

## **Many companies do not or not properly deposit their annual report**

**Although all companies keeping double-entry books and registered in the register of companies shall deposit their annual report, experiences show that many of them fail to comply or do not properly comply with such statutory provisions, the expert of Kovács Réti Szegheő Attorneys at Law called the attention of [origo]. Nevertheless, the regulation on the due approval of the annual report compliant with the Accounting Act contains unambiguous stipulations, dr. Arvid Hauck points out.**

The Accounting Act stipulates that each business association keeping double-entry books and registered in the registry of companies shall deposit the annual report or simplified annual report, in case of statutory audit, the independent auditor's report along with the auditor's certificate or the disclaimer of opinion and the decision on the appropriation of the profit after taxation until the last day of the fifth month following the balance sheet day of the financial year.

Being that for the majority of companies, the financial year corresponds to the calendar year, the deadline for such deposit is usually the 31th day of May, emphasised the expert of Kovács Réti Szegheő Attorneys at Law.

Although all business associations are subject to such obligation, companies often do not or not properly comply therewith, dr. Arvid Hauck outlined the basic problem.

### **Statutory “schedule” according to the effective provisions**

Pursuant to the effective regulations, the annual report compliant with the Accounting Act shall, prior to its deposition shall be approved by the supreme body of the business association (in case of a limited liability company the members' meeting, in case of a company limited by shares, the general meeting) that is, the meeting of the supreme body shall be convened, held and the annual report shall be approved.

In case an auditor is retained by the business association, it is the auditor's duty to conduct the audit in accordance with the Accounting Act and therefore to determine whether the business association's annual report drawn up in accordance with the accounting act actually complies with the statutory provisions furthermore if it actually provides a true and fair view of the company's financial situation, assets or the result of its business operations.

A further important rule worthy of mentioning in relation to the auditor is that he/she shall be invited to such meeting of the business association's supreme body where the annual report drawn up in compliance with the accounting act is discussed. The auditor shall participate in such meeting.



### **The obligation of the supervisory board's**

According to the expert of Kovács Réti Szegheő Attorneys at Law, it is important to emphasise that in case a supervisory board operates at a company, the supreme body of the business association may only pass a resolution on the report according to the Accounting Act in possession of the supervisory board's written report, so prior to the supreme body's meeting, the supervisory board shall also conduct a meeting.

Otherwise, the supervisory board members have unlimited joint and several liability against the business association for any damages incurred at the company due to the breach of their supervisory duty including the breach of their supervisory obligations related to the compilation and disclosure of the report in accordance with the Accounting Act and the consolidated financial statements.

In the course of approving the annual report, the supreme body shall decide on the appropriation of the profit after taxation which shall be either distributed by the members among the shareholders or placed into the company's capital reserves.

### **Default fine may be imposed**

In case the tax authority finds that the published annual report does not meet the statutory requirements, it may impose default fine on two instances (first time, up to HUF 500,000,-, second time, up to HUF 1 million) and sets a deadline for voluntary compliance.

The omission to do so shall entail deletion of the tax number and as a last resort, deletion of the company in the course of an authority proceeding, warned dr. Arvid Hauck.