

Accounting rules to be amended (1/22/17)

Following amendments to the Accounting Act that Parliament adopted on 23 November 2016, a set of proposals have been presented for amending the Cabinet of Ministers' Regulation No. 585 of 21 October 2003, *Accounting and Bookkeeping Procedures*. These proposals mainly clarify time limits, terms and definitions with respect to making accounting entries, taking stock of receivables and payables, available formats for gathering accounting data, and conditions for using software. This article explores the main aspects of these proposals.

The essence of the amendments

Conditions for time limits for making entries in accounting records are being clarified, the wording is being improved, and conditions for making entries after the end of the financial year and up to the sign-off on the financial statements are being clearly defined. The proposals lay down the following conditions:

- Entries in accounting records should be based on supporting documents. Data aggregated from homogeneous supporting documents may be combined into a single internal supporting document.
- Entries in accounting records for business transactions should be made time limits set by the Accounting Act for recording supporting documents. During the period between the end of the financial year and the sign-off on the financial statements, the entity may record supporting documents that relate to the same financial year but are received, issued or prepared after the year end, e.g. for payroll calculations in the last month of the financial year, for closing stocktake results for the financial year if the company has elected to take stock after the year end, for the corporate income tax charge or the microbusiness tax charge, for adjusting entries and closing entries, or to correct an error discovered during a review of the financial statements.

It is important to note that the proposals give the State Revenue Service the power to reconcile receivables and payables in taxes (duties) and other payments to the government on a sample basis under the principle of materiality.

The proposals clarify ways of gathering accounting data and replaces the term "flat files" with a list of file formats (Excel, Access, PDF, Adobe PDF, and XML).

The clause that determines how books should be kept using accounting software is being amended to permit the use of only a piece of software whose rights under the Copyright Act are confirmed by –

- permission from the copyright owner (a licence or a licence agreement);
- an agreement that transfers the author's economic rights to the company if the software has been created by an employee in the course of employment;
- an agreement that transfers the author's economic rights to the company if the software has been created by an external service provider in carrying out a contractual obligation.

An annotation to the proposed amendments states that the proposals have been discussed at meetings held by the Ministry of Finance and do not affect the compliance burden.