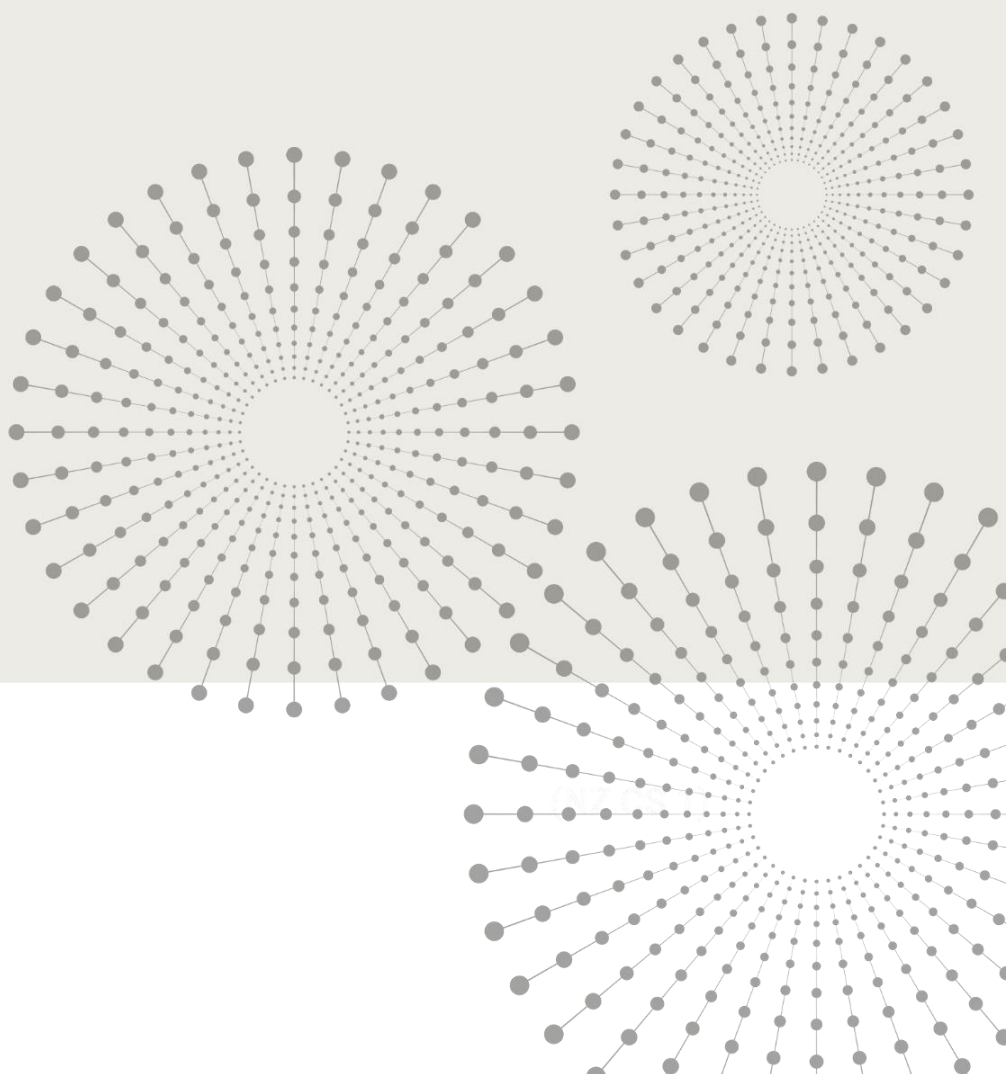


# Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025

Exposure Draft

Submissions close 22 July 2025

July 2025



## **XRB EXPOSURE DRAFT 2025-2**

### **Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025**

#### **Issued [date]**

This [draft] amending Standard amends XRB A2 *Meaning of Specified Statutory Size Thresholds*. XRB A2 defines, for the purposes of various enactments, the meaning of terms used to specify size thresholds that an entity is required to apply to determine if a particular statutory provision applies. This [draft] amending Standard updates XRB A2 in line with amendments relating to the statutory definition of ‘large’ and ‘specified not-for-profit entity’ in the Financial Reporting Act 2013, as amended by the Regulatory Systems (Economic Development) Amendment Act 2025.

In finalising this [draft] amending Standard, the External Reporting Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

#### **Legal status of amending Standard**

This [draft] amending Standard was issued on [date] by the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

This [draft] amending Standard is secondary legislation for the purposes of the Legislation Act 2019.

