



IS A COMPANY OR GROUP SMALL?

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INTRODUCTION

This helpsheet has been issued by ICAEW's Technical Advisory Service to help members make their assessment as to whether a company or group qualifies as small under the Companies Act 2006.

Members may also wish to refer to the following related helpsheets and guidance:

- [Small and micro company size calculator](#)
- [Ineligible companies and groups](#)
- [Is an audit required for a company?](#)
- [Calculating employee numbers](#)
- [Company size and audit exemption – complex examples](#)

OVERVIEW

When a company is assessing whether it is subject to the small companies regime, it must have regard to sections 381-384 of the Companies Act 2006.

The small companies regime applies to a company for a financial year in relation to which -

- the company qualifies as small **and**
(see section 382 and section 383 and the remainder of this helpsheet – for this purpose, the company and the group it heads (if applicable) must be considered)
- is **not** excluded from the small companies regime
(see section 384 and the helpsheet [Ineligible companies and groups](#) - for this purpose, the entire group of which the company is a member must be considered).

COMPANIES THAT ARE NOT PARENT COMPANIES

To qualify as a small company in size, companies which are not parent companies must be assessed against the following size thresholds:

Company size thresholds (for periods commencing on or before 5 April 2025)

Criteria	Small
Turnover (adjust proportionately if not a year)	Not more than £10.2m
Balance sheet total (the aggregate of the amounts shown as assets in the company's balance sheet)	Not more than £5.1m
Number of employees (see Calculating employee numbers helpsheet)	Not more than 50

Company size thresholds (for periods commencing on or after 6 April 2025)

Criteria	Small
Turnover (adjust proportionately if not a year)	Not more than £15m
Balance sheet total (the aggregate of the amounts shown as assets in the company's balance sheet)	Not more than £7.5m
Number of employees (see Calculating employee numbers helpsheet)	Not more than 50

First year of the company

If it is the first year of the company, it will qualify as small under section 382 of the Companies Act 2006 if it satisfies two or more of the above thresholds.

Subsequent year of the company

If it is not the first year of the company, a 'two year rule' applies by virtue of section 382(2) which states that, in relation to a subsequent financial year, where on its balance sheet date a company meets or ceases to meet the qualifying conditions, that affects its qualification as a small company **only** if it occurs in two consecutive financial years. As such a company may have to track back over several years of history to determine its size (the [Small and micro company size calculator](#) may be of assistance). Please refer to the "Transition to the new thresholds" section for further details on how the new thresholds should be applied.

COMPANIES THAT ARE PARENT COMPANIES

To qualify as a small company, the size of both the parent as a single entity and the group headed by it must be considered.

Firstly, the parent company's size is assessed as described above for an individual company based on its individual turnover, balance sheet total and employees.

Secondly, the size of its group must be considered because a parent company can only qualify as a small company if the group headed by it also qualifies as a small group. In assessing the size of the group against the thresholds per section 383 (shown below), the group may use **either** the net or gross thresholds where applicable.

The aggregate figures are ascertained by aggregating the relevant figures (calculated in accordance with section 382 of the Companies Act 2006) for each member of the group. If any subsidiaries within the group have a different year end from the parent company, the figures for the financial year ending last before the financial year end of the parent should be used (section 383(7)).

Even if the group as a whole does not qualify as small, subsidiaries of the parent company may still qualify as such for the purposes of their own accounts.

Group size thresholds (for periods commencing on or before 5 April 2025)

Criteria		Small
Turnover	Net	Not more than £10.2m
	Gross	Not more than £12.2m
Balance sheet total (the aggregate of the amounts shown as assets in the company's balance sheets)	Net	Not more than £5.1m
	Gross	Not more than £6.1m
Number of employees (see Calculating employee numbers helpsheet)		Not more than 50

Group size thresholds (for periods commencing on or after 6 April 2025)

Criteria		Small
Turnover	Net	Not more than £15m
	Gross	Not more than £18m
Balance sheet total (the aggregate of the amounts shown as assets in the company's balance sheets)	Net	Not more than £7.5m
	Gross	Not more than £9m
Number of employees (see Calculating employee numbers helpsheet)		Not more than 50

First year of the parent company

If it is the first year of the parent company, the group will qualify as small under section 383 of the Companies Act 2006 if it satisfies two or more of the group thresholds (the parent company may pick either gross or net for each of the thresholds).

