

30 November 2018

Ms Kate O'Rourke
Principal Adviser
Corporations Policy Unit
Consumer and Corporations Division
The Treasury
Level 5, 100 Market Street
SYDNEY NSW 2000

Dear Ms O'Rourke,

Exposure Draft Regulations – Increasing Large Proprietary Company Thresholds

We welcome the opportunity to offer our views on The Treasury's Exposure Draft Regulations and Explanatory Statement containing proposals to increase the thresholds for determining what constitutes a large proprietary company under the *Corporations Act 2001* ("the Act").

In our opinion the Australian Accounting Standard Board's current reporting entity and special purpose financial statements project will increase the regulatory burden and the cost of doing business of thousands of entities. Consequently, we welcome Treasury's proposal to mitigate the impact of those changes, reduce red tape and cut the cost of doing business by increasing the financial reporting thresholds for large proprietary companies.

The Explanatory Statement does not articulate the rationale as to why the doubling of the current thresholds is considered appropriate. Consequently, rather than arbitrarily increasing the thresholds, we prefer that Treasury not proceed with the draft regulations and use this opportunity to:

- i) consult on whether revenue, gross assets and employee benchmarks contained in s45A of the Act remained appropriate criteria for assessing whether a proprietary company is required to comply with Part 2M.3 of the Act; and, if so
- ii) revisit and clarify determining the number of employees' threshold, especially given current nature and structure of labour participation, such as casual and part-time employees, contractors, seasonal and FIFO employees, etc; and
- iii) undertake a broader analysis of appropriate size thresholds.

While we are supportive of reducing the financial reporting burden on proprietary companies, in the absence of a broader discussion of the above issues Nexia Australia is unable to support the draft regulations in their current form.

Sincerely

Nexia Australia Pty Ltd



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Technical Director

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