

# REGULATORY GUIDE FOR MINIMUM FINANCIAL REQUIREMENTS AND ANNUAL REPORTING

MARCH 2026

# REGULATORY GUIDE FOR MINIMUM FINANCIAL REQUIREMENTS (MFR) AND ANNUAL REPORTING

The Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018 (MFR Regulation) sets the financial standards that contractor licensees (trade contractors and builders) must meet.

This guide explains how the QBCC applies a risk-based and proportionate approach to the MFR – including where we may use discretion in the event of non-compliance, the options available to support licensees to return to and maintain compliance, and how we prioritise matters based on risk.

## Scope

This guide applies to all contractor licensees and replaces all previous guides. It covers the key aspects of the MFR Regulation, including:

- Annual reporting; and
- Compliance with the MFR and related obligations

It also outlines what happens if a licensee is not meeting the MFR, and how the QBCC can consider a pathway that supports a return to compliance, particularly where the risk is low.

**Note – New applicants must always meet the MFR in the first instance to attain their licence.**

## Our Risk Based Approach

The QBCC employs a risk-based approach when considering what to do in circumstances where a licensee falls out of compliance with the MFR. The QBCC is in possession of a wide range of intelligence, and this information is utilised to undertake a risk assessment of a licensee, prior to taking any action. This data includes:

- Financial information provided through annual reporting
- Information from credit bureaus including payment defaults and updates, credit enquiries, ASIC data, court actions and account status with suppliers
- Internal data including monies owed complaints, non-completion claims, defective work complaints
- Tip-offs from concerned stakeholders

Other factors that are considered in the risk assessment include – size of licensee, history of non-compliance, and severity of breach. The QBCC also matches its response to the level of risk and the licensee's engagement with the QBCC. This allows the QBCC to build a profile of licensees in determining the level of risk they present to the broader building industry.

The QBCC regulates to protect consumers, subcontractors, suppliers and the broader industry. The QBCC does this in a way that is supportive, proportionate and risk based:

- 1. Risk based decision-making** – The QBCC focuses on the level and nature of risk, not just a technical breach. The QBCC prioritises matters that pose a higher risk of harm to Queenslanders and the industry.
- 2. Fairness and proportionality** – The QBCC considers each case on its merits and tailor the response to match the circumstances. This is from education and monitoring through to formal regulatory action where necessary.
- 3. Support and early engagement** – The QBCC encourages early contact and open dialogue to help licensees maintain or regain compliance where possible.

## Purpose of the MFR Regulation

The MFR supports a financially sustainable building and construction industry. It helps ensure people are paid for the work they do and that customer's projects can be completed.

The MFR is not there to prevent insolvencies. Instead, it manages risk arising from financial distress, enabling earlier intervention, supporting recovery where feasible, or assisting an orderly exit from the industry while minimising harm.

The MFR provides licensees with core tools to assist in operating a financially sustainable business which includes:

- **requirement to prepare quarterly management accounts** – this requirement provides licensees with a great opportunity to review their financial position, including profit margins and ensure contracts remain profitable, being paid for the work they are completing and paying subcontractors and suppliers on time
- **maintain a current ratio of at least 1** – maintaining a healthy current ratio promotes good cashflow and ensures that licensees are able to meet their short-term obligations
- **maintain a net tangible asset position of at least \$0** – a positive net tangible asset position is crucial because it indicates that the licensee owns more than it owes, providing a financial buffer to withstand economic downturns and supporting the licensee with their growth in the industry.
- **having sufficient net tangible assets to support the turnover being performed** – There are no other guides or framework which set out what the ideal working capital is for a selective turnover. With the MFR having this requirement embedded in its regulation, it can provide licensees with the tools to identify what minimum level of working capital is required to grow but also maintain their business.

A rapidly growing turnover can have a dramatic impact on cash flow and it is important to ensure the business is growing sustainably and not too quickly.

- **Requirement to pay debts as and when they fall due**— paying debts in accordance with trade and finance terms ensures licensees maintain a good credit score and avoid any penalties and interest, prevents debt collectors, defaults and legal action from arising. A licensee is considered insolvent or bankrupt when it cannot pay its debts when they are due. There are serious penalties for continuing to trade whilst insolvent.

