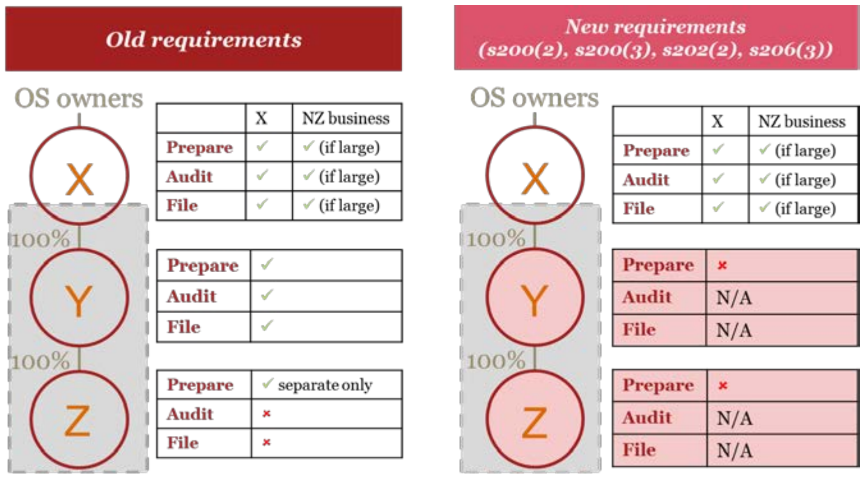
Note: X, Y and Z are large and are not FMC reporting entities or companies that are public entities. An entity (other than an overseas company or a subsidiary of an overseas company) is ***large*** if, total assets of the entity and its subsidiaries (if any) exceed $60 million as at the balance date of each of the two preceding accounting periods, or total revenue of the entity and its subsidiaries (if any) exceeds $30 million in each of the two preceding accounting periods.

What's the impact for 'large overseas companies' and their subsidiaries?

A 'large overseas company' is a body corporate incorporated outside of New Zealand that carries on business in New Zealand within the meaning of s332 of the Companies Act 1993 and is 'large' as defined in s45 of the FRA 2013. There are two changes for 'large overseas companies' and their subsidiaries.

Firstly, the insertion of s200(3) and the amendment of s202(2) means that a 'large' (as defined in the FRA 2013) subsidiary of a 'large overseas company' (Companies Y and Z in the example below) no longer has to prepare financial statements as it is a subsidiary of a 'large overseas company' (Company X) that prepares group financial statements comprising Companies Y and Z.

Secondly, a 'large overseas company' will no longer require an audit of its financial statements or group financial statements, if its New Zealand business is not 'large' (as defined in s204 of the Companies Act 1993) and, under the law in force in the country of its incorporation, qualifying financial statements are required to be prepared but are not required to be audited. This change addresses a concern that the current requirements discourage overseas companies setting up a branch in New Zealand because they require a 'large overseas company' with a small branch in New Zealand to file audited financial statements, yet if they set up a small New Zealand subsidiary, they would not have any legislative reporting requirements in New Zealand.



= New Zealand business

Note: X, Y and Z are large and are not FMC reporting entities or companies that are public entities. An overseas company or a subsidiary of an overseas company is ***large*** if total assets of the entity and its subsidiaries (if any) exceed $20 million as at the balance date of each of the two preceding accounting periods, or total revenue of the entity and its subsidiaries (if any) exceeds $10 million in each of the two preceding accounting periods.

In this example, the group financial statements of Company X are required to be audited because its New Zealand business is large. Company X's ***New Zealand business is large*** if total assets of the business exceed $20 million as at the balance date of each of the two preceding accounting periods, or total revenue of the business exceeds $10 million in each of the two preceding accounting periods.

Where do I find more information?

You can download the Act from the New Zealand Legislation website.

If you wish to discuss this or any other reporting related matter, please contact your usual PwC contact or one of the following financial reporting specialists:

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