

Changes in company and charity law in the Republic of Ireland

Committee	Charities SORP Committee
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Subject	Impact of changes in company and charity law in the Republic of Ireland on the Charities SORP (FRS 102)

1 Purpose

- 1.1 To provide an update and proposed plan for updates to the Charities SORP (FRS 102) for changes in company and charity law in the Republic of Ireland.

2 Background

Current reporting requirements for unincorporated charities in the Republic of Ireland

- 2.1 The Charities Act 2009 in the Republic of Ireland came into effect on 16 October 2014. However, the regulations covering the accounting and reporting for unincorporated charities have not yet been issued. Consequently, although the SORP exists as recommended best practice, there is no form and content required for charity accounts in charity law.

3 Overview of changes

Changes to Company Law in the Republic of Ireland

- 3.1 Charitable organisations that are companies are required to meet the requirements of Irish company law.
- 3.2 In June 2017 the Republic of Ireland implemented the EU Accounting Directive, through the Companies (Accounting) Act 2017 ('the 2017 Act'). The 2017 Act amends the Companies Act 2014 and is effective from the date of commencement of 9 June 2017. The requirements are effective for accounting periods beginning on or after 1 January 2017, but early adoption is permitted for accounting periods beginning on or after 1 January 2015 provided that the financial statements have not yet been approved.
- 3.3 The *Amendments to FRS 102* update Section 1A of FRS 102 for the changes in Irish company law that are relevant for companies qualifying for the small companies regime. FRS 102 includes all disclosure requirements for small companies reporting under Irish company law.

Forthcoming changes to Charity Law in the Republic of Ireland

- 3.4 The draft Charities (Accounting and Reporting) Regulations 2016 ('the Regulations') will amend the provisions in the Charities Act 2009 which cover accounting and reporting regulations for unincorporated charities. The draft Regulations were publicly consulted on by the Charities Regulator in the Republic of Ireland in 2016.
- 3.5 The consultation highlighted the issue caused by section 48 and 50 of Charities Act 2009 which provide an exemption for charitable organisations that are companies from any regulation. This would result in unincorporated charities being subject to more rigorous requirements through the Regulations.
- 3.6 To address this issue, there is a proposed amendment to the Charities Act 2009 included in the Courts and Civil Law (Miscellaneous Provisions) Bill 2017. This will amend the legislation which underpins the Regulations and result in the Regulation applying to both incorporated and unincorporated charities. It is hoped for the Bill to be passed by May 2018, however, the timing rests with Oireachtas. Once passed, it is then planned for the draft Regulation to be passed and be in effect for 2019.

4 Planned updates to the Charities SORP (FRS 102)

- 4.1 The SORP needs to be updated for both changes in company and charity law in the Republic of Ireland.

Company Law

- 4.2 The SORP currently includes recommendations which allow charitable companies which must meet the requirement of company law to do so. It is proposed that a review of the requirements of the 2017 Act is undertaken to 'match' these against the disclosures requirements of FRS 102 and the Charities SORP. This exercise will inform what changes are required to the SORP to reflect the requirements of company law that must be met by charitable charities in the Republic of Ireland applying SORP.

Charity Law

- 4.2 A review of the Regulations is proposed to identify those updates which will be required. This exercise has been undertaken based on the [draft Regulation](#) and only a number of minor changes were identified.

Timing of updates

- 4.3 There are two ways that the SORP can be updated for any changes which may come from the review of the 2017 Act:
- The changes could be included in the second edition of the SORP to be issued in the second half of 2018. This edition will also include the amendments arising from Update Bulletin 1 and Update Bulletin 2.
 - The changes could be deferred until the Draft Charities (Accounting and Reporting) Regulations is passed in 2019, and be issued by way of a separate Update Bulletin.
- 4.4 The first option would allow any changes to be made sooner. However, the second would allow changes from both company and charity law to be made at the same

time. As the SORP is only currently being voluntarily adopted by charities in the Republic of Ireland as recommended best practice, minimising the extent of any changes at this stage could be considered as beneficial.

- 4.5 It is proposed to review both the 2017 Act and draft Regulation to determine those changes which will be necessary prior to any decision being made regarding the timing of these changes.
- 4.6 It is noted that timing of when the Courts and Civil Law (Miscellaneous Provisions) Bill 2017 and the Regulations are passed is an important factor in considering both options. Therefore progress of both will continue to be monitored.

FRC approval

- 4.7 Given that any updates would simply be amending the SORP to reflect changes in legislative requirements, and would not involve new interpretation of those requirements, these amendments could be made without going out to consultation.
- 4.8 Amendments made via this shortened administrative process would still have to be presented to the FRC for review and approval.