By meeting these requirements, licensees will be operating a strong financially viable business and will minimise the likelihood of business failure.

## Annual Reporting

Annual reporting is a financial health check. It helps identify licensees who may be experiencing a financial downturn so the QBCC can engage early and support a return to compliance where needed.

For most category 1 to 7 licensees, the annual reporting financial information is due by 31 December each year, and for SC1 and SC2 Company licensees, the annual reporting financial information is due by 31 March each year. The annual reporting requirements for SC1 and SC2 individuals was removed in March 2025 due to the low risk nature.

For all licensees who are required to lodge annual reporting information, the QBCC will send at least two reminders by e-mail to licensees before the annual reporting due date, and at least two reminders will be sent by e-mail to licensees after the annual reporting date. All annual reporting lodgement cases are opened in the myQBCC portal at least 5 months before the annual reporting due date.

## Extensions of time

Extensions of time to lodge annual reporting information can be considered if a licensee has faced exceptional circumstances, including natural disasters, serious illness, or other reasonable unforeseen circumstance that prevents the licensee from lodging within the 5 month open case window.

To request an extension of time, the licensee must e-mail [annualreporting@qbcc.qld.gov.au](mailto:annualreporting@qbcc.qld.gov.au) ideally before the annual reporting due date explaining the reasons for the extension of time request. All extension of time requests will be considered on a case by case basis.

## What happens if the annual reporting financial information is not lodged on time?

The QBCC will review the licensee and identify any associated risk with the licensee prior to taking any action, including:

- any additional financial risk indicators (monies owed complaints, payment defaults, non-completion claims, defective work complaints)

If a licensee falls subject to disciplinary action for non-lodgement for annual reporting, the following process will occur:

### 1. Notice of Proposed Disciplinary Action (e.g. a proposed licence condition, suspension, or cancellation)

The licensee has 28 days to lodge the annual reporting information or provide an explanation on why it cannot be provided.

### 2. Disciplinary Action Decision Notice (if risk remains or there is no response)

The licensee has 29 days to lodge the annual reporting information or respond to the notice on why it cannot be provided, before the decision is effected on the public register.

### 3. Disciplinary Action Decision Effected Notice (if risk remains or there is no response)

If a condition or suspension is imposed, it will remain active until the annual reporting information is lodged. Once the annual reporting information is lodged, the condition or suspension will be end-dated however history of the condition or suspension will remain in the history on the public register. If a licence cancellation is imposed, a new licence application is required.

If a licensee is disinclined to lodge their annual reporting as they are aware they are not compliant with the MFR, the best course of action remains to lodge the financial information to avoid any disciplinary action for non lodgement, however the licensee should also seek professional advice to decide whether the breaches can be remedied with a MFR Report or if the licensee can develop a plan to return back into compliance (**refer to Returning back into compliance section**).

## Minimum Financial Requirements

Aside from annual reporting, there are other circumstances where financial information may need to be provided to the QBCC:

- If a licensee has exceeded their last accepted maximum revenue by more than 10%
- If a licensee has had a decrease to their last accepted net tangible asset position – 20% decrease for category 4 to 7 licensees and 30% decrease for SC1 to category 3 licensees
- If a licensee wants to rely upon, or revoke, a Deed of Covenant and Assurance
- If a licensee has a significant change to their business, for example change in business structure or directors

The QBCC may exercise discretion from furthering or commencing regulatory action where risk is low and circumstances are clear. Examples of this discretion where the QBCC may not require financial information from the licensee may include:

- For larger licensees it might be standard practice to rotate directors every 3 to 6 months, therefore a change in directors may not necessarily mean it is a significant change to the business. Adding an additional director to the business may not be a significant change.
- If a licensee has exceeded their last accepted maximum revenue due to a sale of Property Plant and Equipment, then discretion may be applied to the breach in maximum revenue as the income that caused the breach is not part of the usual course of business.
- If a licensee has had a higher than usual year for trading, but business plan evidence that revenue will fall back below the currently approved maximum revenue.
- If a licensee has had a decrease in net tangible assets and the licensee has sufficient net tangible assets to support their turnover and the licensee meets all other financial requirements.

