



Tax & Business Lawyers

# NEWSLETTER

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## ANNUAL APPROVAL OF THE ACCOUNTS IN PORTUGUESE COMPANIES

The annual approval of accounts in commercial companies is a fundamental process to ensure financial transparency and compliance. Therefore, companies in Portugal must comply with the established legal requirements and observe deadlines to avoid penalties.

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Business Team

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In accordance with and for the purposes of the Portuguese legal framework, namely through the Commercial Companies Code, the annual approval of accounts is a legal requirement for all commercial companies in Portugal. This process involves the analysis and approval of the company's financial statements, regardless of its type, including the balance sheet, income statement, and management report.

The following entities are still subject to accountability: civil companies operating commercially, European anonymous companies, public enterprises, companies headquartered abroad with a permanent establishment in Portugal (concerning the permanent establishment itself), and sole proprietorships with limited liability.

This procedure is essential to ensure transparency and accountability to shareholders/partners, suppliers, customers, and other stakeholders. Additionally, annual approval of accounts helps assess the company's financial performance and identify any areas for improvement and action.

*The annual approval of accounts helps assess the company's financial performance and identify any areas for improvement and action.*

The process of annual approval of accounts in commercial companies in Portugal generally follows these steps:

- Preparation of financial statements by the company's Board of Directors / Management;
- Review of financial statements by the internal or external auditor, as applicable;
- Summoning of the General Meeting of shareholders for approval of the accounts;
- Presentation of financial statements to shareholders during the General Meeting;
- Discussion and voting for approval of the company's accounts; and
- Preparation of the minutes of the General Meeting, recording the resolutions taken therein.

Finally, after the approval of the accounts, the accounts must be registered, which consists of depositing the information that is part of them. The registration obligation is integrated and fulfilled through the submission of the IES (Simplified Business Information), fulfilling the obligations to submit the annual declaration of accounting and tax information to the Tax Authority, the filing of accounts with the Commercial Registry, and the provision of information for statistical purposes to the INE, the Bank of Portugal, and the Directorate-General for Economic Activities.

The registration of the accounts must be accompanied by (i) minutes of the approval of the annual accounts and the application of the results, (ii) balance sheet, income statement, and notes to the balance sheet and income statement, (iii) statement of income, (iv) statement of changes in equity/net worth, (v) statement of cash flows, (vi) notes to the financial statements, the legal certification of the accounts, and (vii) the opinion of the supervisory body, if applicable.

It is important to observe the deadlines established by law for the submission of the accounts registration, which in the case of anonymous companies and limited liability companies (whether single-member or not), must be done by the 15th day of the 7th month following the end of the financial year, usually coinciding with the end of the calendar year, so the accounts must be registered by July 15th.

Failure to meet the established deadlines may result in financial penalties and other legal consequences, including the inability to distribute dividends to shareholders or complete registrations with the competent Commercial Registry Office.

Finally, we note that the annual approval of accounts in commercial companies is a fundamental process to ensure financial transparency and compliance. Therefore, companies in Portugal must comply with the established legal requirements and observe deadlines to avoid penalties.

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