MINIMUM FINANCIAL REQUIREMENTS GUIDANCE NOTE 1

Maximum Construction Capacity (MCC) and
Adjusted Net Tangible Assets (ANTA) Explained

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About this Guidance Note

This Guidance Note 1 explains how to calculate the Builder's Maximum Construction Capacity (**MCC**) and Adjusted Net Tangible Assets (**ANTA**).

From 1 July 2026, two components determine the amount of domestic building work a Builder may undertake: (a) the **MCC** (maximum value of domestic building work it can have in progress at any time); and (b) the **ANTA** (adjusted net asset position that supports the MCC). This Guidance Note explains both components, step by step, with examples.

A Builder's MCC and ANTA are determined by the formulas set out in the *Minimum Financial Requirements and Administrative Guidelines 2026* (**MFRs and Guidelines**). The MFRs and Guidelines is a document published by the BPC,[1] setting out the minimum financial criteria a domestic builder in Victoria must meet to become and stay registered. The current version of the MFRs and Guidelines is available at https://www.gazette.vic.gov.au/gazette/Gazettes2026/GG2026S365.pdf. References to clauses in this Guidance Note are references to clauses in the MFRs and Guidelines.

[1] The MFRs and Guidelines were published by the Victorian Building Authority trading as Building and Plumbing Commission (BPC) in Victoria Government Gazette No. S 365 on 30 June 2026 under sections 316A(1)(a), 316A(3) and 316A(5) of the *Building Act 1993*, and are in force from 1 July 2026 to 30 June 2028.

NOTE: Any terms defined in the MFRs and Guidelines which are used in this Guidance Note have the same meaning as in the MFRs and Guidelines. In the event of any inconsistency between this Guidance Note and the MFRs and Guidelines, the MFRs and Guidelines prevail.

1. Key terms explained (in line with the gazetted MFRs and Guidelines)

- **ANTA (Adjusted Net Tangible Assets):** is the Builder's adjusted net tangible assets (clause 9) and is calculated as follows: Assets (clause 10) (excluding Disallowed Assets (clause 11)) minus Liabilities (clause 13).
- **ANTA Threshold:** is the minimum ANTA the Builder must maintain at all times to support its MCC, calculated under clause 14 (clause 7.1(b)).
- **MCC (Maximum Construction Capacity):** is calculated based on the Builder's ANTA (clause 8) or, for a Builder with a current Letter of Eligibility as at 1 July 2026, is the Total Construction Limit in that Letter (clause 8.3) until the Builder is reviewed under the MFRs and Guidelines. The MCC is the maximum Total Value of Domestic Building Work the Builder is permitted to carry out at any point in time.
- **Total Value of Domestic Building Work:** is the sum of the Contract Price of every Insurable Domestic Building Contract the Builder has in progress, plus the market value of any current Speculative Domestic Building Work for which Home Warranty cover has commenced and the Completion Date has not occurred (clause 15).

Summary:

ANTA determines MCC

MCC determines ANTA Threshold

Total Value of Domestic Building Work must not exceed the Builder's MCC

ANTA must always be equal to, or more than, the ANTA Threshold

NOTE: Breaching the MCC and/or ANTA Threshold is a breach of the MFRs and is a ground for disciplinary action against the Builder and immediate suspension of its registration (clause 22.1).

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2. How to calculate the Builder's ANTA?

ANTA is calculated as:

Assets (excluding Disallowed Assets) − Liabilities

What counts as Assets? (clause 10)

Only certain property can be counted as 'Assets' for the purposes of calculating the ANTA. 'Assets' are limited to the following items owned by the Builder (clause 10.1):

- cash
- trade or customer receivables (amounts payable for domestic building work the Builder has performed under an Insurable Domestic Building Contract)
- other receivables (other amounts owing to the Builder)
- inventory
- plant and equipment
- tools of trade
- motor vehicles
- real property
- investments convertible to cash on the date the Assets are calculated
- shares listed on a recognised stock exchange
- loans given to a Related Entity of the Builder, where that Related Entity has ANTA (excluding any Guarantee) of at least $0
- the maximum guaranteed amount specified in a signed Guarantee accepted by BPC (clause 12).

Assets must be owned by the Builder (clause 10.1), and only the Assets set out in the MFR Application or Change Application are counted (clause 9.2). Please note where an application is being made by a company or trust, assets owned by the directors, shareholders or beneficiaries are not included in the calculation of the Builder's ANTA, but those persons may support the Builder's Assets by providing a Guarantee (clause 12).

What things don't count as 'Assets' (Disallowed Assets) (clause 11)?

