



Audit Exemption

New Provisions Effective 16 July 2025

Overview of Legislative Changes

Effective 16 July 2025, Section 22 of the Companies (Corporate Governance, Enforcement and Regulatory Provisions) Act 2024 commenced, introducing a long awaited change in the audit exemption rules for small and micro companies. Under this section, companies will now be allowed to file one late Annual Return within a five-year period without losing their audit exemption.

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Key changes

- **Previous Rule (Pre-16 July 2025):**

A late Annual Return resulted in automatic loss of audit exemption for the following two years (Section 363, Companies Act 2014).

- **New Rule (From 16 July 2025):**

Small and micro companies are now permitted to file one late Annual Return within a five-year period without the loss of their audit exemption. A second late filing within the same five years results in the loss of audit exemption for the following two years.

Important Points

- **Commencement Period**

The new rules apply from 16 July 2025. Late filings prior to this date are subject to the previous legislation.

- **Loss of Exemption**

A second late filing within the same five year period results in the loss of audit exemption for the next two years.

Standalone vs. Group Companies

- **Standalone Companies**

The new rules apply to small or micro companies that meet the criteria under the Companies Act 2014, provided they are not part of a group.

- **Group Companies**

Section 22 does not apply to group companies. A late filing made by any company within a group (even a small/micro group) will affect the entire group, resulting in the loss of audit exemption. In such cases, companies may apply to the District Court for an extension.

Late Filing Penalties

- **Penalties Remain**

CRO late filing penalties are still applicable. These changes only impact the audit requirement, not the penalties for a late filing.

- **District Court Applications**

If a late filing is expected, or a second late filing within a 5 year period is expected, companies can apply to the District Court for an extension. If granted, the filing is treated as on time, preserving the audit exemption.

Key Takeaways

- **One Late Filing**

Companies may file one late Annual Return within five years without losing audit exemption. A second late return within that period triggers loss of exemption for the following two years.

- **Group Companies**

A late filing by any company in a group results in the loss of audit exemption for the entire group.

- **Timely Filing**

Always file Annual Returns on time to avoid penalties. If a late filing is unavoidable, consider applying for a District Court extension.

Need Assistance?

If you need further guidance on how these changes affect your company or group, please contact a member of our Corporate Compliance Team. We can assist with CRO filings, help plan ARD extensions together with setting out a filing schedule with you, to preserve audit exemption.