



**Consolidated financial statements
of the Italian sub-holding companies
controlled by UK companies:**

the new obligations starting from 2021

From February 1, 2020, with the ratification of the Withdrawal Agreement from the European Union «Brexit», the United Kingdom is no longer a state member of the European Union. Starting from January 1, 2021, with the end of the “transitional period” provided by the “soft Brexit”, Italian joint-stock companies, which control other companies and which, in turn, are controlled by a company resident in the United Kingdom, can't no longer benefit from the exemption of the preparation of the consolidated financial statements provided for by art. 27 of Legislative Decree no. 121/1991.

Among the various hypotheses of exemption from the obligation of the consolidated financial statements provided by art. 27 of Legislative Decree No. 121/1991, there is a specific one for sub-holding, or those parent companies which, in turn, are controlled by another company.

In particular, For Italian companies which as sub-holding and subsidiaries of UK companies, the Brexit cause them not to be qualified anymore to one of the conditions required to benefit from the exemption pursuant to art. 27, paragraph 4, is that, the parent company is subject to the law of an EU Member State, and that it draws up and checks the consolidated financial statements in accordance with Legislative Decree no. 127/1991 or according to the law of another member state of the European Union or still in compliance with the international accounting standards adopted by the European Union. In fact, EU law is no longer applicable to the United Kingdom which, to all intents and purposes, is now a third country, no longer compliant with European legal rules and consequently also accounting principles.

From 2021, therefore, the Italian sub-holding companies, controlled by UK companies, will have to prepare the consolidated financial statements, pursuant to Legislative Decree no. 127/1991.

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TO WHOM DOES THE CONSOLIDATED FINANCIAL STATEMENTS APPLY ?

Pursuant to art. 25 of the Legislative Decree. 127/91 the following companies are required to prepare the consolidated financial Statement:

- ▶ the spa (joint stock company), sapa (publicly traded partnership) and srl (private company limited by shares) which control another company
- ▶ public entities operating - exclusively or predominantly - a commercial activity (Article 2201 of the Italian Civil Code), cooperative and mutual insurance companies controlling a spa, sapa or srl.

According to the art. 27 co. 1 letter a) and b) of the Legislative Decree 127/91, controlling companies that, together with the subsidiaries, have exceeded two of the following limit for two consecutive years are subject to the obligation of consolidation:

- ▶ 20 million euros in total assets in the balance sheets
- ▶ 40 million euros in total revenues from sales and services
- ▶ 250 employees employed on average during the year.

THE KEY CRITICAL ISSUES FOR THE PREPARATION OF THE FIRST CONSOLIDATED FINANCIAL STATEMENTS

The management of the process for the preparation of the consolidated financial statements is complex and articulated, especially the first year of application. It provides for both the definition of all the preliminary aspects typical of a consolidation process, such as the definition of the consolidation area and the accounting legislation to be applied, and the organizational aspect of the accounting structure that will have to take care of the fulfillment.

With regards to the organizational aspect, the main complexities found in the preparation of the consolidated financial statements are attributable to:

- **the preparation of the consolidation plan and organization of the accounting area**
The lack of specific skills and / or the number of internal resources dedicated to accounting as well as the lack of adequate guidelines for the consolidation processes can represent a critical issue for the preparation of consolidated financial statements and for the development of a plan and the organization of a new team within the Accounting function.
- **the aggregation and uniformity of the data of the companies involved**
Within a group, the accounting information system can be the same for all the companies or different according to the companies; the latter situation occurs whenever the group has decided not to change the information systems of the subsidiaries or when major acquisitions have been made. Often, a first problem to be faced is therefore to be able to aggregate data that can be generated by information systems which are also very different from one another and to build a first level of uniformity of the chart of accounts useful for subsequent activities: grouping and classification of items, elimination of reciprocal relationships. A further critical factor is the presence of foreign consolidated companies, with accounting principles different from those of the consolidating company.
- **information technology**
In the management of reporting and balance sheet closing processes, IT systems play a critical role but at the same time increase the complexity of handling, processing and consolidating data.

OUR ASSISTANCE & SUPPORT

We provide our proven experience to be of support in dealing with the complexities of consolidated processes.

OUR SOLUTIONS FOR THE CONSOLIDATION

- coordination with the parent company
- outsourcing our resources to support your accounting team at your office during the closing periods
- support in preparing the Reporting Package
- support in infra-annual and annual closings
- Support in the management and / or transition to IFRS
- support in loading historical data
- support in identifying and customizing tools for the management of the consolidation that best suits your needs
- training for the use of the software solution
- our IT solution for the management of the Consolidation
- support in generating the XBRL of the consolidated and financial statements documents.

OUR TEAM

- international location to enable relations with foreign subsidiaries
- multilingual professionals
- multisectoral experience in the management of complex projects for leading national and international realities
- high quality standards and transparent and timely communication
- works planned and organized to ensure the continuity of the professionals involved in the project activities
- structured teams and managers always involved experience in implementation projects for consolidated balance sheet management and financial reporting solutions
- ability to work on the most popular ERPs such as Sap, Oracle, Navision, Sage
- familiarity in the use of the most common software systems for managing consolidated financial statements and reporting, such as Board, Tagetic, Talentia, Sigma Conso.



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