European Federation of Accountants and Auditors for SMEs

BRUSSELS, 2 MAY 2013

HARMONISATION OF FILING DEADLINES OF ANNUAL FINANCIAL STATEMENTS

Background

EFAA has monitored and input to the debate on the European Commission Proposals for the Revision of the 4th and 7th Accounting Directives ("the Accounting Directives" issued 25 October 2011) issuing commentary and detailed position statements on SME matters.

On 9 April 2013 (at the seventh trilogue) a preliminary agreement was reached which should see the revision of the Accounting Directives brought to a conclusion. Contained within that compromise is a requirement [Chapter 7 Publication, Article 30] that "Member States shall ensure that undertakings ***within a reasonable period of time which shall not exceed 12 months after the end of the financial year*** publish the duly approved annual financial statements".

Harmonisation of publication and filing deadlines

The revision of the directive provided an opportunity to rectify a significant gap in the current directives by harmonising the minimum periods required for the publication of accounts by companies across Europe.

This is because the timeliness of financial information about a company is a desirable quality as well as the harmonised basis of preparation and the information disclosed. The current 4th and 7th Accounting Directives require information to be filed but do not specify a period of time for doing so. EFAA's submissions on the revision suggested that a time limit be included. To that extent we welcome the introduction of a time limit but feel that more could have been done. Our conclusions are drawn from the survey performed and results shown below.

Evidence

During 2012 EFAA carried out a short survey to examine the existing rules of countries within the European Union in regard to the time limits that companies have to submit their financial statements to the public registrar.

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The survey included 16 countries and the results are shown below:

Country	Filing period in months	Explanatory information
Bulgaria	6	-
Czech Republic	7	The Commercial Register does not state a date by which the accounts must be filed, stating only that it must be done without delay. Companies are required to publish their accounts within 30 days of their accounts being audited and approved by the General Assembly and there is an obligation to convene the General Meeting approving the accounts within six months of the last day of the accounting period. Therefore, the latest day that this could be done would be 30 July, in the case of a 31 December year end. However, the reality is that more than one half of companies either does not file their accounts or file them late (as evidenced by a short survey undertaken by the World Bank). It is believed that the reason for this is a lack of enforcement.
Spain	7	Companies have the obligation to deposit their financial statements within seven months after they have closed the accounting period which is usually 31 December. Therefore, they should present their information no later than 31 July to the Registrar.
Norway	7	The accounts must be adopted by the General Assembly within 6 months of the year end. No later than one month after the adoption of the annual accounts, the entity shall file a copy of the annual accounts, the directors' report and the auditor's report with the Register of Company Accounts.
Sweden	7	As above.
Finland	7	As above.
Portugal	7.5	The accounts must be adopted by the General Assembly within 3 months of the year end and the company must publish the duly approved annual financial statements by the 15th of July. For those adopting an accounting period other than the calendar year, the accounts must be submitted by the 15th day of the 7th month after the expiry of that period.
Slovenia	3	Accounts for companies should be produced and submitted to the AJPES (Agency of the Republic of Slovenia for Public Legal Records and Related Services) within 3 months of the period end.
France	7	Companies must hold their Annual General Meeting within 6 months of the financial year end and then they have one month to file them on the public record.

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Poland	6.5 to 8.5	Financial statements are approved within 6 months (consolidated within 8 months) from the end of the accounting period and the Managing Director has 15 days to submit the approved financial statements to the registrar.
Germany	12	All entities have not later than 12 months from the end of their accounting period to file their accounts with the registrar.
United Kingdom	9	Non listed entities must (in general) file their accounts with the Registrar of Companies within 9 months of the end of the accounting period.
Netherlands	13	Public filing is required not later than 13 months of the period end.
Italy	5 to 7	The commercial law says that companies must approve the balance sheet within 120 days of the end of the accounting period although there is a possibility of extending this to 180 days. Accounts must be filed within 30 days of approval. In general companies approve their accounts by 30 April and file them by 30 May with the latest possible date being 30 July.
Ireland	10	Accounts must be filed within 10 months of the period end.
Romania	5	The general rule is that companies have to submit their financial statements to the regional representatives of the Ministry of Finance within 150 days of the year end; this is usually by 31 December.
Average	**7**	

Conclusions

The results of the survey provide evidence that the period before financial statements should be available to users varies significantly across the survey group, and therefore within the EU, from a period of 3 months to 13 months. The most common period is 7 months.

The proposed limit in the new directive of 12 months on its own is unlikely to lead to much improvement in the timeliness of information. Certain member states are clearly significantly less demanding than most in this regard (for example in our survey the UK, Netherlands, Germany and Ireland) and might take the opportunity of the implementation of the new directive to remedy that position. This would result in more timely information being provided for the benefit of users which is of particular importance in the case of investment decisions.

We believe that an opportunity was missed and that the deadlines could have been shortened to 7 months, the most common period demonstrated in the above survey. The timeliness of financial statements is of great importance to enabling third parties to make informed decisions. Events can quickly reduce the usefulness of information and some would argue that even at 7 months information is already out of date. That said, a deadline of 7 months would have been a significant improvement on the compromise position reached of 12 months.

Furthermore, the survey results highlighted not only the importance of legal time limits but also of their proper enforcement. There are instances (such as within the Czech Republic) when the filing period is not enforced and companies can therefore decide to not publish their accounts. This is because they expect to do so without penalty.

We would argue that the benefits of harmonising accounting information under the small regime are unlikely to be fully realised because companies throughout the EU are able to take longer to publish their accounts than other companies in different member states. Secondly some companies in EU member states may not publish information at all because they believe that this requirement (as laid down under the proposed and existing accounting acquis) is not necessarily enforced.

About EFAA

EFAA is the umbrella organisation for national accountants and auditors' organisations, individual members of which provide professional services primarily to SMEs, both within the European Union and Europe as a whole. Constituents are mainly small and medium-sized practitioners ("SMPs"), including a significant number of sole practitioners. EFAA's members, therefore, are SMEs themselves and provide a range of professional services (e.g. audit, accounting, bookkeeping, and tax and business advice) to SMEs. EFAA has members throughout Europe representing over 250,000 accountants and auditors.

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