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CATSI Act Review

# Part 5—Classification of corporations

Under the current CATSI Act, a CATSI corporation is classified as small, medium or large, based on whether it meets the threshold for any two of three criteria relating to income, assets and number of employees. However, how that corporation reports to the Registrar is based only on two of those three criteria – size and income. This means a corporation could be classified ‘small’ according to its assets and staffing, but have more reporting obligations because of its income.

The thresholds used by the Australian Charities and Not-for-profits Commission (ACNC) for corporations registered as charities are based solely on revenue. Noting that this is a simpler framework, and almost one-third of CATSI corporations are also registered with the ACNC, the proposed bill looks to simplify and make reporting requirements more consistent.

Recommendation 22 of the CATSI Act Review final report is:

*It is recommended the CATSI size classification framework be aligned with that of the* Australian Charities and
Not-for-profits Commission Act 2012 *size classification framework.*

Items 97 to 99 of the amendment bill are based on recommendation 22 and are being taken forward as recommended by the CATSI Act Review. Item 97 repeals and replaces the current section 37-10 of the CATSI Act to change the current criteria for classification, based on a tripartite income/assets/employees test, to a single criterion based on consolidated revenue. The concept of consolidated revenue accounts for the revenue of a parent corporation and its subsidiaries, and is calculated in accordance with the relevant accounting standards under section 37-25 as amended (see item 98).

The thresholds for the revenue test for small and medium corporations will be prescribed in the CATSI Regulations. This will ensure that classifications, and the related annual reporting obligations, can be adjusted appropriately to reflect changes in the broader economic and regulatory environment.

Item 98 repeals section 37-20 of the Act, which relates to counting employees, as it is no longer relevant given the amendments made by Item 97. The item also repeals and replaces the current section 37-25 to reflect that the accounting standards in force at the relevant time should be used to determine a corporation’s consolidated revenue.

Item 99 provides for definitions of large, medium and small corporations, by directing the reader to the relevant subsections in Section 37-10 (as per Item 97, above).