These may include:

- Allowing investments valued at equity method regardless of the type of financial statements provided
- Where a licensee is relying on a related entity loan from a treasury entity (cash pooling arrangement), instead of applying the balance sheet test under section 15(1)(k), the licensee instead provides audited general purpose financial statements (accompanied by an unqualified audit opinion) for the treasury entity which demonstrates that there is an ability for the loan to be repaid and further evidence to confirm there is no insolvency concerns within the group
- Amounts held in project and retention trust accounts

Discretion cannot be applied to reliance on or revocation of a Deed of Covenant and Assurance – these are legal instruments requiring the highest level of assurance.

## Responding to non-compliance with MFR

If a licensee is in breach of the MFR or suspected of being in non-compliance and the risk of harm is high, the QBCC may take formal steps of action, including:

- Request for internal management accounts
- Minimum Financial Requirements Audit
- Notice of Reasons for Proposed Suspension (Failure to meet MFR)
- Proposed Licence Condition

If a licensee does not demonstrate compliance with the MFR, does not respond to the QBCC, or there is considerable impact on the licensee, creditors and consumers if action is not taken, then the licensee may be suspended or cancelled.

In circumstances where there is a strong likelihood that a licensee could cause serious financial harm to the industry, the QBCC may consider immediate suspension of a licensee.

If a licensee is in breach of the MFR or suspected of being in non-compliance and the risk is low, the QBCC may take a more proportionate approach, including:

- Request for internal management accounts
- Implementing monitoring, with reporting requirements
- Licence conditions

The purpose of any action is to confirm compliance, and to create a pathway back to compliance. Early, open communication helps the QBCC to tailor a risk based supportive response to assist the licensee.

If a licensee is subject to any of these actions, it is important to seek professional advice as early as possible to identify remedies available.

## Returning back into compliance with MFR

If a licensee is aware they are currently not in compliance with the MFR, it is advised that they engage professional advice and develop and submit a plan to return back into compliance. Where risk is low and a licensee has a credible, time-bound plan, the QBCC may defer further action and work with the licensee to execute the plan.

All plans to return back into compliance must be submitted in writing either to the case owner (if there is an active case) or to [MFRQueries@qbcc.qld.gov.au](mailto:MFRQueries@qbcc.qld.gov.au) (if there is no active case) for consideration. The submission could include the following information:

- What caused the licensee to be in non-compliance with the MFR
- What steps the licensee has taken to improve the financial position
- What steps are still being taken to improve the financial position
- How long will the plan take to execute to achieve compliance
- A risk assessment detailing why the licensee is a low risk to industry
- Evidence to support that all undisputed debts are being paid as and when they fall due
- Internal management accounts for the recent quarter ending

All plans to return back into compliance must be reasonable in both reason and time. Examples of reasonable plans to return back into compliance may include:

- Cash injection
- Repayment of related entity loans
- Converting current debt to equity
- Issuance of shares
- Finalising current projects to exit the industry (no new work being taken on)
- Sale of Property or plant and equipment

Relying on future trading profits is not considered a reasonable plan as the construction industry operates with some volatility, and as such these plans are generally not supported. All plans must also be executed within a reasonable period of time, for example if a licensee has a negative net tangible asset position and is planning to issue shares in 6 months time, this would not be considered reasonable as the licensee may not be able to survive in that 6 months due to the deficiencies that have already arose.

## Small Business Restructuring Practitioners

An appointment of a Small Business Restructuring Practitioner (SBRP) does not fall under the exclusion provisions set out in the *Queensland Building and Construction Commission Act 1997* (QBCC Act). If a licensee appoints a SBRP, the licensee must inform the practitioner that the restructuring proposal should also assist the licensee is complying with the minimum financial requirements. The QBCC actively tracks most SBRP appointments and supports licensees through this process.

If a licensee is under current regulatory action and a SBRP is appointed during this process, the QBCC will pause any regulatory action on foot and await the outcome of the restructure before deciding what happens next. If the restructure is accepted by creditors, the QBCC may consider requesting newer financial information for a later period end date after the restructure plan is finalised to confirm compliance with the MFR is met or request internal management accounts for a later period end date to re-check compliance.

If a licensee has significant financial concerns, then regulatory action may proceed despite the restructure proposal still being considered by creditors.

If a restructure proposal is not accepted by creditors or the plan lapses, then the QBCC may take regulatory action against the licensee as there is concerns that the licensee may be insolvent. Before a SBRP is appointed, it is important to obtain professional independent advice.

