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Ms Kate O'Rourke
Principal Adviser
Corporations Policy Unit
Consumer and Corporations Division
The Treasury
Level 5, 100 Market Street
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14 December 2018

Dear Ms O'Rourke

Exposure Draft – Corporations Amendment (Proprietary Company Thresholds) Regulations 2018

We are pleased to have the opportunity to comment on *Exposure Draft – Corporations Amendment (Proprietary Company Thresholds) Regulations 2018 (ED)*.

We welcome and support consideration of the reporting thresholds for proprietary companies.

We note that the ED explanatory statement does not provide any detail around:

- consideration of whether the three existing benchmarks are still appropriate
- why doubling the thresholds was considered the most appropriate outcome
- why consideration was not given to measuring the thresholds over the last two preceding years, instead of the current financial year.

KPMG considers that a more comprehensive review of the proprietary company thresholds is needed – particularly in light of the Australian Accounting Standards Board proposals contained in phase 2 of ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.

The comprehensive review should also consider:

- The ongoing need for the income tax transparency measure required by Section 3C of the Taxation Administration Act 1953 – i.e. the requirement to prepare general purpose financial statements. During 2018 the Senate Standing Committee on Economics issued a report on corporate tax avoidance which recommended that certain entities with income above a certain threshold should be lodging general purpose financial statements with ASIC.

- The date of measurement of the existing thresholds. This has been a practical issue in Australia for a number of years. Consolidated revenue and consolidated gross assets at the end of a financial year will not be determined until after year end. Measuring the thresholds over the two preceding financial years (like in New Zealand) allows companies to plan financial reporting requirements prior to year end.
- The need to build into the process a mechanism for a regular review of the any threshold amounts.

We would be pleased to discuss our comments. If you wish to do so, please contact myself on (02) 9455 9744.

Yours sincerely



Michael Voogt
Director