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## COMPANIES (ACCOUNTING) ACT 2017

### WHAT DO THE CHANGES MEAN FOR YOU?

In summary:

- The Companies (Accounting) Act 2017 (the Act) came into effect on 9 June 2017.
- The Act transposes into Irish Law the Directive 2013/34/EU on the Annual financial statements and related reports of certain types of undertakings.
- New size criteria and micro company regime.
- Consolidated accounts required for medium sized entities.
- Distributable profits include certain value adjustments.
- More unlimited companies to file financial statements.



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## WHAT DO THE CHANGES MEAN FOR YOU?

### **E.U. Directive 2013/34/EU transposed into Irish Law by Companies (Accounting) Act 2017**

The Companies (Accounting) Act 2017 (the Act), effective 9 June 2017, transposes into Irish Law the Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (the Accounting Directive).

The purpose of the Accounting Directive is to reduce the administrative burdens associated with the preparation of financial statements for enterprises, in particular SMEs.

The Act also introduces mandatory requirements for large companies, large groups and public interest entities that are active in the mining and extractive industries or the logging of primary forests to file annual reports on payments in excess of €100,000 made to governments.

EU  
DIRECTIVE  
2013/34/EU  
NOW IN  
IRISH LAW



## Main Provisions of the Act

### Size Criteria

New criteria for companies to qualify as small, medium or large are included in the Act and it introduces a new micro style of company.

|                     | Micro    | Small | Medium |
|---------------------|----------|-------|--------|
| Net turnover        | €700,000 | €12m  | €40m   |
| Balance sheet total | €350,000 | € 6m  | €20m   |
| Average employees   | 10       | 50    | 250    |

To qualify, a company must not exceed 2 of the 3 thresholds above.

### New Micro Company

A simplified regime for micro companies with regard to the preparation and filing of financial statements is included in the Act and micro companies will be exempt from disclosing directors' remuneration.

### Disclosure of Payments to third parties

An additional obligation is included in the Act concerning payments to third parties for services of directors. Consideration paid to or payable to third parties for the services of any person as a director of the company or any of its subsidiaries or otherwise in connection with the management of the company's (or its subsidiaries) affairs must now be disclosed. Statutory Auditors now have a duty to include the required particulars in their Audit Report if not disclosed in the Financial Statements.

NEW  
COMPANY  
SIZE  
CRITERIA

NEW MICRO  
COMPANY



## More provisions of the Act

### Group financial statements exemptions

The exemption to prepare group accounts on grounds of size will now only apply to small and micro companies.

### Filing Exemption Guarantee

Commitments entered into by the subsidiary as well as liabilities must now be included in the guarantee to be given by a parent company with regard to the liabilities of its subsidiary when relying on the filing exemption.

### Reporting Framework

The Act provides that, in the absence of a relevant change of circumstances, a company may change its financial reporting framework once every 5 years from IFRS to Companies Act requirements and vice versa. A new requirement to explain in the financial statements the reason for, and any impact of, a change in accounting policy, is introduced.

### Abridged financial statements

Medium sized companies will be required to file full financial statements. Only small and micro companies will be permitted to file abridged financial statements with the Companies Registration Office.

### Priority of Creditors

The Companies Act 2014 is amended in relation to preferential payments in a winding up to clarify that the priority of preferential creditors ranks ahead of charges (which may now be fixed charges) where they were originally created as floating charges.

GROUP  
FINANCIAL  
STATEMENTS  
REQUIRED FOR  
MEDIUM SIZE  
COMPANIES

COMMITMENTS  
INCLUDED IN  
PARENT  
COMPANY  
GUARANTEE



## Other Considerations

### Distributable Profits

The Act has amended the calculation of profits available for distribution so that any provision or value adjustment is now required to be treated as a realised loss. Where the company prepares Companies Act entity financial statements, this does not apply to a value adjustment in respect of any diminution in value of a fixed asset appearing on a revaluation of all the fixed assets or of all the fixed assets other than goodwill.

### Branch of external company

The Act extends the current obligation of a foreign limited liability body corporate to register with the Companies Registration Office where it has an operation in Ireland which would constitute a branch, to any foreign unlimited liability entity that is a subsidiary of a limited liability body corporate. This provision of the Act has not yet come into force, but once it does it will have the effect of bringing more foreign companies within the branch filing regime.

### Unlimited Companies (ULC) Filing Exemption

Under the Companies Act 2014, only designated ULCs are obliged to file financial statements in the Companies Registration Office. The Act widens the parameters for classification as a designated ULC as a result bringing significantly more unlimited companies within the filing regime, including many of those who to date have availed of the exemption from filing by having a member who is a non-EEA incorporated unlimited liability company or an individual.

The Act provides that unlimited companies which are holding companies of undertakings whose members have limited liability are designated ULC's but this provision will take effect for financial years commencing on or after 1 January 2022.

DISTRIBUTABLE  
PROFITS TO  
INCLUDE  
CERTAIN VALUE  
ADJUSTMENTS

MORE  
UNLIMITED  
COMPANIES TO  
FILE FINANCIAL  
STATEMENTS



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## Contact

If you have any queries in relation to what this change means for your business please don't hesitate to contact us.



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