

ACCOUNTANCY ACT
(in force as of 1st January 2016)

A new Accountancy Act, which enters into force as of 1st January 2016, was promulgated in State Gazette 95/8.12.2015. Some of the most important provisions are summarized below.

STORAGE OF ACCOUNTING INFORMATION

Mode of storage

The accounting information is to be stored on paper and/or on technical carriers.

Terms for storage

Payroll information (vedomosti za zaplati)	50 years
Accounting registers; financial statements (including documents concerning tax audits and subsequent financial inspections)	10 years
All other carriers of financial information	3 years

The term for storage of the accounting information starts running from January 1st of the reporting period, following the reporting period to which the information refers to.

Who stores the information?

The accounting information is stored by the undertaking.

The accounting information may be submitted for storage to private or public archives under the procedure of the National Archive Fund Act.

CATEGORIES OF UNDERTAKINGS

An undertaking is defined into the respective category if as at December 31st the undertaking does not exceed the limits (or, respectively, exceeds the limits when large undertakings are concerned) of at least two of the three following criteria:

Micro-undertakings

- Balance sheet total – BGN 700 000
- Net turnover – BGN 1 400 000
- Average number of employees – 10 persons

Small undertakings

- Balance sheet total – BGN 8 000 000
- Net turnover – BGN 16 400 000

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- Average number of employee – 50 persons
- Medium-sized undertakings**
- Balance sheet total – BGN 38 000 000
 - Net turnover – BGN 76 000 000
 - Average number of employees – 250 persons
- Large undertakings**
- Balance sheet total – BGN 38 000 000
 - Net turnover – BGN 76 000 000
 - Average number of employees – 250 persons

Public-interest entities

Public-interest entities are:

- entities that are publicly traded in an EU state;
- credit institutions;
- insurance and re-insurance companies;
- pension companies and their funds;
- investment intermediaries, which are deemed large undertakings;
- collective investment schemes and their management companies;
- financial institutions that are deemed large undertakings;
- Bulgarian Railways Holding;
- companies having as their main activity the production, transportation and trade with electricity and/or heat when deemed large undertakings;
- companies having as their main activity the production, transportation and trade with natural gas when deemed large undertakings;
- companies having as their main activity water supply and sewage;

CATEGORIES OF GROUPS OF UNDERTAKINGS

Groups of undertaking included in a consolidation are categorised as listed below if on a consolidated basis as at December 31st do not exceed the limits (or, respectively, exceed the limits when large groups are concerned) of at least two of the three following criteria:

- Small Group**
- Balance sheet total – BGN 8 000 000
 - Net turnover – BGN 16 000 000
 - Average number of employees – 50 persons
- Medium-sized Group**
- Balance sheet total – BGN 38 000 000
 - Net turnover – BGN 76 000 000
 - Average number of employees – 250 persons
- Large Group**
- Balance sheet total – over BGN 38 000 000
 - Net turnover – BGN 16 000 000
 - Average number of employees – 250 persons

ANNUAL FINANCIAL STATEMENTS

General provisions

The annual financial statements shall for all undertakings comprise as a minimum:

- the balance sheet,
- the profit and loss account, and

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- the notes to the financial statements.

The format, structure and contents of the full set of financial statements are determined in the applicable accounting standards.

Sole Traders with turnover below BGN 200.000

Sole traders having turnover of less than BGN 200.000 (and not subject to statutory audit) may draw up a profit and loss account only.

Micro-undertakings

Micro-undertakings may draw up abridged balance sheets and abridged profit and loss accounts only per sections.

The above simplification is not applicable in respect of micro-undertakings that are investment companies or financial holdings.

Small undertakings

Small undertakings may draw up an abridged balance sheet and an abridged profit and loss account only per sections and groups and notes to the financial statements.

Medium-sized undertakings; Large undertakings; Public-interest entities

Medium-sized undertakings, large undertakings and public-interest entities draw up a full set of financial statements according to the applicable accounting standards.

Additional disclosures for large undertakings and public-interest entities

In the notes to the financial statements large undertakings and public-interest entities shall disclose information for total fees for the financial year charged by each statutory auditor for:

- the audit of annual financial statements;
- tax advisory services;
- other non-audit services.

In the notes to the consolidated financial statements analogical disclosures are made in respect of undertakings, included in the consolidation.

INVENTORY

A mandatory inventory count is to be conducted at least once a year. Undertakings with net turnover not exceeding BGN 200.000 may not conduct the mandatory inventory count.