## CASE EXAMPLES

### Example 1 - Plan to return back into compliance

The QBCC worked constructively with the company's director and their accountant after the business initially failed to meet its minimum financial requirements.

When the company lodged its annual financial information in December, the results confirmed it was not compliant. The QBCC raised concerns about the company's viability, and in response, the company's accountant promptly provided a clear and proactive plan outlining how the licensee would return to compliance.

The strategy involved the director selling an asset and injecting the proceeds into the company. The director and accountant kept the QBCC fully informed, including providing a realistic timeframe for when compliance would be restored. They also demonstrated that all creditors were either within terms or had agreed repayment arrangements, giving confidence that obligations were being responsibly managed.

To support the process, the QBCC implemented monthly reporting, and in return, the accountant and licensee maintained full transparency – even when the asset sale took longer than expected. Their openness and commitment helped maintain trust throughout the process.

Once the asset sold, the director injected the much-needed funds into the business. As a result, the company successfully returned to compliance, continued trading without interruption, and creditors were satisfied because they were paid. The outcome demonstrated that with cooperation, accountability, and timely action, a business can overcome financial challenges and remain viable.

### Example 2 – Managing risk and compliance

Following concerns raised through defective work complaints, a monies owed matter, and the company's annual financial reporting, the QBCC commenced regulatory action and requested updated financial information.

The company responded constructively. They provided submissions showing they had been actively working to rectify the defective works, and they supplied evidence disputing that any monies were owed to the creditor. Their financial information also showed that while they had entered into several creditor repayment arrangements and had outstanding taxation liabilities, they were taking steps to improve their position. Importantly, they advised that an asset was currently for sale, and its sale would significantly strengthen their ability to meet obligations.

Recognising the company's willingness to cooperate and take corrective action, the QBCC chose not to escalate regulatory measures. Instead, a monthly reporting mechanism was introduced to monitor progress.

This approach was successful. The reports demonstrated a substantial reduction in creditor balances and confirmation that taxation liabilities were being bought up to date. Through transparency, consistent effort, and ongoing communication, the company improved its financial position and addressed the issues that had triggered the initial concerns.

### Example 3 - Intervening regulatory action

QBCC received notification of a payment default from a supplier, and there were also monies owed complaints received against the company.

Financial information was requested from the company, and it was identified that the company had significantly overdue creditors. The company's nominee also withdrew.

Further financial information was requested, and the company made submissions that it was relying upon future projects to generate sufficient profit in order to repay legacy debt. The company's bank statements highlighted numerous dishonoured payments, a significant tax debt without a repayment arrangement in place with ATO, a bank overdraft that was over its limit, a significant amount of money owing from a related entity, and a large number of creditors outside normal trading terms without repayment arrangements in place or agreed extended trading terms.

A further two payment defaults from suppliers were received, and the ATO also recorded a payment default.

As no viable plan was proposed to QBCC for how the company was planning on returning to compliance in a reasonable period of time, the risk to the industry in allowing the company to continue to trade and incur new and further debt was too high, and the decision was made to suspend the company's licence.

### Example 4 – Applying discretion to the financial requirements

The QBCC had concerns due to a series of monies owed complaints being lodged.

The Company provided submissions that they were in dispute with a developer that had not paid the Company and they were actively pursuing the recovery of these funds through court. The financial information provided, as at 30 June, demonstrated that they had exceeded their last accepted revenue, but met all the other financial requirements.

The Company provided a plan to return back into compliance which included submissions to say that the Company was undergoing a significant restructure and were downsizing the business. Projected cashflow statements, evidence of no new work and evidence that all debts were being paid on time were provided, giving assurances the Company's downsizing and the low risk the Company posed on the industry.

The QBCC exercised their discretion and utilised their power to downgrade the Company's maximum revenue below its current actual revenue that the Company would have significant reduction in their maximum revenue.

Quarterly financial reporting was implemented afterwards to ensure compliance was continuing to be maintained, to remain informed of the court proceedings and to track revenue against the forecasts.

Need more information?

Visit [qbcc.qld.gov.au](http://qbcc.qld.gov.au) / call **139 333** / write to **PO Box 5099, Brisbane Qld 4001** /    