Queensland Building and Construction Commission (Minimum Financial Requirements) Amendment Regulation 2020

Explanatory notes for Subordinate Legislation 2020 No. 40

made under the

Queensland Building and Construction Commission Act 1991

General Outline

Short title

Queensland Building and Construction Commission (Minimum Financial Requirements) Amendment Regulation 2020

Authorising law

Section 116 of the *Queensland Building and Construction Commission Act 1991* (QBCC Act).

Policy objectives and the reasons for them

The objective of the *Queensland Building and Construction Commission (Minimum Financial Requirements) Amendment Regulation 2020* (Amendment Regulation) is to provide transitional provisions for changes to accounting standards that can impact on the Minimum Financial Requirements (MFR).

The *Queensland Building and Construction Commission (Minimum Financial Requirements) Regulation 2018* (the Regulation) outlines the MFR for licensing in the building and construction industry. Holders of a Queensland Building and Construction Commission (QBCC) contractor grade of licence must, at all times, comply with the MFR under the Regulation. Applicants for a new contractor licence must also demonstrate they meet the MFR before a licence can be granted.

Under the Regulation, financial reports and documents must be prepared in accordance with the ‘prescribed accounting standards’. Prescribed accounting standards include Australian Accounting Standards and other relevant documents published by the Australian Accounting Standards Board (AASB). These standards and documents are regularly amended by the AASB. However, certain new or amended accounting standards can result in licensees facing difficulties in immediately complying with their MFR obligations.

A recent example of this issue has been the introduction of new accounting standard AASB 16. This standard relates to the recording and classification of leases and came into effect on 1 January 2020. A key change between AASB 16 and the previous standard is that generally, leases are now to be recorded in financial statements as 'non-current' assets. This change has meant a potentially large number of QBCC licensees with significant leases may now have difficulty meeting the minimum financial requirements.

While this is an immediate issue, it is also considered that there should be some discretion available for a QBCC licensee to comply with a previous standard for a reasonable transitional period for up to 12 months.

Achievement of policy objectives

The Amendment Regulation will clarify that where a prescribed accounting standard is amended or a new prescribed accounting standard is introduced, a QBCC licensee can comply with a previous standard for a reasonable transitional period (up to 12 months). The 12 months applies from when the new or amended standard came into effect and started applying to accounts, not when it was first issued or published.

It is anticipated that this will provide sufficient time for the construction industry and accountants to assess compliance with new requirements.

Consistency with policy objectives of authorising law

The Amendment Regulation is consistent with the main objects of the QBCC Act, specifically to regulate the building industry, ensure the maintenance of proper standards in the industry, and achieve a reasonable balance between the interests of building contractors and consumers.

Inconsistency with policy objectives of other legislation

Queensland has the most stringent financial reporting requirements for licensees in the building and construction industry. Therefore, the amendments, while not inconsistent with building and construction laws of other Australian jurisdictions, do not form part of a nationally harmonised legislative scheme.

Benefits and costs of implementation

The Amendment Regulation will ensure that changes to a prescribed accounting standard will not automatically and inadvertently lead to non-compliance with the Regulation. The Amendment Regulation will allow for additional time (for a period of 12 months) to be provided for the construction industry and accountants to assess compliance with any new or amended accounting requirements and make any changes necessary to ensure compliance.

There are no costs associated with implementation of the Amendment Regulation.

Consistency with fundamental legislative principles

The amendment regulation is consistent with fundamental legislative principles.

Consultation

The Queensland Productivity Commission has been consulted and confirmed that a Regulatory Impact Statement is not required as the amendments are unlikely to result in significant adverse impacts.