

New Irish updates to size criteria under the Companies Act 2014

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The Irish government has recently enacted the European Union (Adjustments of Size Criteria for Certain Companies and Groups) Regulations 2024 (**Regulations**), which adjusts financial thresholds relevant to the reporting and compliance obligations of certain companies and groups in Ireland. The changes were made pursuant to the EU Commission's Delegated Directive No. 2023/2775/EU.

Background to the changes

The regulations became operational on 1 July 2024 and update the financial thresholds that determine the size criteria for certain Irish companies and groups, thus affecting their reporting and compliance requirements.

The adjustments in financial thresholds referred to in the Companies Act 2014 are as follows:

- The threshold for turnover and balance sheet totals for medium-sized companies and groups has been increased. For companies, the turnover threshold has been raised from 12 million to €15 million, and the balance sheet total threshold from €6 million to €7.5 million, meaning that a broader range of companies can now qualify for medium-sized company status
- Likewise, for groups, the aggregate amount of turnover now should not exceed €15 million net (or €18 million gross), up from the previous €12 million net (or gross amount not previously specified). The aggregate balance sheet total has been adjusted to not exceed €7.5 million net (or €9 million gross), previously €6 million net. This adjustment allows for more companies and groups to benefit from reduced reporting and disclosure requirements associated with being categorised as medium-sized, thereby potentially lowering the administrative burden and costs associated with compliance
- The audit exemption thresholds, applicable to small companies, have been increased. The amount for turnover is raised from €700,000 to €900,000, and for the balance sheet total from

€350,000 to €450,000. Smaller companies below these new thresholds will not be required to undergo an audit. The broadening of this exemption can result in cost savings and reduce the administrative burden for eligible companies.

- Larger thresholds for larger companies and groups have been introduced. The turnover threshold is increased from €40 million to €50 million, and the balance sheet total from €20 million to €25 million. For groups, the turnover limit is now €50 million net (or €60 million gross) and the balance sheet total €25 million net (or €30 million gross)
- By increasing the turnover and balance sheet total thresholds for individual companies, and even higher for groups, a larger segment of the corporate sector can benefit from the reduced regulatory load placed upon medium-sized companies.

Application to financial years

A further provision of the Regulations allows companies and groups to apply these new thresholds retrospectively to financial years beginning on or after 1 January 2023 or prospectively from 1 January 2024, at their election. This flexibility accords with the EU Directive.

Next steps

These adjustments in financial thresholds for reporting and compliance demonstrate an accommodation of the growth and evolution of businesses within the EU. Irish companies and groups should review their current financial positions in light of these changes. For more detailed advice regarding your company's specific circumstances please contact our team via their details below.

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