Guidance on thresholds for the UK and Republic of Ireland

(July 2012)

1. Thresholds for small companies

a) The thresholds applicable in the UK are made under the Companies Act 2006 section 382(3). A company qualifies as a small company where any 2 of the following 3 conditions are met:

(i) Annual turnover (gross income for charities) not exceeding £6,500,000

(ii) Balance sheet total not exceeding £3,260,000

(iii) Average number of employees not exceeding 50

For accounting periods which are shorter or longer than 12 months the thresholds should be adjusted in proportion to the accounting period.

The size parameters are subject to periodic amendment. The latest change in the UK was made in April 2008 by the Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 and applied to accounting periods beginning on or after 6 April 2008.

b) The thresholds applicable in the Republic of Ireland are made under the Companies Acts 1963-2009. To qualify as a small company any 2 of the following 3 conditions are met:

(i) Annual turnover (gross income for charities) not exceeding 3,810,000 Euro

(ii) Balance sheet total not exceeding 1,905,000 Euro

(iii) Average number of employees not exceeding 50

The size parameters are subject to periodic amendment. The latest change in the Republic of Ireland was made by Section 8 Companies (Amendment) Act 1986, as amended by Regulation 4 European Communities (Accounts) Regulations 1993.

2. Threshold for FRSSE

Any charity which comes within the definition of a small company in its jurisdiction(s) of registration may be able to apply the Financial Reporting Standard for Smaller Entities (FRSSE). This is the case whether it is a company charity or not.

3. Threshold for the preparation of accruals accounts

Company charities, irrespective of size, must prepare accruals accounts. However certain jurisdictions permit the trustees of smaller non-company charities to prepare their accounts on a receipts and payments basis instead.

a) In England and Wales the threshold at which accruals accounts must be produced is a gross income of more than £250,000.

b) In Scotland the threshold at which accruals accounts must be produced is a gross income of £250,000 or more.

c) In Northern Ireland once section 64 of the Charities Act (Northern Ireland) 2008 is implemented the threshold at which accruals accounts must be produced is a gross income of £100,000 or more. Prior to implementation there are no form and content requirements for charity accounts, however company charities must prepare accruals accounts giving a true and fair view.

d) In the Republic of Ireland the Charities Act 2009 has yet to be implemented. Prior to implementation there are no form and content requirements for charity accounts, however company charities must prepare accruals accounts giving a true and fair view.

4. Threshold for statutory audit

a) In England and Wales an audit is required if either the charity's gross income exceeds £500,000 or gross assets exceed £3.26m and gross income exceeds £250,000.

b) In Scotland an audit is required if either the charity's gross income is £500,000 or more or gross assets exceed £3.26m and the charity has prepared accrued accounts.

c) In Northern Ireland, once the section 65 of the Charities Act (Northern Ireland) 2008 is implemented the income threshold for audit will be gross income of £500,000. Currently there is no charity law framework for the audit of non-company charities in effect. Company charities are subject to audit if not eligible for, or not opting for, audit exemption under UK company law.

d) In the Republic of Ireland section 50 of the Charities Act 2009 which provides for the Minister to set an audit threshold of 500,000 Euro (or less) has yet to be implemented. Consequently there is no audit or reporting framework for non-company charities. Company charities must have an audit unless the company qualifies for an audit exemption. Since the audit exemption which was introduced by the Companies (Amendment) (No 2) Act 1999 applied only to a company within the scope of the Companies (Amendment) Act 1986 and a company charity since it is "a company not trading for the acquisition of gain by the members" is out of scope of that Act, all company charities must be audited.

5. Threshold for the preparation of group accounts

a) In England and Wales any parent charity where the aggregate gross income of the group, the parent charity and its subsidiaries, exceeds £500,000 after consolidation adjustments, must prepare group accounts. These group accounts are prepared in accordance with the Charities Act 2011 and applicable Regulations. However where a company charity is required by section 399 of the Companies Act 2006 to prepare group accounts, its group accounts are prepared under the Companies Act 2006.

b) In Scotland any parent charity where the aggregate gross income of the group, the parent charity and its subsidiaries, is £500,000 or more after consolidation adjustments, must prepare group accounts. These group accounts are prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and applicable Regulations. However where a company charity is required by section 399 of the Companies Act 2006 to prepare group accounts, its group accounts are prepared under the Companies Act 2006 and Charities and Trustee Investment (Scotland) Act 2005.

c) In Northern Ireland, schedule 6 to the Charities Act (Northern Ireland) 2008 has yet to be implemented and the applicable Regulations setting the income threshold for group accounts have not been made. Any parent company charity that does not fulfil the requirement for a small group under the Companies Act 2006 must prepare group accounts in accordance with company law requirements.

d) In the Republic of Ireland the only legal requirement for group accounts applies to parent company charities. Group accounts are prepared in accordance with the Companies Acts 1963 to 1990 as amended by Regulation 4 European Communities (Companies: Group Accounts) Regulations 1992. The exemption for small and medium private companies does not apply to company charities which are classified as public companies.