

ITALY – new rules on the necessity to appoint an audit firm

Based on the new rules companies must appoint an audit firm shortly



New rules on the obligation to appoint audit firms to review accounts

The Italian Government introduced new rules on the obligation to appoint an audit firm for Italian companies for the review of accounts. Indeed with the new code of the crisis and insolvency, the article 2477 of Civil Code has been amended and new limits and conditions to appoint external auditors have been introduced.

New limits and conditions to appoint an audit firm

The official journal of record of the Italian government, issued on February, 14th 2019, introduced new rules on audit obligations.

Based on such new rules, limited liability corporations have the obligation to appoint external auditors or an audit firm if any of the following limit is exceeded for two consecutive years:

- Euro 2 million of assets at the end of the year;
- Euro 2 million of revenues in one year;
- 10 employees employed during the financial year.

In other words, if any of the above limit is exceeded for two years, **companies must appoint an auditor or an audit firm**. The obligation to appoint auditors ceases if, for three consecutive years no one of the above limit is exceeded.

The new Law provides that companies already incorporated on the date of entry into force of the new rules must check if their deed of incorporation should be amended. If so, there are nine months after the 14th February 2019 to amend it.

Urgent checks to be done

In the first application of the new limits, for the purposes of verifying the moment in which the appointment obligation of an audit firm arises, the two years prior to the entry into force of the new rules have to be considered i.e. 2017 and 2018.

As a result most of the existing companies must appoint an auditor shortly.

Next steps - compliance check

Companies should consider very carefully this obligation, in order to be in compliance. Our office has deep experience on the audit field.

We help our Clients to see this new obligation as an opportunity, because a good audit report is the key to increase the transparency and the credibility of the business. Good audit reports help companies to obtain more easily funds from banks and it is fundamental to enter in joint venture with other business and/or partnership or in case of M&A.^(*)

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