



News No.6/2015

Amendment to the Accounting Act effective from 1 January 2016

The Ministry of Finance of the Czech Republic has prepared an amendment to the Accounting Act. The main reason for this amendment is to adopt into Czech law Directive no. 2013/34/EU of the European Parliament and Council of 26 June 2013. The amendment ought to have come into force by 20 July 2015; however, this date has been postponed to 1 January 2016. The changes shall thus first apply to accounting periods starting after 31 December 2015.

A) Main changes in general

- Categorization of accounting units (micro, small, medium-sized and large accounting units)
- Reducing administrative burdens, reducing data and information to be included in financial statements for micro and small accounting units
- Exemption of micro and small accounting units from the obligation to publish financial statements, to draw up annual reports and undergo an audit
- New regulation of single-entry bookkeeping for very small non-profit-making accounting units
- Extension of the obligation to publish information in the Commercial Register to voluntary associations and institutes
- Abolition of the category of start-up costs as intangible assets
- Introduction of "public interest entities"
- Introduction of "selected accounting units"
- Introduction of the obligation to publish reports on payments to governments

The European Directive proposed adjustments to accounting terminology. The term "účetní závěrka" should be replaced by "finanční výkaz" (*in English both of which are "financial statement"*) and the term "výroční zpráva" (*annual report*) should henceforth be referred to as "zpráva vedení společnosti" (*management report*). However, the Government of the Czech Republic has decided to continue using the original terms since it does not consider terminology changes to be appropriate. Moreover, adjusting related regulations merely due to terminology changes would create a disproportionate burden in this particular case.

The Chamber of Deputies inserted an amendment in the bill regarding the booking of contributions to the disposal of solar panels to the operators of collective systems. These contributions should be shown as tax-deductible provisions.

B) Categorization of accounting units and changes to their obligations

Accounting unit	Micro ¹⁾	Small ¹⁾	Medium-sized ¹⁾	Large ²⁾
Total assets (thousand CZK)	9,000	100,000	500,000	500,000
Net turnover (thousand CZK)	18,000	200,000	1,000,000	1,000,000
Average number of employees	10	50	250	250

¹⁾ does not exceed at least two out of these three criteria

²⁾ exceeds at least two out of these three criteria



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Small and micro accounting units may keep accounts to a simplified extent if they meet other requirements, unless they are obliged to undergo an audit of their financial statements.

The financial statements consist of the balance sheet, profit and loss account, notes, cash flow statement and a statement of changes in equity. However, micro and small accounting units are not obliged to draw up cash flow statements and statements of changes in equity.

Accounting companies that are obliged to undergo a financial statement audit have to draw up an annual report. The purpose of the annual report is to provide information on the development, performance, activities and current financial situation of the accounting unit in a consistent, balanced and comprehensive manner.

The annual report must include at least the following financial and nonfinancial information:

- on events after the balance sheet date that are relevant to the purposes of the annual report,
- on the prospective development of the accounting unit's activities,
- on research and development activities,
- on the unit's acquisition of its own shares (*newly added with effect from 1 January 2016*),
- on activities related to environmental protection and industrial relations,
- on whether the accounting unit has a branch or other organizational unit abroad,
- other information as required under special legislation.

However, micro, small and medium-sized accounting units are not obliged to provide nonfinancial information.

Accounting units must publish financial statements and the annual report (if they are obliged to prepare an annual report) in the Collection of Deeds. The accounting units shall publish their financial statements in the extent they have been drawn up; if the accounting unit is obliged to undergo an audit, it must publish the financial statements in the same scope and wording as that audited.

Micro and small accounting units that are not obliged to undergo an audit of financial statements need not publish their profit and loss account unless they are required to do so under special legislation.

The following accounting units are obliged to undergo an audit of financial statements:

Large accounting units	every time
Medium-sized accounting units	every time
Small accounting units	Joint-stock company, trust funds – if they have reached or exceeded at least one of the criteria stated below*
	others – if they have reached or exceeded at least two of the criteria stated below*
Accounting units that are required to do so under special legislation	

*Criteria:

Total assets (thousand CZK)	40,000
Net turnover (thousand CZK)	80,000
Average number of employees	50

The provisions on the valuation of the components of assets and liabilities at fair value do not apply to micro accounting units (there are, however, some exceptions, such as in the securities field).

Large accounting units (including public interest entities) are obliged to draw up a report on payments to the governments of EU Member States or third countries as at the balance sheet date.



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C) Categorisation of consolidation groups and changes to their obligations

Consolidation group	Small ¹⁾	Large ²⁾
Total assets (thousand CZK)	100,000	100,000
Net turnover (thousand CZK)	200,000	200,000
Average number of employees	50	50

¹⁾ does not exceed at least two out of these three criteria

²⁾ exceeds at least two out of these three criteria

Small consolidation groups are not obliged to draw up consolidated financial accounts.

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