

No consolidated annual accounts required from Parent companies with subsidiaries of negligible importance



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On 22 March 2012, the Parliament passed a bill (1) (hereafter referred to as the “Bill”) which reduces the administrative burdens in financial reporting and auditing of annual accounts on SMEs. The Bill entered into force on 22 April 2012 and is an important reference for the yearly process of preparing and approving annual accounts.

This Bill implements EU legislation (2) into Belgian law regarding disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts. The Bill aims to relieve the administrative and financial burden on SMEs and to stimulate the European economy.

The Bill states that any medium sized parent company with subsidiaries which, in view of the valuation of the consolidated funds, the consolidated financial position or the consolidated result, individually and together, are of negligible importance, is exempt from the obligation of preparing consolidated annual accounts.

The term “of negligible importance” raises questions as it is not defined by existing legislation. Although the term is vague, Belgian accounting laws have used it for several years without any consequent problems. A recent advice (3) of the Institute of Auditors interprets “subsidiaries of negligible importance” as those which independently or collectively represent less than one per cent of the parent company’s net assets.

Additionally, the Central Economic Council published an advice (4) regarding the Bill, stating that it is up to the board of directors to decide (i) whether consolidated annual accounts should be drawn up and (ii) whether the term “of negligible importance” should be applied. In this context, it is important to note that, in case of a parent company applying the exemption, the Bill’s

explanatory memorandum clarifies that no justification for doing so is expected from its board of directors in the annual report, since this would result in an additional information requirement.

Despite this legal exemption, a parent company can still draw up consolidated annual accounts and reports on a voluntary basis.

(1) Bill of 22 March 2012 amending the Companies Code and the law of 17 July 1975 regarding corporate bookkeeping (“Wetsontwerp tot wijziging van het Wetboek van Vennootschappen en van de wet van 17 juli 1975 met betrekking tot de boekhouding van de ondernemingen” / “Projet de loi modifiant le Code des sociétés en ce qui concerne certaines obligations d’information des moyennes entreprises et l’obligation d’établir des comptes annuels consolidés”)

(2) Directive 2009/49/EC of the European Parliament and the Council of 18 June 2009 amending Council Directives 78/660/EEC and 83/349/EEC as regards certain disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts.

(3) Advice 2012/02 of the Institute of Auditors (“Instituut van de Bedrijfsrevisoren” / “Institut des Réviseurs d’Entreprises”), 17 April 2012.

(4) Advice of the Central Board of Business (“Centrale Raad voor het Bedrijfsleven” (CRB) / “Conseil Central de l’Economie” (CCE)) of 22 November 2011 concerning the draft bill amending the Companies Code and the law of 17 July 1975 regarding corporate bookkeeping , Parl. St. Kamer 2011-12, nr. 1890/001.