Subsequent year of the parent company

If it is not the first year of the parent company, a two year rule applies by virtue of section 383(3) which states that in relation to a subsequent financial year of the parent company, where on the parent company's balance sheet date the group meets or ceases to meet the qualifying conditions, that affects the group's qualification as a small group **only** if it occurs in two consecutive financial years. As such a group may have to track back over several years of history to determine its size. Please refer to the "Transition to the new thresholds" section for further details on how the new thresholds should be applied.

Net and gross criteria

It is acceptable to use a combination of 'net' or 'gross' thresholds to qualify. For example, the net threshold could be used for turnover and the gross threshold used for the balance sheet total. There is no distinction between net and gross for the employee numbers threshold. Net turnover or net balance sheet total is defined as being 'after any set-offs and other adjustments made to eliminate group transactions' (Companies Act 2006 section 383(6)).

Gross turnover or gross balance sheet total means 'without those set-offs and other adjustments'. This simply means adding together the figures straight from the individual financial statements of each group entity.

Further guidance to help consider the size of a company and group is available for more complex situations, see [Company size and audit exemption – complex examples](#).

TRANSITION TO THE NEW THRESHOLDS

SI 2024/1303 amends sections 382 and 383 of Companies Act 2006, enacting an increase in the size thresholds used to assess company and group size. The new thresholds have effect for financial years beginning on or after 6 April 2025 with a company looking to these thresholds going forwards and also in assessing the application of the two year rule for entities changing size.

Consider a company with a year end of 31 March.

Financial year end	Turnover	Balance sheet total	Employees	Company size
31 March 2025	£13m	£6.8m	44	Medium
31 March 2026	£13.5m	£7.1m	47	Medium
31 March 2027	£13.4m	£6.9m	45	Small
<i>Threshold to 6th April 2025</i>	<i>£10.2m</i>	<i>£5.1m</i>	<i>50</i>	
<i>Threshold From 6th April 2025</i>	<i>£15m</i>	<i>£7.5m</i>	<i>50</i>	

The first year end where this company can look to the new thresholds is 31 March 2027 because the year to 31 March 2026 begins on 1 April 2025 meaning the year begins before the new thresholds take effect on 6 April 2025.

We can see that this entity has historically been a medium company because it has consistently breached the turnover and balance sheet thresholds. When we consider the company size for the year ended 31 March 2027 we apply the new thresholds to our previous years as well as the current year.

Under the new thresholds the company would have met the new conditions to qualify as small if they had been in effect for the 2026 and 2025 year ends.

This means (subject to any considerations around ineligibility) the company would qualify as medium for the March 2025 and March 2026 year ends but would qualify as small for the year ended March 2027.

AUDIT EXEMPTION

When assessing whether a parent entity qualifies for the small companies regime, as outlined in the preceding sections, the size of the company itself and the group it heads are considered.

When assessing the size of the group to determine whether a company is excluded by section 479 of the Companies Act 2006 from taking the section 477 small companies audit exemption, it is the size of the **entire group** that is considered. As such, an entity will need to consider the largest group of which it is a part, including its parents and fellow subsidiaries in addition to the group it heads.

It is therefore not uncommon for an intermediate parent company to qualify for the small companies regime but still require an audit because it is part of a larger group, which is not small. Further details on audit requirements can be found in the helpsheet [Is an audit required for a company?](#).

IF IN DOUBT SEEK ADVICE

ICAEW members, affiliates, ICAEW students and staff in eligible firms with [member firm access](#) can discuss their specific situation with the Technical Advisory Service on +44 (0)1908 248 250 or via [webchat](#).

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