

Revised Third Schedule of the Companies Act, 2017

(After SECP S.R.O. 602(I)/2022, dated May 14, 2022)

From the Desk of Technical Services
May 2022

The Securities and Exchange Commission of Pakistan (SECP), through, S.R.O. 602(I)/2022, dated May 14, 2022, has made revisions to the third schedule of the Companies Act, 2017.

The Institute's Technical team has prepared this publication to provide the context of changes made by SECP in the third schedule of the Companies Act, 2017, and to provide a comparison of the revised third schedule with the previous version of the schedule. The objective of this publication is to facilitate the members and preparers of financial statements in understanding the changes to the third schedule and their impact on the statutory financial reporting.

Pakistan follows a differential financial reporting framework for companies. In this context, the third schedule of the Companies Act, 2017, provides the criteria for determining the classes and categorizing companies. The third schedule also specifies the differential financial reporting framework for various classes and categories of companies.

SECP through, S.R.O. 602(I)/2022, dated May 14, 2022, has made revisions to the turnover-based thresholds related to the large-sized, medium-sized, and small-sized categories of companies. As a result of these revisions, companies will be required to consider their categorization for selecting the appropriate and specified financial reporting framework for statutory financial statements.

We understand that the revisions in the third schedule have been made to align the turnover-based criteria with the SME Policy 2021. The SME Policy 2021 provides the definition/criteria of the small and medium enterprises as under:

Enterprise category	Criteria – Annual sales/turnover
Small Enterprise	Up to Rs. 150 million
Medium Enterprise	Above Rs. 150 million to Rs. 800 million

The comparison of the third schedule before and after the SECP notified changes, and comments on the revisions are provided on the next pages.

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision		Revised Third schedule		Comments
1	Public Interest Company (PIC)				
	Sub-categories of PIC:		Sub-categories of PIC:		
(a)	Listed Company	IFRS and Fourth Schedule	Listed Company	IFRS and Fourth Schedule	No change
(b)	<p>Non-listed Company which is:</p> <p>(i) a public sector company as defined in the Act; or</p> <p>(ii) registered and/ or licensed under the Administered Legislation or Rules, or regulations made thereunder, as follows:</p> <p>a) Non-banking Finance Companies which are Asset Management Companies, Pension Fund Managers, REIT Management Companies or Deposit Taking NBFCs;</p> <p>b) Modaraba Company</p> <p>c) Insurer</p> <p>d) Securities Exchange</p> <p>e) Commodity Exchange</p> <p>f) Central Depository</p> <p>g) Clearing House; or</p>	IFRS and Fifth Schedule	<p>Non-listed Company which is:</p> <p>(i) a public sector company as defined in the Act; or</p> <p>(ii) registered and/ or licensed under the Administered Legislation or Rules, or regulations made thereunder, as follows:</p> <p>a) Non-banking Finance Companies which are Asset Management Companies, Pension Fund Managers, REIT Management Companies or Deposit Taking NBFCs;</p> <p>b) Modaraba Company</p> <p>c) Insurer</p> <p>d) Securities Exchange</p> <p>e) Commodity Exchange</p> <p>f) Central Depository</p> <p>g) Clearing House; or</p>	IFRS And Fifth Schedule	No change

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision		Revised Third schedule		Comments
	<p>(iii) Registered, notified and/or licensed under the Banking Companies Ordinance, 1962 (LVII of 1962) or Microfinance Institutions Ordinance, 2001 (LV of 2001), as follows:</p> <p>a) Banking Company including Foreign Banking Company b) Microfinance Bank c) Development Finance Institution (DFI); or</p> <p>(iva) all companies engaged in production and sale of sugar.</p>		<p>(iii) Registered, notified and/or licensed under the Banking Companies Ordinance, 1962 (LVII of 1962) or Microfinance Institutions Ordinance, 2001 (LV of 2001), as follows:</p> <p>a) Banking Company including Foreign Banking Company b) Microfinance Bank c) Development Finance Institution (DFI); or</p> <p>(iva) all companies engaged in production and sale of sugar.</p>		
2	Large Sized Company (LSC)				
	Sub-categories of LSC		Sub-categories of LSC		
(a)	<p>Non-listed Company with:</p> <p>(i) paid-up capital of Rs. 200 million or more; or</p> <p>(ii) turnover of Rs. 1 billion or more; or</p> <p>(iii) employees more than 750 or more; or</p>	IFRS and Fifth Schedule	<p>Non-listed Company with:</p> <p>(i) paid-up capital of Rs. 200 million or more; or</p> <p>(ii) turnover greater than Rs.800 million; or</p> <p>(iii) employees more than 750 or more; or</p>	IFRS and Fifth Schedule	<p>Through, S.R.O. 602(I)/2022, the threshold for turnover has been decreased to Rs. 800 million. Previously it was Rs. 1 billion.</p> <p>Consequent to the change in the third schedule, a non-listed company with a turnover of more than Rs. 800 million will be categorized as a 'Large-sized company'.</p>

