

INFORMATIVE NOTE

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THE NEW ACCOUNTING STANDARDS SYSTEM

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In January 2010, the decree-law that enacts the Accounting Standardisation System and repeals the Official Chart of Accounts (POC) will enter into force. This legislation was passed as part of a reform that is intended to be structural in nature and apply horizontally across the national accounting system. The reform takes shape in four different legislative instruments: the legislation that enacts the Accounting Standardisation System, the one that amends the IRC (Corporate Tax) Code, the one that sets up the new Accounting Standardisation Committee and the one that sets up the Accountants' Association.

This reform of the Portuguese accounting system brings the Portugal accounting standards - the Financial Reporting and Accounting Standards (FRAS) - closer to international accounting rules, in particular to the International Accounting Standards (IAS). These standards stipulate at length the various procedures to be used for recognising, measuring, preparing and disclosing company accounts. The aim is to ensure greater ease of comparison, more transparency and "legibility" between the financial statements of Portuguese and foreign companies all over the world as they will be based on similar standards, which will lead to more investment and financing by foreign banks and investors. It will also foster enhanced integration of Portuguese companies in international consolidation perimeters.

Yet this approximation may be somewhat undermined by the fact that the FRAS are based on earlier versions of the IAS, versions which have since undergone many (and in some cases, significant) changes. It will certainly not be possible to continue amending the FRAS in accordance with or as a result of successive alterations to the IAS, since this is incompatible with the taxpayers' legitimate expectations and certainty, and would also entail constant amendments to the tax rules that will now be adapted to the new Portuguese accounting provisions. Against this backdrop, as part of the reform and in the exercise of the legislative powers conferred upon it by the 2009 State Budget Law, the government has also enacted the decree-

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"Portuguese Law Firm of the Year"

Chambers Europe Excellence 2009, IFLR Awards 2006 & Who's Who legal Awards 2006, 2008

"Corporate Law Firm of the Year - Southern Europe"

ACQ Finance Magazine, 2009

"Best Portuguese Law Firm for Client Service"

Clients Choice Award - International Law Office, 2008

"Best Portuguese Tax Firm of the Year"

International Tax Review - Tax Awards 2006, 2008

Mind Leaders Awards™

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It will still however be necessary, as is the case today, to establish tax rules that veer away from the accounting rules and cause tax adjustments to be made to the taxable profit computed according to the accounting standards, as approximation between one and the other will not always be either possible or advisable.

law that will amend the IRC Code and complementary legislation, adapting the rules for determining taxable profit to the new accounting standards as well as to the new terminology that will be used. With the amendment of the IRC Code to adapt the rules for determining taxable profit to the new accounting standards comes a minimisation of the costs involved, particularly those arising from any future requirement to keep double accounting books – one in line with the new accounting model and the other for tax purposes –, which would be borne by the economic operators.

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accounting standards, as approximation between one and the other will not always be either possible or advisable.

And as very often the understanding between tax authorities and taxpayers as to the tax adjustments that must be made is not an entirely uncontroversial issue, it is likely that these clashes will increase in view of the importation of concepts and values that are not traditional to our accounting culture and in view of the changes to Portuguese accounting standards. Irrespective of the merit of the solutions presented, it will take time for these new standards and the new tax rules that go hand-in-hand with them to be assimilated and fully comprehended by the many persons involved, thus giving rise to the inevitable interpretational doubts.

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Ângela Ferreira
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