

# STEADFAST CORPORATE SERVICES

## Accounts requirements – Gibraltar companies

All companies incorporated in Gibraltar are required to produce and file certain accounting information. The requirements affect different sizes of companies as briefly explained below, together with a summary of the filing time limits.

### 1. Companies Act 2014

The Companies Act, 2014 implements the Fourth Company Law Directive of the European Union. The Act provides common formats for the drawing up of company accounts so that shareholders, prospective shareholders and third parties can be properly informed about the affairs of a company. The requirements differ, depending upon the size of the company concerned, but applies to all public or private companies, including those limited by shares or by guarantee. The requirements do not apply to non-profit making companies or to licensed banks or insurance companies.

All companies are required to prepare accounts for each financial year; however the period for the first financial year can extend to 18 months from the date of incorporation.

### 2. Small and medium sized companies

A company is categorized as a *small company* if at least two of the following conditions are satisfied either in its first financial year or, thereafter, in two subsequent consecutive years:-

- net turnover does not exceed £8million,
- balance sheet total does not exceed £8million,
- average number of employees does not exceed 50.

A company is categorized as a *medium company* if, in respect of the relevant year or years, at least two of the following conditions are satisfied:-

- net turnover does not exceed £41million,
- balance sheet total does not exceed £35million,
- average number of employees does not exceed 250.

### 3. Requirements for small companies

A small company

- is not required to appoint an auditor or to have its accounts audited, unless it is in receipt of trading income accrued and derived in Gibraltar. Companies with a turnover of less than £1 million may submit an Accountants Report to the Commissioner of Income Tax instead of an Audit Report.
- is not required to file a Directors Report or profit and loss account at Companies House,
- is not required to lay its accounts before its shareholders in general meeting,
- is only required to file a balance sheet in an abbreviated form signed by two directors (or one director, if there is only one director) at Companies House

### 4. Requirements for medium-sized and large companies

Companies which are not categorized as small companies are required to prepare and file a profit and loss account and balance sheet for each financial year, accompanied by an auditors' report and a directors' report. The directors' report may, instead of being filed, be made available at the registered office.

The layout and content of a medium-sized company's profit and loss account may be modified as permitted in the relevant schedule of the Act.

### 5. Format and content

The required layout, format and content of accounts (including small company balance sheet formats) are contained in schedules to the Act.

The first set of accounts (or abbreviated balance sheet in the case of small companies) due for filing are not required to show corresponding figures for the previous year. All subsequent accounts are required to show corresponding figures for the previous financial year.

Accounts may be produced in any primary currency, must be drawn up clearly in accordance with the requirements of the Act and must give a true and fair view of the company's financial position. Where the accounts are not prepared in the currency of the issued share capital, the amount of the issued share capital in its original currency together with the exchange rate used must be stated.

### 6. Filing time limits

Private companies must make the required filings within 13 months after the end of the financial year (10 months for public companies).

If the relevant financial year is the company's first year of existence, the period allowed is 18 months from the first anniversary of the incorporation of the company or 13 months from the end of that financial year, whichever is the longest period.

The Act applies to the accounts of companies in respect of each financial year which begins **on or after 1 April 2000**.

## 7. Consolidated Accounts

This Act implements the Seventh Company Law Directive of the European Union and deals with the accounts of groups of companies. The Act defines parent and subsidiary undertakings and groups and provides for the format of group accounts and for certain minimum information to be given. Groups are categorised as small or medium-sized, using the same criteria as apply to individual companies.

The Act provides that if a company is a parent company it is required to prepare group accounts as well as its own accounts. There are exceptions where a company is itself a subsidiary and its immediate parent is incorporated in a member state in the European Economic Area.

## 8. Penalties

If a company fails to make a filing as required by the Act a penalty, can be imposed by the Minister on its directors – sec 269

Companies House will impose an **additional penalty** for the late filing of accounts, as follows:-

From 13 months to 24 months following the financial year end	£ 50
Thereafter	£ 100

**and** the company will not be in good standing with the Registry of Companies. This will prevent the company being able to obtain a Certificate of Good Standing.

## 9. Changes for Accounting Periods commencing after 1 January 2016

The Companies Act 2014 (Amendment) Regulations 2015 introduced a number of changes to the Companies Act 2014 for accounting periods commencing on or after 1 January 2016. These amendments transpose in part the 2013/34/EU Directive with regard to annual financial statements. The main changes include the introduction of micro entities and increases in the limits for classification of companies as follows:

A company is categorized as a *micro company* if at least two of the following conditions are satisfied either in its first financial year or, thereafter, in two subsequent consecutive years:-

- net turnover does not exceed £632,000
- balance sheet total does not exceed £316,000,
- average number of employees does not exceed 10.

A company is categorized as a *small company* if at least two of the following conditions are satisfied either in its first financial year or, thereafter, in two subsequent consecutive years:-

- net turnover does not exceed £10.2million,
- balance sheet total does not exceed £5.1million,
- average number of employees does not exceed 50.

A company is categorized as a *medium company* if, in respect of the relevant year or years, at least two of the following conditions are satisfied:-

- net turnover does not exceed £36million,
- balance sheet total does not exceed £18million,
- average number of employees does not exceed 250.

Private companies must make the required filings within 12 months (reduced from 13 months) after the end of the financial year (10 months for public companies).

## Further Information

This memorandum seeks only to give an overall view of the accounting requirements for Gibraltar companies any further information may be obtained from Brendan Murphy or Paul Vincent in Gibraltar.

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