

TECHNICAL CIRCULAR: 6/2025 [TC 6_2025]

To: All the Members of the Institute

From: Accounting Standards Committee

Date: 20 May 2025

Subject: Recent changes in the Companies' Law thresholds

The Companies' Law, Cap.113 ("Basic Law") was amended by the Law 28(I) of 2025, as published in the official gazette of the Republic on 28 March 2025 (the "Amending Law"). The provisions of the Amending Law implement Commission Delegated Directive (EU) 2023/2775 of 17 October 2023, which increases the monetary thresholds for size classification of companies and groups in Article 3 of the EU Directive 2013/34/EU ("the Accounting Directive") by 25% to account for the significant cumulative inflation between 2013 and 2023.

The purpose of this Technical Circular is to inform you of the revised thresholds from the aforesaid Amending Law.

Please note that the Technical Circular under the title "[TC 2/2016 and 3/2016: Recent changes in the Companies' Law \(I\)](#)" remains valid and continues to provide applicable guidance on various aspects of the Companies Law. However, the monetary thresholds for company and group size classifications outlined in that Circular have been superseded by the updated thresholds presented herein, **effective for financial years commencing on or after 1 January 2023**. For financial years commencing before 1 January 2023, the monetary thresholds specified in TC 2/2016 and 3/2016 continue to apply.

The Institute monitors developments in respect of Companies' Law issues and shall provide additional guidance to Members when necessary.

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A. Law amendment to company and group size thresholds

Pursuant to Law 28(I) of 2025, Article 141A of the Basic Law has been amended to revise the monetary thresholds used for the classification of companies and groups into small, medium-sized, or large entities. These classifications are significant, as they determine the applicable financial reporting obligations, disclosure exemptions and other statutory requirements.

A company's or group's size classification is based on an assessment of the following three thresholds:

1. Total gross assets¹
2. Net turnover
3. Average number of employees during the year

To reflect cumulative inflation between 2013 and 2023, the thresholds for total gross assets and net turnover have been increased by 25%.

Revised thresholds for company and group size classification

- **Small Companies/ Groups:**

- Total gross assets: Threshold increased from €4,000,000 to €5,000,000
- Net turnover: Threshold increased from €8,000,000 to €10,000,000

- **Medium-sized Companies/ Groups:**

- Total gross assets: Threshold increased from €20,000,000 to €25,000,000
- Net turnover: Threshold increased from €40,000,000 to €50,000,000

¹ Total value of assets without deducting liabilities.

- **Large Companies/ Groups:**

- Total gross assets: Threshold increased from €20,000,000 to €25,000,000
- Net turnover: Threshold increased from €40,000,000 to €50,000,000

B. Effective date

According to Article 372A of the Basic Law, as amended, the revised thresholds apply to financial years beginning on or after 1 January 2023.

C. Next steps for Companies and Groups

Companies and groups are advised to evaluate their classification under the updated criteria to identify any changes in their compliance and reporting obligations.

The following tables summarize the revised size thresholds for companies and groups.

Table 1: Company Size Classification Criteria

Category	Criteria			Condition
	<i>Total gross assets</i>	<i>Net turnover</i>	<i>Average no of employees</i>	
<i>Small Companies</i>	Less than €5.000.000	Less than €10.000.000	Less than 50	As at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Medium-sized Companies</i>	Less than €25.000.000	Less than €50.000.000	Less than 250	Are not small companies and which as at their balance sheet dates do not exceed the limits of at least two of the three criteria.
<i>Large Companies</i>	More than €25.000.000	More than €50.000.000	More than 250	As at their balance sheet dates exceed at least two of the three criteria.

Table 2: Group Size Classification Criteria

Category	Criteria			Condition
	<i>Total gross assets</i>	<i>Net turnover</i>	<i>Average no of employees</i>	
<i>Small Groups</i>	Less than €5.000.000	Less than €10.000.000	Less than 50	Groups which on a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
<i>Medium-Sized Groups</i>	Less than €25.000.000	Less than €50.000.000	Less than 250	Groups which are not small groups, and which, on a consolidated basis, do not exceed the limits of at least two of the three criteria as at the balance sheet date of the parent company
<i>Large Groups</i>	More than €25.000.000	More than €50.000.000	More than 250	Groups which on a consolidated basis, exceed the limits of at least two of the criteria as at the balance sheet date of the parent company

D. Revised disclosure checklist for Companies

A revised Technical Circular for the Disclosure checklist for Companies – Cap. 113 has been issued, incorporating the updated monetary thresholds. The aforesaid disclosure checklist applies to financial statements for financial years commencing on or after 1 January 2023. For more information refer to the [TC 5/2025](#).