Certain things will not be included in the calculation of the Builder's Assets even where they appear on the balance sheet. These include:

- recreational vehicles, including off-road motorcycles, trikes, vessels, aircraft and motorsport vehicles
- unregistered vehicles required to be registered under the *Road Safety Act 1986*
- racing animals
- collectors' items
- Contingent Assets and Intangible Assets, including intellectual property, proprietary data, and goodwill
- personal-use furniture
- shares or investments in unlisted companies
- non-monetary credits, including crypto assets
- units in unlisted trusts
- inaccessible superannuation, life or income protection insurance amounts.

NOTE: Disallowed Assets will only be deducted from the Builder's total Assets to the extent these were included in calculating total Assets.

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What are Liabilities? (clause 13)

Liabilities are all amounts owed by the Builder to any third person, including a Related Entity. Where the Builder has defaulted on a loan and the lender has not waived its recovery rights, this includes the default amount and any associated charges.

A Related Entity is defined in clause 19 of the MFRs and Guidelines and includes, for example, family members, directors, majority shareholders, company secretaries, persons holding a 50% or greater interest in a company, related bodies corporate, and trustees and beneficiaries of a trust (in the circumstances set out in clause 19.1).

3. How is the Builder's MCC calculated?

BPC will determine the MCC based on ANTA using a two-tier formula (clause 8):

Tier	Formula
1. MCC up to and including $20 million	MCC = ANTA ÷ 0.05
2. MCC above $20 million	MCC = (ANTA - $400,000) ÷ 0.03

To apply the formula: First divide the ANTA by 0.05. If the amount is $20 million or less, that is the MCC. If the amount exceeds $20 million, the second-tier formula applies.

NOTE: A Builder may apply for a lower MCC than is supported by its ANTA.

4. What ANTA must be maintained at all times?

Once the MCC is determined, the Builder has a continuous obligation to maintain its ANTA at or above the corresponding ANTA Threshold (clauses 7.1(b) and 14):

Tier	Formula
1. MCC up to and including $20 million	ANTA Threshold = 0.05 × MCC
2. MCC above $20 million	ANTA Threshold = (0.03 × MCC) + $400,000

NOTE: This is a **continuous obligation**, not a point-in-time test. A significant draw down, dividend distribution, asset transfer, or trading loss may reduce the Builder's ANTA below its ANTA Threshold. If this is likely to occur, the Builder must notify BPC in writing within 7 days of becoming aware of this (clause 7.1(g)(i)). If this actually occurs, the Builder must notify BPC in writing within 7 days of the non-compliance (clause 7.1(g)(ii)).

Ongoing Financial Monitoring

The Builder should monitor its pipeline of work and financial position on an ongoing basis. Regularly reviewing the Total Value of Domestic Building Work against the MCC, and ANTA against the ANTA Threshold will help identify non-compliance risks early. Where the MCC is $2 million or more, quarterly Internal Management Accounts provide a mandatory regulatory compliance check.

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5. Working Examples

Example 1: Sole trader – small Builder

Assets: $190,000 (includes cash $60,000 + work vehicle $45,000 + tools and equipment $35,000 + trade debtors $40,000 + goodwill $10,000)

Liabilities: $95,000 (trade creditors and vehicle loan)

Disallowed Assets: $10,000 (goodwill on the balance sheet)

ANTA: $190,000 - $95,000 − $10,000 = $85,000

MCC: $85,000 ÷ 0.05 = $1,700,000

ANTA Threshold: 0.05 × $1,700,000 = $85,000

Regulatory Requirements: As the MCC is below $2 million, quarterly Internal Management Accounts are not required, and the financial information submitted as part of the MFR Application or Change Application does not need to be verified by a Qualified Accountant.

Example 2: Mid-size company Builder

Assets: $620,000 (including Disallowed Assets)

Liabilities: $340,000

Disallowed Assets: $30,000 (crypto assets $18,000; shares in an unlisted company $12,000)

ANTA: $620,000 - $340,000 - $30,000 = $250,000

MCC: $250,000 ÷ 0.05 = $5,000,000

ANTA Threshold: 0.05 × $5,000,000 = $250,000

Regulatory Requirements: As the MCC is $2 million or more, the financial information submitted as part of the MFR Application or Change Application must be verified by a Qualified Accountant (clause 16.1(h)(iii)), and quarterly Internal Management Accounts must be prepared within 30 days of the end of each quarter (clause 7.1(c)).

Example 3: Determining MCC based on ANTA

ANTA: $1,600,000

First-tier check: $1,600,000 ÷ 0.05 = $32,000,000 (above $20 million, meaning the second-tier formula applies).

MCC: ($1,600,000 - $400,000) ÷ 0.03 = $40,000,000

ANTA Threshold: (0.03 × $40,000,000) + $400,000 = $1,600,000

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6. What happens if the MFRs are not met?

