Changes to Company and Consolidated Accounts Act 3/36/21

Proposals for amending the Company and Consolidated Accounts Act (the "CCAA") were announced at the meeting of state secretaries on 12 August 2021. Although the proposals are still to be debated by the Cabinet of Ministers and need parliamentary approval, certain amendments would apply when preparing financial statements for 2021.

Improved comparability and data collection

The first task of the proposals is to improve the global comparability of information disclosed in financial statements by amending the rules for recognising, measuring and presenting items in financial statements according to International Accounting Standards (IAS). To this end the proposals offer to solve two problems:

1. Subsection 6.1 is to be added to CCAA section 3 in order to allow companies that traded their transferrable securities on a regulated market and therefore prepared their financial statements to IAS under the Financial Instruments Market Act in the last financial year or in a longer period, to continue doing so after they cease to be participants of the regulated market;
2. The definition of "revaluation reserve" in CCAA is to be aligned with IAS 16 *Property, Plant and Equipment* by replacing the words "adjustment for impairment" with the word "impairment" in the second sentence of CCAA section 33(2), meaning the annual depreciation charges on any revalued items of property, plant and equipment should be taken to the revaluation reserve.

The second task of the proposals is to improve the way research and development (R&D) statistics are obtained by using the resources of the State Revenue Service's Electronic Declaration System (EDS). To perform this task, paragraph 17 is to be added to CCAA section 53(1) in order to require medium and large companies within the meaning of CCAA to disclose details of their R&D costs in the notes to the financial statements. As stated in draft transition rules, this paragraph would apply to company and consolidated accounts from the financial year 2021.

The third task of the proposals is to improve the way data on the provision of construction services is obtained through the EDS, which will make it easier to administer payments of stamp duty for registration activities on the register of builders.

In the absence of a control system able to accurately and fully assess the amount of stamp duty payable by a particular trader for compliance with statutory requirements or grounds for reducing it, a new sub-item for reporting revenues from construction services is to be added to the profit and loss account diagram presented in CCAA Appendix 2 or 3. This would allow a particular builder's stamp duty to be accurately and fully assessed for compliance with statutory requirements or grounds for reducing it, and help the supervisory authority verify the stamp duty payment meets statutory requirements.

Once the amendments are passed, updates will be made to the Cabinet of Ministers' Rule No. 775 of 22 December 2015, *Application of the Company and Consolidated Accounts Act, Chapter 9, Disclosure of Research and Development Measures and of Incorporeal Assets Inconsistent with Conditions for Classifying Internally Generated Intangible Assets in Financial Statements*, and to the Cabinet of Ministers' Rule No. 399 of 21 June 2016, *The Form of an Electronic Copy of Company and Consolidated Accounts*, the appendix

“Notes to Financial Statements.”