

MINIMUM FINANCIAL REQUIREMENTS (MFR)

– AN OVERVIEW



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The new Minimum Financial Requirements (MFR) Regulation commenced on 1 January 2019. These laws will support the security of payment initiatives within the building and construction industry.

Under the new laws, QBCC licensees who hold a contractor grade licence will be required to meet annual financial reporting obligations.

The following information provides a handy definition of key terms and gives an overview of the annual reporting submission process via the online portal myQBCC.

Key terms and definitions

Net Tangible Assets (or NTA for short), means the net assets of a business:

- less any intangible assets such as goodwill, borrowing costs, patents, and trademarks
- less any disallowed assets, such as jet skis, boats, racehorses, personal furniture, collector's items etc.
- less any liabilities.
- Acceptable assets include:
 - cash
 - work in progress

- registered motor vehicles
- real property
- an amount owing to you by a debtor
- tools of trade
- plant and equipment
- related entity loans if they are assessed as collectable.
- You must own your assets both legally and beneficially (e.g. real estate, cash, collectible investments) and they cannot include assets held on trust for another person or corporation. See section below on how to calculate NTA.

Maximum revenue (MR) is the total income you receive from the building industry and any other source and it is determined by your net tangible assets.

Liabilities includes any debts or obligations you must pay or settle within a certain period of time or pay on demand (e.g. amounts of related entity loans, shares in companies not publicly listed). **All** liabilities must be taken into account.

Current Ratio shows the amount of current assets of a business in relation to its current liabilities and it helps determine the business's financial viability.
Current ratio = current assets / current liabilities.

HOW TO CALCULATE NTA

BUSINESS STRUCTURE	NTA FROM:
Sole trader	<ul style="list-style-type: none"> • personal assets and liabilities
Stand-alone company	<ul style="list-style-type: none"> • company assets and liabilities; or • in combination with assets assured by one or more director/s or an associated company of the applicant/licensee by way of a Deed of Covenant and Assurance (Deed).
Partnership	<ul style="list-style-type: none"> • company's assets and liabilities; or in combination with assets assured by your partner by way of a Deed <p>Note: evidence of a formal business Partnership Agreement must be provided where a Deed is provided by the partner of the applicant. You cannot include the assets of the partnership but may include your personal EQUITY (OR LOSS) in relation to the partnership in determining your NTA. Example - if the partnership equity is \$10,000 and you have a 40% share within the partnership, equity of \$4,000 may be included as a personal asset in your NTA.</p>
Trust	<p>For an individual - personal assets and liabilities; or in combination with assets assured by one or more of the Beneficiaries of the Trust by way of a Deed</p> <p>For a company - assets and liabilities of the trustee company, exclusive of the trust (eg \$10 representing the issued share capital of the company); or in combination with assets assured by way of a Deed from one or more of - beneficiary of the trust, director of the licensee or associated company of the licensee.</p> <p>Note: assets and liabilities held in the Trust cannot be taken into consideration in determining NTA and cannot be assured to the applicant through the use of a Deed. Assets held on trust for another person or corporation do not fall within the QBCC's definition of an "asset".</p> <p>Note 2: The current ratio is calculated by the combination of the trustee company and trust's current assets, less the combination of the trustee company and trust's current liabilities.</p>
Subsidiary company within a consolidated group subject to ASIC Class Order (98/1418)	<p>A Company subject to an ASIC Class Order (98/1418) - Deed of Cross Guarantee, may meet the NTA requirement from either:</p> <ul style="list-style-type: none"> • the assets and liabilities of the Consolidated Group; • the assets and liabilities of the Closed Group of companies subject to the Class Order; or • the assets and liabilities of the applicant in its own right; • in combination with assets assured by a Deed by an approved assurer <p>The applicant or Licensee party to the Deed of Cross Guarantee will be required to provide evidence that the Deed is in place when submitting the MFR Report and signed financial statements.</p>
Parent company within a consolidated group	<p>A parent company of a consolidated group subject to ASIC's audited requirements, may meet the NTA requirement from either:</p> <ul style="list-style-type: none"> • the assets and liabilities of the Consolidated Group; • the assets and liabilities of the Closed Group of companies subject to the Class Order (if applicable); or • the assets and liabilities of the applicant in its own right; • in combination with assets assured by a Deed by an approved assurer <p>The applicant or Licensee party to the Deed of Cross Guarantee will be required to provide evidence that the Deed is in place when submitting the MFR Report and signed financial statements.</p>