Failing to meet the MFRs is a ground for disciplinary action under section 179(1)(ea) of the *Building Act 1993* and for suspension of the Builder's registration. BPC may also exercise any of its other statutory powers to enforce the MFRs (clause 22.3).

Notification Requirements

To meet the MFRs, the Builder will need to monitor its financial position on an ongoing basis. Under clause 7.1(g)(i), the Builder must notify BPC in writing within 7 days of becoming aware that it is likely to breach an MFR. Under clause 7.1(g)(ii), the Builder must notify BPC in writing within 7 days of actually breaching an MFR. Each notice must include details of how and why the MFRs may not be, or were not, complied with. Proactive breach notification is mandatory and a regulatory requirement. Early engagement with BPC, supported by up-to-date knowledge of the Builder's pipeline of work and financials, will help BPC to understand the Builder's financial position.

MFR Agreements

Where a Builder does not meet the MFRs under clause 7.1 of the MFRs and Guidelines, clause 7.2 may apply. Under clause 7.2, BPC may, at its sole discretion, enter into an MFR Agreement with a Registered Building Practitioner: An MFR Agreement is a documented plan setting out milestones and obligations for the Builder to move towards compliance with the MFRs over an agreed period (clauses 7.2 and 17).

An MFR Agreement may require, for example, a financial plan approved by BPC, a capital injection, a Guarantee, a reduction in the Builder's Total Value of Domestic Building Work, or compliance with financial requirements set by BPC in place of the MCC and ANTA Threshold requirements (clause 17.3(b)).
An MFR Agreement is not an entitlement and will be considered on a case by case basis.

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APPENDIX A

Ongoing MFR obligations: Compliance checklist

This checklist summarises the continuous obligations that apply to the Builder while it is registered, not only at the time an MFR Application or Change Application is submitted. It also sets out practical steps BPC recommends to help the Builder stay compliant.

- ☐ **Total Value of Domestic Building Work:** The Builder must keep its Total Value of Domestic Building Work at or below its MCC at all times (clause 7.1(a)).
- ☐ **ANTA:** The Builder must always keep its ANTA at or above the ANTA Threshold (clause 7.1(b)).
- ☐ **Internal Management Accounts:** If the Builder's MCC is $2 million or more, it must prepare quarterly Internal Management Accounts within 30 days of the end of each quarter (clause 7.1(c)).
- ☐ **Mandatory Reporting:** The Builder must notify BPC in writing within 7 days if it becomes aware that it is likely to fail to comply with any MFR, and within 7 days if it has actually failed to comply with any MFR, with such notice to include details of how and why the breach may occur or has occurred (clause 7.1(g)).
- ☐ **Information Requests:** The Builder must respond within 14 days to any request by BPC for information reasonably required to determine whether the Builder is complying with the MFRs, including providing information to calculate its ANTA and Total Value of Domestic Building Work, and Internal Management Accounts verified by a Qualified Accountant (clauses 7.1(h) and 15.2).
- ☐ **Judgment Debts:** The Builder must have no unpaid judgment debts (clause 7.1(f)).
- ☐ **Insolvency:** Within the past three years:
  - the Builder (if a natural person), or if the Builder is a company or partnership, its directors or partners, must not have been bankrupt or a director of a company within a year of that company entering External Administration;
  - the Builder (if a company or partnership), and its Related Entities, must not have been under External Administration (clauses 7.1(d)(i) and (e)(i)-(ii)).
- ☐ **Domestic Building Insurance or Home Warranty Claim Payments:** In the previous six years, the Builder (and, where the Builder is a company or partnership, each of its directors or partners) must not have exceeded $1 million in total Claim Payments. Claim Payments include payments for work where the Builder was the builder, and for work by a company of which a director of the Builder was a director at the time the work was carried out (clauses 7.1(d)(ii) and (e)(iii)).

Recommended practice

- ☐ **Monitor Pipeline**: The Builder should monitor its pipeline of work and financial position on an ongoing basis. This includes a review of its Total Value of Domestic Building Work in progress against its MCC, and its ANTA against its ANTA Threshold, before the Builder makes any significant financial decisions (clauses 7.1(a)-(b)).
- ☐ **New Contracts:** Before the Builder enters into a new Insurable Domestic Building Contract, the Builder should confirm the Contract Price will not cause its Total Value of Domestic Building Work to exceed its MCC (clauses 7.1(a) and 15).
- ☐ **Asset Transfers:** Before making significant drawings, paying dividends, or transferring assets, the Builder should confirm its ANTA will remain at or above its ANTA Threshold (clause 7.1(b)).

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