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NEW REQUIREMENTS RELATED TO ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORTS

Due to the turmoil surrounding the current state of emergency in Bulgaria, recent legislative amendments affecting numerous legal entities seem to have somehow been left neglected. The new rules have been effective since March 14, 2020, and thus apply to the current campaign for the publication of financial statements for 2019.

A NEW STANDARD FORM DECLARATION

The recent amendments to *Ordinance No. 1 dated 14.02.2007 on the keeping, storing and accessing the Commercial Register and Register of Non-profit Legal Entities* introduce a template of a new standard form declaration ("**Declaration**"). Basically, the Declaration proves that the annual financial statement and the management report have been approved by the relevant competent body of the legal entity. It must be signed by the legal entity's statutory representative(s) and submitted as an attachment to the application for publication of the financial statement and the management report with the Commercial Register and Register of Non-Profit Legal Entities ("**Commercial Register**").

As a result of these amendments, certain legal entities will no longer be required to submit various documents evidencing the approval of their annual financial statements and the management reports with the Commercial Register, e.g., a decision of the general meeting/sole owner or an excerpt from the company register of a foreign company holding a stake in the Bulgarian company.

Thus, the process will be simplified for the companies concerned. It is worth clarifying though that the companies should still proceed to approvals of their statements and reports and they are not relieved from such requirements; it is the paper work around the publication of such documents that is reduced by the amendments discussed.

AFFECTED COMPANIES

The new rules apply only to micro, small and medium-sized enterprises. The criteria for the categorization under these categories are described in the Accounting Act and include net sales revenue, book value of the assets and average number of employees for the reporting period. The category within which the legal entity falls must also be indicated in the Declaration. Further, the relevant statutory representative(s) shall also declare that certain rules regarding the categorization have been met.

The new requirement does not apply to large enterprises (enterprises who meet at least two of the following criteria: BGN 38 thousand (approximately EUR 19.4 thousand) book value of the assets; BGN 76 thousand net sales revenue (approximately EUR 38.8 thousand); 250 – average number of employees for the reporting period) and public interest enterprises (for example, credit institutions, insurers and reinsurers, etc.). Thus, these entities will continue to provide the relevant documents evidencing the approval of the financial statements and the management report when announcing them to the Commercial Register.

In addition, it should be mentioned that the Declaration refers to approval of both the annual financial statement and the management report. However, under the Accounting Act, certain legal entities are excluded from the obligation to prepare such a report. Thus, the wording used in the declaration as it stands is inaccurate and should be rather adjusted in the future.