



Changes to QBCC Financial Reporting Requirements

MARCH ISSUE

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The Queensland Building and Construction Commission (QBCC) has recently announced changes to their Minimum Financial Requirements (MFR) policy. The premise for the change was to ensure that licensees are financially viable and to better monitor companies at potential risk of insolvency or collapse.

Starting from 1 January 2019 licensees need to provide financial information (not an MFR report) to the QBCC on an annual basis (as was the case prior to 2014). The changes are taking place in a two stage process:

The first phase of implementation, which includes a return to annual reporting, took effect from 1 January 2019.

The second phase, scheduled to commence from 1 April 2019, aims to improve the standard of reporting, particularly for larger, high-risk licensees.

The reporting requirements and key submission dates are set out below:

- For licensees in financial categories SC1 to SC3 (maximum revenue up to \$600,000, this will be raised to \$800,000 after 1 April 2019) you will be required to declare revenue and net tangible assets in an online QBCC portal on an annual basis (self-certification basis). **The first submission date is 31 December 2019.**
- For licensees in financial categories 1 to 3 (maximum revenue between \$600,000 and \$30,000,000) you will need to provide a profit and loss statement, balance sheet, debtors and creditors report (aged listing) and statement of cash flows. Alternatively, if you are an ASIC reporting entity, you can provide a copy of the report or documents lodged with ASIC, as long as they are provided within 30 days of the ASIC lodgement. **The first submission date is 31 December 2019.**
- For licensees in financial categories 4 to 7 (maximum revenue greater than \$30,000,000) you will need to provide signed financial statements comprising; profit and loss statement, balance sheet, debtors and creditors reports (aged listing), statement of cash flows, notes to the financial statements, a written declaration and a description of the measurement (basis and accounting policies relevant to those statements). Alternatively, if you are an ASIC reporting entity, you can provide a copy of the report or documents lodged with ASIC, as long as they are provided within 30 days of the ASIC lodgement. **The first submission date is 31 March 2019.**



Going forward, licensees will be required to lodge the financial information for the most recent reporting year on, or before, the annual submission date. The reporting year will generally be the financial year ending 30 June unless a different day (a) is agreed between the licensee and the QBCC or (b) is used for lodging with ASIC or ASX. For example, if you have a category 5 license, you will need to make a submission by 31 March 2019. The nature of the submission should be the 30 June 2018 financial statements (if the reporting year ends on this date). Licensees can request for a different annual submission date.

This transparent reporting will now provide the QBCC with greater insight into your financial position and whether or not you are in breach of your license. The QBCC has a robust surveillance team and are likely to flag any matter of non-compliance with your license. If you are in breach of your license (e.g. have insufficient NTA), the QBCC will require you to provide an MFR and in some cases may issue new penalties which have been included in the new regulations. Penalties will also apply for providing false or misleading information or refusing to supply financial information at the request of the QBCC.

The QBCC has advised that licensees will not be required to lodge a new MFR report every year, providing you continue to meet your Minimum Financial Requirements.

It is important to remember that the QBCC will require an MFR when the following events are triggered:

- Increase in maximum revenue (exceeding category)
- Sudden drop in Net Tangible Assets by 20% for Categories 4 to 7
- Sudden drop in Net Tangible Assets by 30% for Categories SC1 to 3
- Require a new license
- QBCC initiate an investigation

The changes to the MFR policy also include stricter guidelines around calculating assets. Personal recreational vehicles, such as dirt bikes and golf carts, can no longer be used to meet minimum asset thresholds.



Money held in a project bank account can be included as an asset of a licensee as follows:

- Head contractors and subcontractors will be able to include any amount in the general trust account in which they have a beneficial interest
- Subcontractors will be able to include retention amounts and disputed funds that relate to them

If a licensee is relying on a Deed of Covenant and Assurance and/or related entity loans to help them meet the financial requirements, detailed financial information will need to be provided to the QBCC.

We expect that the QBCC will compare your latest annual financial information against your last MFR lodgement (which could have dated back to 2014) so we recommend liaising with your accountant prior to making your annual submission. To make an appointment or clarify any further details from this update, please contact our office on the below details.

To find out how we can help, contact our office:

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