SUBMITTING YOUR FINANCIAL INFORMATION THROUGH myQBCC

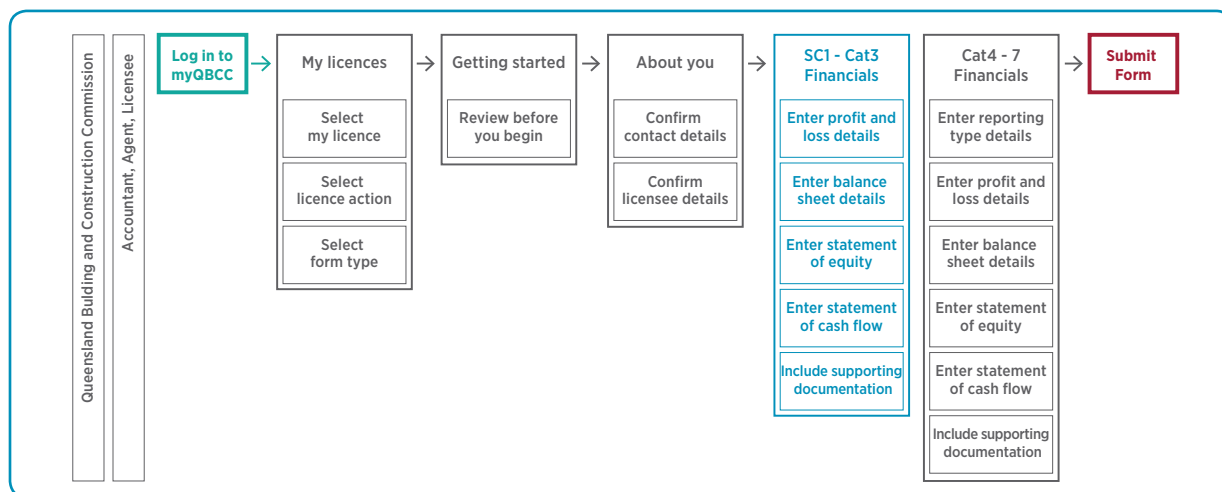
myQBCC is an easy way for you to interact with QBCC, giving you the freedom to choose when you need us. You can:

- submit your annual financial reports
- provide feedback
- make an enquiry

- purchase, amend and cancel insurance policies if you are a contractor
- manage your representatives
- renew your licence

To register, head to the website qbcc.qld.gov.au and click on the myQBCC link.

OVERVIEW OF THE ANNUAL REPORTING SUBMISSION PROCESS IN myQBCC



SUMMARY OF REPORTING REQUIREMENTS AND SUBMISSION DATES

FINANCIAL CATEGORY	MAXIMUM REVENUE	NET TANGIBLE ASSETS	DOCUMENTS/INFORMATION TO BE PROVIDED	FIRST REPORT	SUBSEQUENT REPORT	REPORTING DATE FOR NEW LICENSEES
Self-Certification Category 1 (SC1)	Up to \$200,000	\$12,000	Declare revenue and net tangible assets in the online portal. These licensees will not be required to engage an accountant.	31 December 2019	After the 31 December reporting date QBCC to allocate and give licensee at least 40 business days' notice of their new annual reporting date.	Date to be notified by QBCC when licence is approved.
Self-Certification Category 2 (SC2)	Up to \$600,000 After 1 April 2019 it will be \$800,000	\$36,000				
Category 1	\$600,001 - \$3,000,000	\$36,001 - \$156,000	Provide the following reports, these do not have to be prepared by an accountant: <ul style="list-style-type: none"> • Profit and loss statement • Balance sheet • A debtors and creditors report (age listing) • Statement of cash flow 			
Category 2	\$3,000,001 - \$12,000,000	\$156,001 - \$480,000				
Category 3	\$12,000,001 - \$30,000,000	\$480,001 - \$1,200,000				
Category 4	\$30,000,001 - \$60,000,000	\$1,200,001 - \$2,400,000	Signed financial statements being: <ul style="list-style-type: none"> • A profit and loss statement; • A balance sheet; • A debtors and creditors reports (age listing); • A statement of cashflows • Notes to the financial statements • A written declaration • A description of the measurement (basis and accounting policies relevant to those statements). OR If an ASIC reporting entity a copy of the report or documents lodged with ASIC if provided within 30 days of ASIC lodgement.	31 March 2019		
Category 5	\$60,000,001 - \$120,000,000	\$2,400,001 - \$4,800,000				
Category 6	\$120,000,001 - \$240,000,000	\$4,800,001 - 14,400,000				
Category 7	>\$240M NTA x 16.67	>\$14.4M				

