

July 12, 2016 Corporate News Update: Brexit and the Ramifications On Value Added Tax (VAT), SEC Adopts New Resource Extraction Issuer Rules and SEC Proposes Changes to Smaller Reporting Company Definitions and Thresholds

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CATEGORY:

[BLOG](#)

by [Jeanne R. Solomon](#) and [Valerie Ben-Or](#) *This week's Corporate news roundup includes information regarding the UK's recent decision to exit the European Union (Brexit) and the potential legal consequences for value-added tax (VAT), the SEC's new rules requiring resource extraction issuers to disclose payments made to the US federal government or foreign governments to comply with the Dodd-Frank Act and the SEC's proposed changes to the smaller reporting company definition and increase of the thresholds below which a company must stay in order to qualify as a smaller reporting company:*

**** AND RAMIFICATIONS ON VALUE ADDED TAX (VAT)**** The U.K.'s recent decision to exit the European Union is expected to have legal consequences for value-added tax (VAT). Unless an alternative agreement is negotiated with the EU, on the UK's exit from the EU, both imports to (and exports from) the U.K. will become liable to VAT and duties and the U.K. will likely lose the preferential terms of export that exist between the EU and non-EU countries. Since VAT is responsible for 18% of all U.K. tax revenue, it is unlikely that the U.K. will abolish the VAT system entirely. Brexit will increase the compliance obligations for companies both inside and outside of the U.K. For more information, [click here](#).

SEC ADOPTS NEW RESOURCE EXTRACTION ISSUER RULES On June 27, 2016, the SEC adopted rules requiring resource extraction issuers to disclose payments made to the U.S. federal government or foreign governments in order to comply with the Dodd-Frank Act. Resource extraction issuers are defined as issuers that are required to file an annual report with the SEC and engage in commercial development of oil, natural gas or minerals. The required disclosure must be filed annually with the resource extraction issuer's Form SD no later than 150 days after fiscal year end. The information must be included in an exhibit and electronically tagged using the eXtensible Business Reporting Language (XBRL) format. The new rules require affected issuers to disclose payments that were made to further the commercial development of oil, natural gas or minerals, payments over \$100,000 (either a single payment or a series of payments during the same fiscal year), and community and social responsibility payments and payments made in respect of taxes, royalties, fees (including license fees), production entitlements, bonuses, dividends, infrastructure improvements. The disclosure must be made on a project-by-project basis, an approach similar to that of Canada and the European Union. The SEC may also grant exemptions on a case-by-case basis (e.g., if a foreign government prohibits the disclosure of payments made to it). Compliance is required starting with issuers' fiscal years ending September 30, 2018 and thereafter. For more information, [click here](#).

SEC PROPOSES CHANGES TO SMALLER REPORTING COMPANY DEFINITION AND THRESHOLDS On June 27, 2016, the SEC proposed a change to its definition of smaller reporting company, to increase the financial thresholds below which a company must stay in order to qualify as a smaller reporting company. The rules would increase the public float threshold from \$75 million to \$250 million. If a company has no public float, it would be allowed to provide scaled disclosures if its annual revenues are less than \$100 million (an increase from the current \$50 million threshold). Once a company exceeds either threshold, it would not qualify as a smaller reporting company again until the public float decreased below \$200 million (or if it has no public float, until the annual revenues are lower than \$80 million). The SEC has not proposed a parallel change to the \$75 million public float threshold in its definition of accelerated filer. For more information, [click here](#). To subscribe to our weekly Corporate e-newsletter and receive future news updates, please [click here](#). If you would like to read up on previously published Corporate-related news, please visit our e-newsletter archive by [clicking here](#).