ACCOUNTING STANDARDS

NAS

Undertakings draw up annual financial statements in accordance with the National Accounting Standards ("NAS"). This requirement shall be applicable to large undertakings as of 1st January 2017.

IAS

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An undertaking may choose to draw up its annual financial statements in accordance with the International Accounting Standards ("IAS") provided the undertaking has not already chosen to apply NAS.

An undertaking that has drawn up and presented its financial statement under IAS cannot apply NAS.

Companies in liquidation; Insolvent Companies

Companies in liquidation and insolvent companies apply NAS

Non-profit organizations

Non-profit organizations apply NAS (regardless of how categorized, i.e. micro, small, medium-sized or large).

Public-interest entities

Public-interest entities apply IAS.

STATUTORY AUDIT

Audit

The annual and consolidated financial statements of the following are subject to audit:

- | | | |
|----|---|--|
| 1 | Small undertakings | if as at December 31 st the limits of two of the following three criteria are exceeded: <ul style="list-style-type: none">▪ balance sheet total: BGN 2.000.000▪ net turnover: BGN 4.000.000▪ average number of employees – 50 persons |
| 2 | Medium-sized undertakings | |
| 3 | Large undertakings | |
| 4 | Public-interest entities | |
| 5 | Medium-sized groups of undertakings | |
| 6 | Large groups of undertakings | |
| 7 | Groups of undertakings with at least one public-interest entity | |
| 8 | Undertaking required to have an audit by law | |
| 9 | Joint-stock companies | unless no business activity in the reporting period |
| 10 | Kommandite companies with shares | unless no business activities in the reporting period |
| 11 | Undertakings subject to consolidation | |

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- 12 Non-profit organization for public purpose if as at December 31st the limits of two of the following three criteria are exceeded:
- balance sheet total: BGN 1.000.000
 - net turnover from commercial activities and turnover from non-commercial activities: BGN 2.000.000
 - subsidies – BGN 1.000.000
- 13 Non-profit organization for public purpose soliciting international adoption

PUBLICATION

General publication requirements

Undertakings publish the duly approved:

- annual financial statements,
- consolidated financial statements, and
- annual management report.

The audit opinion, submitted by the statutory auditor, is also published.

Joint-stock companies, kommandite companies with shares, limited liability companies categorized as medium-sized or larger undertakings and public-interest entities publish also information concerning:

- the proposal of the management body for distribution of profits or for covering of previous years losses, and
- the resolution of the general meeting of the shareholders for the distribution of dividends or for covering of previous year losses.

Parent companies publish individual annual financial statements together with the consolidated financial statements and the management report.

Deadline for publication

All merchants	June 30 th	Publication with the Trade Register
Non-profit organization for public purpose	June 30 th	Publication with the Central Register kept with the Ministry of Justice
All other undertakings	June 30 th	Publication via economic media or Internet

Simplification for small undertakings

Small undertakings that are not subject to statutory audit are exempt from the obligation to publish their profit and loss accounts and management reports.

Administrative sanction

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Undertaking, does not fulfill its statutory obligation for publication of its annual financial statements, shall be subject to administrative penalty amounting from 0.1 per cent to 0.5 per cent of the net turnover for the relevant period, but no less than BGN 200. For a repeated offence the penalty would be twice the amount of the sanction.

MANAGEMENT REPORT

Obligation

All undertakings prepare a management report regardless of whether subject to audit.

Non-financial declaration

Effective from 1st January 2017 large undertaking of public interest and having average number of employees of 500 persons shall prepare and have to include a non-financial declaration into the management report. The content of the non-financial declaration is set out in art. 48 of the Accountancy Act.

TRANSITIONAL PROVISIONS

Categories of undertakings and groups of undertakings

Undertakings and groups of undertakings determine their category for 2016 in accordance with the parameters as at 31st December 2015.

Financial Statements for 2015; Management Reports for 2015; Audit

The financial statements and management reports for 2015 shall be drawn up in accordance with the repealed Accountancy Act.

The audit of financial statements and management reports for 2015 shall be also conducted up in accordance with the repealed Accountancy Act.

Publication of Financial Statements and Management Reports for 2015

The financial statements and management reports for 2015 shall be published in accordance with the new Accountancy Act.

Switch from IAS to NAS

Undertakings deemed micro, small and medium-sized per the criteria as at 1st January 2016 and preparing their financial statements under IAS may switch once to the application of NAS.

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