

Proposals to extend small companies' time limit for filing financial statements 3/5/23

On 19 January 2023 the Cabinet of Ministers met to debate and approve proposals for amending the Company and Consolidated Accounts Act (CCAA), which provide for extending the time limits set for small companies to file their financial statements (FS). The amendments are to cover FS prepared for the year ended on 31 December 2022 and later. The proposed extension is one month.

The current rules

CCAA section 97(1) requires companies to file with the State Revenue Service (SRS) an electronic copy of their FS and consolidated FS (if any) prepared in paper form or electronically no later than one month after they are approved and no later than four months after the end of the financial year, but medium companies, large companies and group parent companies preparing consolidated FS – no later than seven months after the end of the financial year.

Company categories are defined by CCAA section 5:

Company type	Criteria		Average headcount in financial year
	Balance-sheet total at balance-sheet date (EUR)	Net turnover at balance-sheet date (EUR)	
Microcompany (< 2 of the criteria)	350,000	700,000	10
Small company (< 2 of the criteria)	4 million	8 million	50
Medium company (< 2 of the criteria)	20 million	40 million	250
Large company (> 2 of the criteria)	20 million	40 million	250

Background

The Republic of Latvia Association of Accountants and the Latvian Association of Statutory Auditors, who are the main drivers of this initiative, say they keep receiving requests from their members – accountants employed by companies, accountants who provide external accounting services, statutory auditors and other financial professionals – that the time limits for filing FS be extended.

One of the factors affecting the time limit for preparing FS is related to Russia's invasion of Ukraine in February 2022. The massive sanctions that followed (restrictive measures against Russia and Belarus for any activities that undermine or threaten Ukraine's territorial integrity, sovereignty and independence) had a significant impact on business, economic development and the functioning of financial systems at national and international level. These unprecedented circumstances and uncertainty are making life difficult for companies, including FS preparation.

Unlike the FS for 2021, in which details of those circumstances and how they affect the company's business had to be revealed in FS relating to events after the balance-sheet date and the relevant balance-sheet items required no adjustment at the end of 2021, this year each company, when preparing FS, will need to review the assessment – how the situation affected the company at the FS date and changed its significant judgements and estimates that are subject to greater uncertainty than usual. This requires

considerable time and other resources for companies and their accountants as well as auditors in examining those management judgements and estimates during an audit or a limited review.

The time limit for filing FS and consolidated FS for the previous three years was extended to three months because of the Covid-19 crisis, with the result that companies have changed the way they work, including their FS preparation rules and related procedures. It would be useful to allow companies to keep the extended time frame for filing FS and consolidated FS. The Republic of Latvia Association of Accountants and the Latvian Association of Statutory Auditors also call attention to the fact that the national laws of other countries provide for longer time limits. Estonian companies, for example, have to file their FS within six months after the end of the financial year.

Large and medium companies already have a sufficiently long time limit (seven months), so this is not extended. For microcompanies, too, the time limit is not extended – four months.

Expected changes

The CCAA time limit for small companies to file FS being prepared for the financial year ended on 31 December 2022 and for subsequent years is to be extended by one month.

The Cabinet of Ministers has approved the proposals. The State Chancellery is to prepare the proposals for submission to Parliament as part of the budgetary bills package for 2023.

PwC's tax management and accounting team will ensure that your company's accounting stays compliant with Latvian legislation, IAS/IFRS, and group accounting policy. We also provide FS preparation services and we have developed a tool intended for automated and fast preparation of FS using a handy technological solution.