

Proposed amendment to raise the thresholds in the German Commercial Code (HGB)

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On December 22, 2023, the Federal Ministry of Justice (BMJ) published a drafting aid on amendments to the German Commercial Code and the Introductory Act to the German Commercial Code.

The draft provides for the monetary thresholds (sales revenue and balance sheet total) for determining company size classes to be raised by around 25% in each case. In detail, the new criteria are as follows:

Company size	Criteria	Thresholds (Euro)
Micro corporations	Balance sheet total	≤ 450,000
	Turnover	≤ 900,000
Small corporations	Balance sheet total	≤ 7,500,000
	Turnover	≤ 15,000,000
Medium-sized corporations	Balance sheet total	≤ 25,000,000
	Turnover	≤ 50,000,000
Large corporations	Balance sheet total	> 25,000,000
	Turnover	> 50,000,000

The Federal Ministry of Justice assumes that raising the thresholds in Germany will reduce the burden on around 52,000 companies, as they will have to comply with fewer accounting provisions in future as a result of belonging to a lower size category.

The proposed legislation is likely to be of particular interest to those companies that fall out of the "large corporation" category as a result of the planned threshold increase and would therefore not (or no longer) be affected by the new sustainability reporting requirements as set out in the EU-wide Corporate Sustainability Reporting Directive (CSRD). From 2025 financial year, large corporations or partnerships with limited liability are obliged to expand their (group) management report to include a comprehensive ESG (i.e. environmental, sustainability and governance) reporting and to have this information reviewed by an auditor.

The increase in the threshold serves to implement the European Commission Delegated Directive (EU) 2023/2775 of October 17, 2023 amending Directive (EU) 2013/34/EU of the European Parliament and of the Council by adjusting the size criteria for micro, small, medium-sized and large enterprises or groups.

With regard to the date of first-time application, it is planned that the new thresholds will be mandatory for the first time for the financial year beginning **after** December 31, 2023. However, it is planned that the main provisions may already be applied to annual and consolidated financial statements, management reports and group management reports for the financial year **beginning after December 31, 2022**.

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