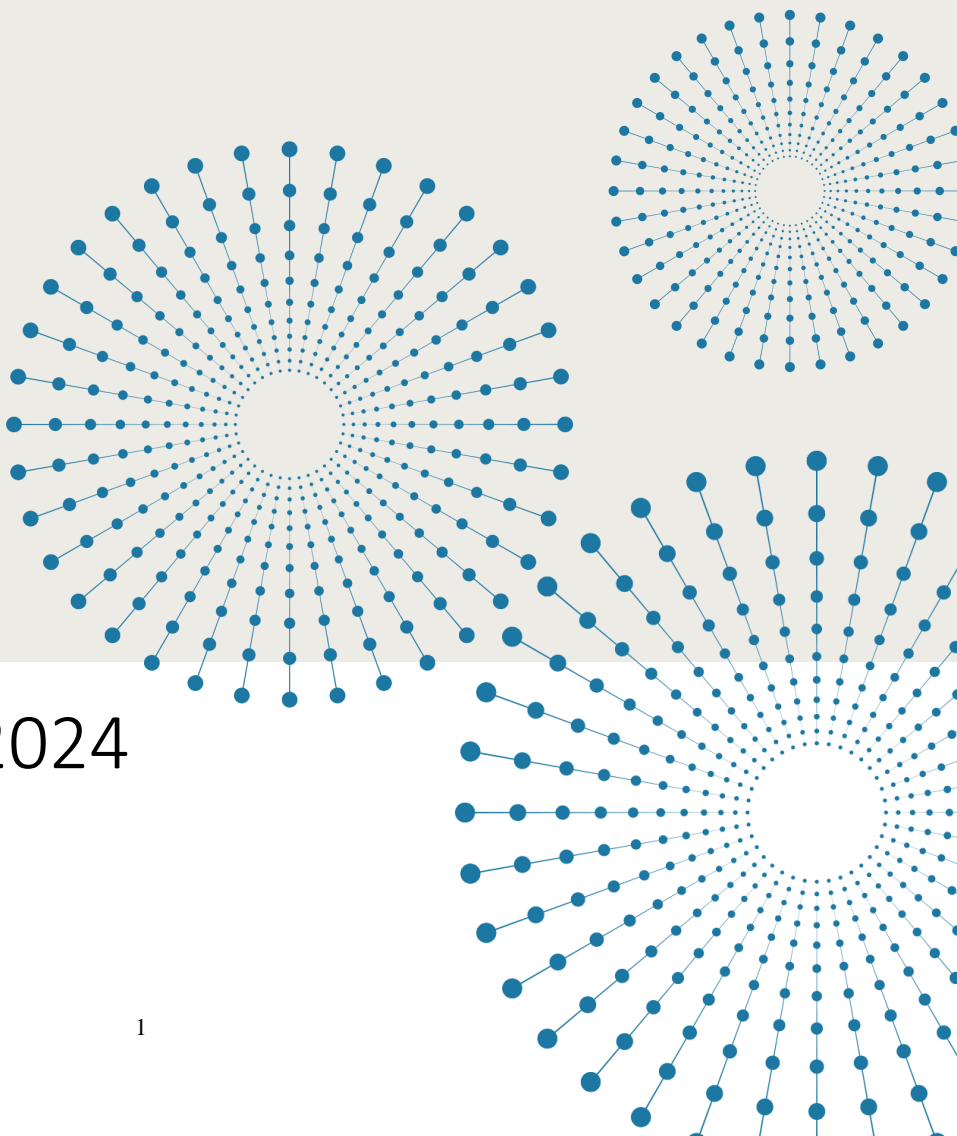


# Updated PBE Tier Sizes

**Mandatory 28 March 2024**

Issued February 2024





## Updated PBE Tier Sizes

### Issued February 2024

This amending Standard increases the Public Benefit Entity tier size thresholds applicable to entities that are required (or opt under an enactment) to prepare, general purpose financial reports in accordance with accounting standards issued by the External Reporting Board.

In finalising this 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 amending Standard was issued on 29 February 2024 by the External Reporting Board pursuant to section 12(a) of the Financial Reporting Act 2013.

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

The 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 amending Standard was published under the Legislation Act 2019 on 29 February 2024 and takes effect on 28 March 2024.

### Commencement and application

The amending Standard has a mandatory date of 28 March 2024, meaning it must be applied by reporting entities for accounting periods that begin on or after this date.

Application to an earlier accounting period is permitted for accounting periods that end after this amending Standard takes effect – refer to paragraphs NZ 78 – 80 of this amending Standard.

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## Part A – Introduction

This amending Standard amends the PBE Tier Size Criteria in XRB A1 *Application of the Accounting Standards Framework* as it applies to the entities that are required (or opt under an enactment) to prepare general purpose financial reports in the public benefit entities sector. It also makes editorial corrections to XRB A2 *Meaning of Specified Statutory Size Thresholds* to reflect the references to XRB Standards in the Incorporated Societies Regulations 2023.