E. Further guidance and illustrative examples

It is reminded that, where, on its balance sheet date, an undertaking or a group **exceeds or ceases to exceed** the limits of two of the three criteria set out in tables above, that fact shall affect the application of the derogations provided for in the Basic Law, **only if it occurs in two consecutive financial years**.

‘Do not exceed or cease to exceed the criteria in two consecutive financial years’ has the following meaning:

Example	2024 (year of reporting)	2023	2022	Decision for 2024
1	Exceeding criteria	Not Exceeding criteria	Not Exceeding criteria	Not Exceeding criteria
2	Exceeding criteria	Exceeding criteria	Not Exceeding criteria	Exceeding criteria
3	Exceeding criteria	Exceeding criteria	Exceeding criteria	Exceeding criteria
4	Exceeding criteria	Not Exceeding criteria	Exceeding criteria	No consecutive two-year period of exceeding or not exceeding the criteria is observed. Further analysis of the years prior to 2022 is necessary to determine the correct size classification
5	Not Exceeding criteria	Exceeding criteria	Exceeding criteria	Exceeding criteria
6	Not Exceeding criteria	Not Exceeding criteria	Exceeding criteria	Not Exceeding criteria
7	Not Exceeding criteria	Exceeding criteria	Not Exceeding criteria	Same rationale as per example 4
8	Not Exceeding criteria	Not Exceeding criteria	Not Exceeding criteria	Not Exceeding criteria

Illustrative examples

Example 1: A company has the following facts:

Year (on its balance sheet date)	Total gross assets	Net turnover	Average no of employees	Exceeding 2/3 criteria	<u>Assessment for small- sized company</u>
2024	7.000.000	11.000.000	48	Exceeding criteria	Medium- sized
2023	6.000.000	11.000.000	48	Exceeding criteria	Small-sized
2022	3.000.000	7.000.000	40	Not Exceeding criteria	Small-sized
2021	3.000.000	7.000.000	40	Not Exceeding criteria	Small-sized

Assessment:

For the years 2021 and 2022, the thresholds outlined in [TC 2/2016 and 3/2016: Recent changes in the Companies' Law \(I\)](#) apply. Since the company's total gross assets were less than €4,000,000 and net turnover was less than €8.000.000, at least two out of the three criteria were not exceeded. Given that the company for the last two consecutive years (i.e. 2022 and 2021) was small, the company maintained its classification as a small-sized company for 2022.

For the year 2023, the revised thresholds as outlined in this Technical Circular apply. As the company's net turnover was more than €10.000.000 and the total gross assets were more than €5.000.000, at least two criteria exceed the limits of the three criteria rendering the company as medium-sized. However, given that the company for two consecutive years (i.e. 2022 and 2021) was small, the company maintained its classification as a small-sized company for 2023.

For the year 2024, the company's total gross assets and net turnover exceed the updated thresholds of €5,000,000 and €10,000,000, respectively. As it also surpassed the small-sized company criteria in 2023, the company is classified as medium-sized in 2024, having exceeded the thresholds for two consecutive years (i.e. 2024 and 2023).

Example 2: A Group has the following facts:

Year (on its balance sheet date)	Total gross assets	Net turnover	Average no of employees	Exceeding 2/3 criteria	Assessment for large-sized group
2024	21.000.000	45.000.000	260	Not Exceeding criteria	Large-sized
2023	26.000.000	52.000.000	200	Exceeding criteria	Large-sized
2022	22.000.000	48.000.000	200	Exceeding criteria	Large-sized
2021	22.000.000	48.000.000	200	Exceeding criteria	Large-sized

Assessment:

For the year 2022, the thresholds outlined in [TC 2/2016 and 3/2016: Recent changes in the Companies' Law \(I\)](#) apply. Since the group's total gross assets and net turnover on a consolidated basis exceeded the limits of €20.000.000 and €40.000.000 respectively, at least two out of the three criteria were exceeded at the balance sheet date of the parent company. Given that the group for the last two consecutive years (i.e. 2022 and 2021) was large, the group maintained its classification as a large-sized group for 2022.

For the year 2023, the revised thresholds as outlined in this Technical Circular apply. As the group's total gross assets and net turnover on a consolidated basis exceed the limits of €25.000.000 and €50.000.000 respectively and given that the group for the last two consecutive years (i.e. 2023 and 2022) was large, the group maintained its classification as a large-sized group for 2023.

For the year 2024, although the group does not exceed the thresholds for the total gross assets and net turnover, it is still considered a large-sized group. This is because it is the first year the group ceased to exceed the limits of two of the three criteria and under the applicable rules, the group must cease to exceed the limits for two consecutive years to lose its eligibility status for large group classification. If, in 2025, the group continues to not exceed the thresholds, it will cease to be considered a large-sized group.