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## PRACTICE NOTE

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**PN 52/94**

**Date: 1 August 1994**

### **Audit Exemption Regulations**

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### **Introduction**

In the Budget proposals on 6 April 1993 it was announced that the Treasury would be introducing regulations to remove the statutory audit requirements from exempt non-resident companies and exempt companies subject to certain criteria. Regulations were duly approved by Tynwald and came into force with effect from 1 August 1993.

In the Budget proposals on 15 March 1994 it was announced that regulations would be made to extend the audit exemption provisions to include certain private trading and non-trading companies and also private investment companies. These companies would be known as "audit exempt companies". Regulations were duly approved by Tynwald and come into force with effect from 1 August 1994.

This Practice Note should be read in conjunction with the appropriate legislation.

### **Legislation**

Statutory Document No. 1293/93 Companies (Exempt and Non-Resident Private Companies) (Audit Exemption) Regulations 1993

Statutory Document No. 283/94 Companies (Exempt and Non-Resident Private Companies) (Audit Exemption) (Amendment) Regulations 1994

### **General**

A private company which is an exempt company, an audit exempt company or a non-resident company may by provision in its Articles elect to dispense with the requirements of the Companies Acts which relate to the audit of the accounts of companies.

"Exempt Company" is a company that has been granted exemption under the provisions of the Income Tax (Exempt companies) Act 1984 (as amended).

"Audit Exempt Company" is a company in any financial year if -

its turnover in that year does not exceed £45000; or

throughout that year, all its members are directors and it

exists wholly for the purpose of holding shares, securities, other investments or land; and is not:-

- the holder of a banking licence under section 3 of the Banking Act 1975; or
- entitled to carry on investment business of any description by or under the Investment Business Act 1991; or
- entitled to carry on insurance business in or from the Island by or under the Insurance Act 1986; or
- entitled to act as an insurance manager in or from the Island by or under the Insurance Act 1986.

"Non-Resident Company" is a company that has filed a non-resident declaration in accordance with the provisions of the Non-Resident Company Duty Act 1986.

## **Application**

With effect from 1 August 1993 both Non-Resident Companies and Exempt Companies, and with effect from 1 August 1994 Audit Exempt Companies, are able to include a provision in their articles to allow them to dispense with the audit requirements of the Companies Acts.

The election applies to the accounts of the year in which the notice or resolution is made.

It remains the practice of the Division to require accounts to be submitted in support of any annual return of income. Where an election applies signed unaudited accounts will be accepted. In all other cases a copy of the signed audited accounts will be required.