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision		Revised Third schedule		Comments
(b)	Foreign Company with turnover of Rs. 1 billion or more.	IFRS and Fifth Schedule	Foreign Company with turnover of Rs. 1 billion or more.	IFRS and Fifth Schedule	No change
(c)	Non-listed Company licenced / formed under Section 42 / Section 45 of the Act having annual gross revenue (grants/ income/ subsidies/ donations) including other income / revenue of Rs. 200 million or more.	IFRS and Accounting Standards for NPOs and Fifth Schedule	Non-listed Company licenced / formed under Section 42 / Section 45 of the Act having annual gross revenue (grants/ income/ subsidies/ donations) including other income / revenue of Rs. 200 million or more.	IFRS and Accounting Standards for NPOs and Fifth Schedule	No change
3	Medium-Sized Company (MSC)				
	Sub-categories of MSC		Sub-categories of MSC		
(a)	Non-listed Public Company with: (i) paid-up capital less than Rs. 200 million; (ii) turnover less than Rs 1 billion; and (iii) Employees less than 750.	IFRS for SMEs and Fifth Schedule	Non-listed Public Company with: (i) paid-up capital less than Rs. 200 million; (ii) turnover upto Rs.800 million ; and (iii) Employees less than 750.	IFRS for SMEs and Fifth Schedule	The threshold for turnover has been revised and set at Rs. 800 million. Previously it was Rs. 1 billion. Consequent to the change in the third schedule a non-listed public company with a turnover of Rs. 800 million will be considered for categorization as a 'Medium-sized' company.
(b)	Private Company with: (i) paid-up capital of greater than Rs. 10 million but less than Rs. 200 Million;		Private Company with: (i) paid-up capital of greater than Rs. 10 million but less than Rs. 200 Million;		The threshold for turnover has been revised, and the minimum turnover has been increased to Rs. 150 million while maximum

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision		Revised Third schedule		Comments
	(ii) turnover greater than Rs. 100 million but less than Rs. 1 billion; or (iii) Employees more than 250 but less than 750.		(ii) turnover greater than Rs.150 million but not exceeding Rs.800 million ; or (iii) Employees more than 250 but less than 750		turnover has been set at Rs. 800 million. Previously minimum turnover was Rs. 100 million and the maximum turnover was less than Rs. 1 billion. Consequent to the revision in the third schedule a private company having a turnover of more than Rs. 150 million but less than Rs 800 million will be considered for categorization as a 'Medium-sized' company.
(c)	A Foreign Company which has turnover less than Rs. 1 billion.		A Foreign Company which has a turnover less than Rs. 1 billion.		No change
(d)	Non-listed Company licenced / formed under Section 42 or Section 45 of the Act which has annual gross revenue (grants/ income/ subsidies/ donations) including other income or revenue less than Rs. 200 Million.	IFRS for SMEs and Accounting Standards for NPOs and Fifth Schedule	Non-listed Company licenced / formed under Section 42 or Section 45 of the Act which has annual gross revenue (grants/ income/ subsidies/ donations) including other income or revenue less than Rs. 200 Million.	IFRS for SMEs and Accounting Standards for NPOs and Fifth Schedule	No change

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision		Revised Third schedule		Comments
4	Small Sized Company				
	<p>A private company having:</p> <p>(i) paid-up capital up to Rs. 10 million;</p> <p>(ii) turnover not exceeding Rs.100 million; and</p> <p>(iii) Employees not more than 250.</p>	<p>Revised AFRS for SSEs and Fifth Schedule</p>	<p>A private company having:</p> <p>(i) paid-up capital up to Rs. 10 million;</p> <p>(ii) turnover not exceeding Rs.150 million; and</p> <p>(iii) Employees not more than 250.</p>	<p>Revised AFRS for SSEs and Fifth Schedule</p>	<p>The threshold for turnover has been revised and increased to Rs 150 million. Previously the threshold was Rs. 100 million.</p> <p>Consequent to the revision in the third schedule a private company having a turnover of up to Rs. 150 million will be considered for categorization as a 'Small-sized' company.</p>
	Note				
	<p>1. The classification of a company shall be based on the previous year's audited financial statements.</p> <p>2. The classification of a company can be changed where it does not fall under the previous criteria for two consecutive years.</p> <p>3. The number of employees means the average number of persons employed by a company in that financial year calculated on monthly basis.</p>		<p>1. The classification of a company shall be based on the previous year's audited financial statements.</p> <p>2. The classification of a company can be changed where it does not fall under the previous criteria for two consecutive years.</p> <p>3. The number of employees means the average number of persons employed by a company in that financial year calculated on monthly basis.</p>		<p>No change in the explanatory notes to the third schedule.</p>

REVISED THIRD SCHEDULE OF THE COMPANIES ACT, 2017

S #	Third Schedule prior to the revision	Revised Third schedule	Comments
	<p>4. Subsidiary companies of listed company shall follow the requirements of the Fourth Schedule.</p> <p>5. The Medium Sized Companies that are otherwise required to follow IFRS for SMEs and Accounting Standard for NPOs, may opt to follow the IFRS notified by the Commission for the preparation of financial statements.</p> <p>6. The Small Sized Companies that are otherwise required to follow revised AFS for SSEs may opt to follow IFRS notified by the Commission or IFRS for SMEs.</p>	<p>4. Subsidiary companies of listed company shall follow the requirements of the Fourth Schedule.</p> <p>5. The Medium Sized Companies that are otherwise required to follow IFRS for SMEs and Accounting Standard for NPOs, may opt to follow the IFRS notified by the Commission for the preparation of financial statements.</p> <p>6. The Small Sized Companies that are otherwise required to follow revised AFS for SSEs may opt to follow IFRS notified by the Commission or IFRS for SMEs.</p>	

Disclaimer

All reasonable care has been taken in the preparation of this document. It is intended to provide only a general outline of the topics covered and is not intended to be a substitute for reading the Companies Act, 2017, other directives, and pronouncements. While this document has been prepared to facilitate the stakeholders in understanding the recent changes in the third schedule to the Companies Act, 2017, however, appropriate responses to the issues will depend on each company's unique facts and circumstances. The guidance provided in this publication should be used in combination with a thorough analysis of the relevant facts and circumstances, a review of the Companies Act, 2017, and appropriate professional and technical advice.

The Institute, Accounting Standards Board, and Institute's staff accept no responsibility for losses incurred by any party as a result of acting or not acting on the basis of this publication. Further, this publication should not be interpreted as a legal interpretation or requirement.