

New complementary measures in corporate matters to mitigate COVID-19 effects (Annual Accounts)

Among the many regulatory changes in corporate law caused by the SARS-CoV-2 pandemic outbreak in Spain, on May 27, 2020, the obligations of Spanish companies to draw up and approve their Annual Accounts have been recently modified again pursuant to the *Royal Decree Law 19/2020, of May 26, adopting complementary measures in agricultural, scientific, economic, employment and Social Security and tax matters to mitigate the effects of COVID-19.*

Since last March, because of the declaration of the State of Alarm and the suspension of certain corporate law obligations, the companies had the possibility, but not necessarily being obliged to, to postpone the drawing up and approval of their Annual Accounts, both individual and consolidated, as well as the Management Report and other required documents, based on the following criteria:

	Before 18/03/2020	After 18/03/2020
<ul style="list-style-type: none"> ▪ Drawing up of Annual Accounts 	The management body shall draw up the Annual Accounts within the 3 months following the end of the previous corporate year.	The management body may draw up the Annual Accounts within the 3 months following the end of the State of Alarm, from said deadline.
<ul style="list-style-type: none"> ▪ If applicable, Audit of the Annual Accounts 	The verification and issuance of the report by the Auditors of the Annual Accounts shall be made within the next month following to the receipt of the duly drawn up Annual Accounts from the management body.	Whether drawn up before or after the declaration of the State of Alarm, the time limit to audit the Annual Accounts is extended by 2 months after the end of the State of Alarm, from said deadline ¹ .
<ul style="list-style-type: none"> ▪ Approval of Annual Accounts 	The General Shareholders' Meeting approving the Annual Accounts duly drawn up and audited (if applicable), shall be held within the 6 months following to the end of the previous corporate year ² .	The General Shareholders' Meeting approving the Annual Accounts duly drawn up and audited (if applicable), may be held within the 3 months following the end of the State of Alarm, from said deadline.
<ul style="list-style-type: none"> ▪ Deposit of the Annual Accounts with the Commercial Register 	The management body shall file for deposit the Annual Accounts duly approved (together with the Audit report, if applicable) within the next month after its approval	This obligation has not been modified

¹ **Public Limited Companies** ("Sociedades Anónimas"): Given the minimum period of 1 month to convene the General Shareholders' Meeting in Spanish PLCs, if in said company audit is mandatory, it could be possible that deadlines would be too tight if the term extensions are taken to the limit.

² Usually, said date was from 1st April to 30th June of the same year.

	Before 18/03/2020	After 18/03/2020
	by the General Shareholders' Meeting.	

Nevertheless, after the recent entry into force of the last Royal Decree-law 19/2020, the outlook changes in various aspects:

	From 27/05/2020	Comments
<ul style="list-style-type: none"> ▪ Drawing up of Annual Accounts 	The obligation of drawing up the Annual Accounts is suspended until June 1st, 2020 extending the term for draw up another 3 months after said date.	It is understood that, for corporate years coinciding with the natural year, from June 1 st , 2020 it would be mandatory to draw up the Annual Accounts before 31st August 2020 .
<ul style="list-style-type: none"> ▪ If applicable, Audit of the Annual Accounts 	This obligation is not modified. The term to audit the Annual Accounts is extended by 2 months after the end of the State of Alarm, from said deadline.	It is important to highlight that this could be contradictory with the latest modifications.
<ul style="list-style-type: none"> ▪ Approval of Annual Accounts 	The General Shareholders' Meeting shall be held to approve the Annual Accounts, necessarily within the 2 months after the end of the term to draw up the Annual Accounts.	Therefore, the legal deadline to approve Annual Accounts for corporate years coinciding with the natural year will be October 31st, 2020 .
<ul style="list-style-type: none"> ▪ Deposit of the Annual Accounts with the Commercial Register 	No amendment of this obligation has been made, therefore the term of one month to file for deposit with the Commercial Registry after its approval applies.	N/A

Companies must adapt quickly to these changes, so they do not fail to meet their obligations in this area, however there are not a few companies which their corporate year does not coincide with the calendar year. Depending on the sector in which the business activity is carried out, there may be cases of split corporate years, like I the case of the tourism sector, where the obligations in this area could not be fully applicable. In such cases, the year-end date must be taken into account in order to assess whether all, some or none of the modifications above mentioned to draw up and approve the Annual Accounts are applicable to them.