## Part B – Scope

**An entity shall apply this Standard when it prepares, or when it opts under an enactment to prepare, GPFR in accordance with accounting standards issued by the External Reporting Board.**

## Part C – Amendments to XRB A1 *Application of the Accounting Standards Framework*

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Paragraphs 38 and 40 and the heading of part D are amended, paragraph 37 is not amended but is included for context. Paragraphs 78 – 81, and BC46 – BC49 are added. Deleted text is struck through and new text is underlined.

### C. PUBLIC BENEFIT ENTITIES

#### Tier structure

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##### Tier 1 criteria

37. Subject to the requirements on moving between tiers (set out in paragraphs 47 to 72), a PBE shall report in accordance with Tier 1 PBE Accounting Requirements if it:
- (a) (i) has public accountability<sup>3</sup> at any time during the reporting period; or
  - (a) (ii) is large; or
  - (b) is eligible to report in accordance with the accounting requirements of another tier but does not elect to report in accordance with that other tier.
38. For the purpose of applying the Tier 1 size criteria, a PBE is large if it has total expenses over ~~\$30~~33 million. Total expenses means the total expenses (including losses and grant expenses), recognised in its surplus or deficit by an entity in accordance with Tier 1 PBE Accounting Requirements, where surplus or deficit is defined as the total of revenue less expenses, excluding the components of other comprehensive revenue and expense. Where revenue and expense are offset as required or permitted by a relevant accounting standard, any net expense is included in total expenses. Where the entity reporting is a group, total expenses is that of the group comprising the controlling entity and all its controlled entities.

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<sup>3</sup> The term “public accountability” is used here with the meaning specified in this document. It is different from the manner in which it was used prior to 2011 in the Accounting Standards Framework. This meaning is also different from the way in which “publicly accountable” is normally used in the public sector and not-for-profit sector. While entities in the public sector and not-for-profit sector are generally considered to be publicly accountable, it does not mean that all entities in those sectors have public accountability (and are therefore in Tier 1). The definition of public accountability has a particular technical meaning and is narrower than the generic term publicly accountable as it is commonly used.

### Tier 3 criteria

40. Subject to the requirements on moving between tiers (set out in paragraphs 47 to 72), a PBE may elect to report in accordance with Tier 3 PBE Accounting Requirements if it:
- (a) does not have public accountability; and
  - (b) has total expenses less than or equal to \$25 million.

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## D. ~~EFFECTIVE DATE COMMENCEMENT AND APPLICATION~~

- 78 Updated PBE Tier Sizes, issued in March 2024, amended the PBE tier size criteria in paragraphs 38 and 40. An entity shall apply those amendments in accordance with the commencement and application date provisions in paragraphs 79 - 80.

### When amending Standard takes effect (section 27 Financial Reporting Act 2013)

- 79 The amending Standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019. The amending Standard was published on 29 February 2024 and takes effect on 28 March 2024.

### Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act)

- 80 The accounting periods in relation to which this amending Standard commences to apply are those accounting periods following, and including, the first accounting period for the entity that ends on or after 28 March 2024.

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## BASIS FOR CONCLUSIONS ON STANDARD XRB A1 APPLICATION OF THE ACCOUNTING STANDARDS FRAMEWORK

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### Updated PBE tier sizes

BC46. In August 2023 the New Zealand Accounting Standards Board (NZASB) made a recommendation to the External Reporting Board that they consult publicly on increasing the Tier 2 and Tier 3 size thresholds for PBEs in the Accounting Standards Framework. They made this recommendation noting that the thresholds had not been adjusted since they were originally set in 2012. They therefore highlighted a risk that the thresholds were no longer appropriate due to the effects of inflation over time which may cause entities to be required to report in a higher tier despite not having become larger or more complex in real terms.

BC47. The NZASB recommended consulting on increasing the:

- (a) Tier 2 PBE size threshold from \$30 million to \$33 million. In their recommendation, the NZASB noted that the legislative threshold on which the Tier 2 threshold is based (the legislative definition of a “large” entity) has recently been amended from \$30 million to \$33 million and this change will maintain alignment; and
- (b) Tier 3 PBE size threshold from \$2 million to \$5 million. In their recommendation, the NZASB highlighted that the legislative measure on which the Tier 3 threshold was originally based is no longer in effect and that judgement would be required to determine a Tier 3 threshold which would correct for the effects of inflation since 2012, future proof the Accounting Standards Framework until the External Reporting Board carries out a first-principles review, and reflect the objective for the benefits to exceed the costs of reporting for smaller Tier 2 PBEs.

In October 2023 the XRB issued the Consultation Document *Public Benefit Entity Tier Sizes* which proposed increases to the Tier 2 and Tier 3 PBE size thresholds in accordance with the NZASB’s recommendations.

BC48. In February 2024 the NZASB considered the submissions received on *Public Benefit Entity Tier Sizes*. They noted that respondents were in strong support of the proposals. The NZASB therefore made a final recommendation to the External Reporting Board.

BC49. In February 2024 the External Reporting Board agreed to proceed with the proposals and issued *Updated PBE Tier Sizes* in February 2024.