



ASIC
Australian Securities &
Investments Commission

Explanatory Statement

ASIC Corporations (Non-Reporting Entities) Instrument 2025/436 and ASIC Corporations (Repeal) Instrument 2025/440

This is the Explanatory Statement for *ASIC Corporations (Non-Reporting Entities) Instrument 2025/436* and *ASIC Corporations (Repeal) Instrument 2025/440*.

The Explanatory Statement is approved by the Australian Securities and Investments Commission (**ASIC**).

Summary

1. *ASIC Corporations (Non-Reporting Entities) Instrument 2025/436* (the **Instrument**) allows non-reporting entities to prepare their financial statements using the concessions and transitional provisions for recognition and measurement in accounting standards which apply to reporting entities.
2. *ASIC Corporations (Repeal) Instrument 2025/440* (the Repeal Instrument) repeals five financial reporting-related legislative instruments: *ASIC Corporations (Stapled Group Reports) Instrument 2015/838*, *ASIC Corporations (Related Scheme Reports) Instrument 2015/839*, *ASIC Corporations (Non-Reporting Entities) Instrument 2015/841*, *ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842* and *ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251*.

Purpose of the instrument

3. Section 296(1) of the *Corporations Act 2001* (**Corporations Act**) requires all entities that prepare financial reports under Chapter 2M to comply with accounting standards. Some accounting standards are stated to apply to all entities reporting under Chapter 2M and others are stated to apply only to entities reporting under Chapter 2M that are 'reporting entities'.
4. Regulatory Guide 85 *Reporting requirements for non-reporting entities* (RG 85) outlines our view that non-reporting entities preparing financial reports under Chapter 2M must comply with the recognition and measurement requirements of accounting standards in order to meet a number of general obligations under the Corporations Act.
5. Non-reporting entities that apply only the recognition and measurement requirements of accounting standards and not the disclosure requirements may

not be able to take advantage of certain concessions from those requirements that are available to reporting entities. These concessions include:

- a. concessions available under Australian Accounting Standard AASB 1 *First-time adoption of Australian accounting standards* (AASB 1); and
 - b. transitional provisions or other concessions under a non-mandatory accounting standard.
6. For example, AASB 1 provides some concessions from reworking information to comply with the recognition and measurement requirements when an entity adopts the Australian accounting standards for the first time. These concessions would appear to be available only to entities that apply all of the requirements of the Australian accounting standards, including all disclosure requirements. As non-reporting entities may not be required to comply with all disclosure requirements, the concessions may not be available to them.
7. It would be inconsistent for non-reporting entities to not have the advantage of concessions available to reporting entities. This instrument ensures that non-reporting entities can take advantage of concessions or other modifications of the recognition and measurement standards of accounting standards that are available to reporting entities.
8. Relief for the application of accounting standards by non-reporting entities was previously provided by ASIC through ASIC Class Order [CO 05/639]. This was continued on substantially the same terms in *ASIC Corporations (Non-Reporting Entities) Instrument 2015/841*, which sunsets on 1 October 2025.
9. The purpose of the Repeal Instrument is to repeal five financial reporting-related legislative instruments that are due to sunset on 1 October 2025.

Consultation

10. ASIC consulted publicly on our proposal to remake the relief through CS 24 *Proposed remake of financial reporting-related legislative instruments*. We received one submission, which supported remaking the instrument.

Operation of the instrument

11. Section 4 of the Instrument provides a simplified outline for the instrument. Its purpose is to assist readers in understanding the substantive provisions. However, the outline is not intended to be comprehensive, and readers should rely on the substantive provisions when considering the instrument's effect.
12. Section 6 of the Instrument provides that a company or registered scheme that is not a reporting entity is allowed to comply with the recognition and measurement requirements of accounting standards as if it is a reporting entity provided it takes all reasonable steps to ensure that the financial report complies with all recognition and measurement requirements that apply to a reporting entity. That is, the company or registered scheme can take advantage of

concessions and transitional provisions in accounting standards that are otherwise only available to reporting entities.

13. Schedule 1 of the Repeal Instrument repeals the five financial reporting-related instruments.

Legislative instrument and primary legislation

14. The subject matter and policy implemented by the Instrument is more appropriate for a legislative instrument than primary legislation because it provides relief where strict compliance with the primary legislation produces anomalous outcomes that would be inconsistent with the intent of the primary law.
15. If the matters in the Instrument were to be inserted into the primary legislation, they would insert, into an already complex statutory framework, a set of specific provisions that would apply only to a relatively small group of entities. This would result in additional cost and unnecessary complexity for other users of the primary legislation.
16. It will be a matter for the Government and for Parliament to consider whether the primary legislation may need to be amended in the future to include the substance of the relief in the Instrument in legislation.

Duration of the instrument

17. The duration of the Instrument is 5 years.

Legislative authority

18. The Instrument is made under subsection 341(1) of the *Corporations Act 2001*.
19. The Repeal Instrument is made under sections 250PAA, 341, 341A, 601QA, 992B and 1217 of the *Corporations Act 2001*.
20. The Instrument and the Repeal Instrument are disallowable legislative instruments.

Statement of Compatibility with Human Rights

21. The Explanatory Statement for a disallowable legislative instrument must contain a Statement of Compatibility with Human Rights under subsection 9(1) of the *Human Rights (Parliamentary Scrutiny) Act 2011*. A Statement of Compatibility with Human Rights is in the [Attachment](#).

Statement of Compatibility with Human Rights

This Statement of Compatibility with Human Rights is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

ASIC Corporations (Non-Reporting Entities) Instrument 2025/436 and ***ASIC Corporations (Repeal) Instrument 2025/440***

Overview

1. *ASIC Corporations (Non-Reporting Entities) Instrument 2025/436* (the ***Instrument***) allows non-reporting entities to prepare their financial statements using the concessions and transitional provisions for recognition and measurement in accounting standards which apply to reporting entities.
2. *ASIC Corporations (Repeal) Instrument 2025/440* (the ***Repeal Instrument***) repeals five financial reporting-related legislative instruments that are scheduled to sunset on 1 October 2025: *ASIC Corporations (Stapled Group Reports) Instrument 2015/838*, *ASIC Corporations (Related Scheme Reports) Instrument 2015/839*, *ASIC Corporations (Non-Reporting Entities) Instrument 2015/841*, *ASIC Corporations (Post Balance Date Reporting) Instrument 2015/842* and *ASIC Corporations (Externally-Administered Bodies) Instrument 2015/251*.

Assessment of human rights implications

3. The Instrument and the Repeal Instrument do not engage any of the applicable rights or freedoms.

Conclusion

4. The Instrument and the Repeal Instrument are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.