The [draft] amending Standard, pursuant to section 27(1) of the Financial Reporting Act 2013, takes effect on the 28<sup>th</sup> day after the date of its publication. The [draft] amending Standard was published under the Legislation Act 2019 on [date] and takes effect on [date].

#### **Commencement and application**

This [draft] amending Standard applies to entities that are required to determine whether they meet the definitions of ‘large’ or ‘specified not-for-profit entity’ in sections 45 and 46 of the Financial Reporting Act 2013.

The [draft] amending Standard has a mandatory date of 29 September 2025, meaning it must be applied for accounting periods that begin on or after this date. This is consistent with the relevant commencement and application provisions in the Regulatory Systems (Economic Development) Amendment Act 2025.

## CONTENTS

	<i>from page</i>
<b>PART A: INTRODUCTION</b>	<b>4</b>
<b>PART B: SCOPE</b>	<b>4</b>
<b>PART C: AMENDMENTS TO XRB A2 MEANING OF SPECIFIED STATUTORY SIZE THRESHOLDS</b>	<b>4</b>

## Part A – Introduction

This [draft] amending Standard amends XRB A2 *Meaning of Specified Statutory Size Thresholds*. XRB A2 defines, for the purposes of various enactments, the meaning of terms used to specify size thresholds that an entity is required to apply to determine if a particular statutory provision applies. This [draft] amending Standard updates XRB A2 in line with amendments relating to the statutory definition of ‘large’ and ‘specified not-for-profit entity’ in the Financial Reporting Act 2013, as amended by the Regulatory Systems (Economic Development) Amendment Act 2025.

## Part B – Scope

This [draft] amending Standard applies to entities that are required to determine whether they meet the definition of ‘large’ or ‘specified not-for-profit entity’ in sections 45 and 46 of the Financial Reporting Act 2013.

## Part C – Amendments to XRB A2 *Meaning of Specified Statutory Size Thresholds*

Paragraphs 3, 4, 8 and 14 are amended. Paragraphs 6A, 16A and 27 are added. New text is underlined and deleted text is struck through. Paragraphs 5, 6, 15 and 16 are not amended but are included for context.

### A. INTRODUCTION

#### Objective

[...]

3. The Financial Reporting Act 2013 and the Companies Act 1993 provide for specified terminology (“total assets”, “total revenue” and “total operating payments” in both Acts, and “control” in the Financial Reporting Act 2013) relating to the size threshold of an entity for reporting purposes to be defined in a financial reporting standard issued by the XRB. Similarly, the Friendly Societies and Credit Unions Act 1982 and the Incorporated Societies Act 2022 provide for the specified terms (“total operating expenditure” and “total operating payments” respectively) relating to the size thresholds in those Acts to be defined in a financial reporting standard issued by the XRB. The Charities Act 2005 (as amended by the Charities Amendment Act 2014) and the Incorporated Societies Regulations 2023 provides for specified terminology (“total operating expenditure” and “control”) relating to the size threshold of a charitable entity or society for assurance purposes to be defined in a financial reporting standard issued by the XRB. Relevant entities, in determining whether a particular provision of an Act applies, must apply the financial reporting standard that contains the meanings of those terms in assessing whether its particular size threshold has been met.

#### Scope

4. This Standard applies to an entity that is required under an enactment to apply the following provisions, as applicable:
  - (a) sections 45(1)(a), ~~and~~ 45(2)(a) and 45(2A)(a) of the Financial Reporting Act 2013 (to determine “total assets”);
  - (b) sections 45(1)(b), ~~and~~ 45(2)(b) and 45(2A)(b) of the Financial Reporting Act 2013 (to determine “total revenue”);
  - (c) section 46 of the Financial Reporting Act 2013 (to determine “total operating payments” and “control”);
  - (d) [...]

## B. SPECIFIED STATUTORY SIZE THRESHOLDS AND THEIR DEFINITIONS

### Financial Reporting Act 2013 and Companies Act 1993: “Large” and the determination of “total assets” and “total revenue”

5. Section 45(1) of the Financial Reporting Act 2013 provides that, for the purpose of an enactment that refers to section 45, an entity (other than an overseas company or a subsidiary of an overseas company) is “large” in respect of an accounting period if at least one of the following applies:
- (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$66 million; or
  - (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$33 million.
6. Section 45(2) of the Financial Reporting Act 2013 provides that, for the purpose of an enactment that refers to section 45, an overseas company or a subsidiary of an overseas company is “large” in respect of an accounting period if at least one of the following applies:
- (a) as at the balance date of each of the 2 preceding accounting periods, the total assets of the entity and its subsidiaries (if any) exceed \$22 million; or
  - (b) in each of the 2 preceding accounting periods, the total revenue of the entity and its subsidiaries (if any) exceeds \$11 million.
- 6A. Section 45(2A) of the Financial Reporting Act 2013 provides that:
- (a) an entity (other than an overseas company or a subsidiary of an overseas company) is “large” in respect of an accounting period if the entity has, on the balance date of the period, 1 or more subsidiaries that are “large” in respect of that accounting period under section 45(1); and
  - (b) an overseas company or a subsidiary of an overseas company is “large” in respect of an accounting period if the entity has, on the balance date of the period, 1 or more subsidiaries that are “large” in respect of that accounting period under section 45(2).

[...]

8. For the purposes of sections 45(1), ~~and 45(2)~~ and 45(2A) of the Financial Reporting Act 2013 and section 204(3) of the Companies Act 1993, the amount of total assets and total revenue are determined as follows:
- (a) where financial statements are prepared in accordance with accounting standards issued by the XRB or its sub-board, the New Zealand Accounting Standards Board, total assets and total revenue are the respective amounts recognised in the financial statements of the entity, prepared in accordance with the requirements of the Tier 2 accounting standards as specified in External Reporting Board Standard A1 *Application of the Accounting Standards Framework* that are in effect and applicable to the entity as at each of the relevant balance dates or in each of the relevant accounting periods; and
  - (b) where financial statements are not prepared, or where financial statements are not prepared as specified in paragraph (a), total assets and total revenue are the respective amounts derived from the entity’s accounting records, determined in accordance with the requirements of Tier 2 accounting standards as specified in External Reporting Board Standard A1 *Application of the Accounting Standards Framework* that would be relevant to the entity if it was reporting in accordance with those accounting standards.

[...]

### Financial Reporting Act 2013: “Specified not-for-profit entity” and the determination of “total operating payments”

14. Section 46 of the Financial Reporting Act 2013 sets out the meaning of a “specified not-for-profit entity”. For the purposes of an enactment that refers to section 46, an entity is a specified not-for-profit entity in respect of an accounting period if, in each of the 2 preceding accounting periods of the entity, the total operating payments of the entity and all entities it controls (if any) are \$140,000 or more.

15. For the purpose of section 46 of the Financial Reporting Act 2013, total operating payments means the total amount of any payment (including grant payments and income tax payments, where applicable), other than a capital payment, made by the entity during the accounting period.
16. For the purpose of paragraph 15, a capital payment is a payment during the accounting period for the purchase of a resource with an expected life greater than twelve months, to be owned or partly owned and used by the entity to support the entity's activities or to provide services or products. Capital payments do not include payments for operating purposes or payments for resources to be passed to other entities.
- 16A. For the purposes of section 46 of the Financial Reporting Act 2013, the meaning of the term "control" is set out in the relevant PBE Standards issued by the New Zealand Accounting Standards Board as applicable to public benefit entities.

## C. COMMENCEMENT AND APPLICATION

[...]

27. Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025, issued in [August] 2025, amended paragraphs 3, 4, 8 and 14 and added paragraphs 6A and 16A. An entity shall apply those amendments to accounting periods beginning on or after 29 September 2025.

In the Basis for Conclusions, paragraphs BC10B, BC12 and BC13 are added. New text is underlined.

## **BASIS FOR CONCLUSIONS ON STANDARD XRB A2 MEANING OF SPECIFIED STATUTORY SIZE THRESHOLDS**

This Basis for Conclusions accompanies, but is not part of, Standard XRB A2 Meaning of Specified Statutory Size Thresholds.

[...]

*Other statutory measures*

[...]

- BC10B. The XRB decided that for the purpose of the definition of a "specified not-for-profit entity" in the Financial Reporting Act 2013, the term "control" should have the same meaning as that set out in the relevant PBE Standards as applicable to public benefit entities.

[...]

Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025

- BC12. The Regulatory Systems (Economic Development) Amendment Act 2025 amended the following sections of the Financial Reporting Act 2013, which relate to legislative size thresholds that determine an entity's financial reporting obligations:
  - (a) Section 45: Amendments to specify that, for the purpose of section 45, an entity is 'large' in respect of an accounting period if the entity has, on the balance date of the period, one or more subsidiaries that are 'large' in respect of that accounting period.
  - (b) Section 46: Amendments to specify that, for the purpose of the definition of a specified not-for-profit entity, total operating payments are those of the entity and all entities it controls, if any.
- BC13. The XRB amended this Standard to reflect the amendments to the Financial Reporting Act 2013 described in paragraph BC 12.