

## IFRS APPLICATION AROUND THE WORLD

### JURISDICTIONAL PROFILE: **Portugal**



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This Profile provides information about the application of IFRS Standards in Portugal. IFRS Standards are developed and issued in the public interest by the International Accounting Standards Board (the Board). The Board is the standard-setting body of the IFRS® Foundation, an independent, private sector, not-for-profit organisation.

This Profile has been prepared by the IFRS Foundation based on information from various sources. The starting point was the answers provided by standard-setting and other relevant bodies in response to surveys that the Foundation conducted on the application of IFRS Standards around the world. The Foundation drafted the profile and invited the respondents to the survey and others (including regulators and international audit firms) to review the drafts, and their comments are reflected.

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#### RELEVANT JURISDICTIONAL AUTHORITY

Organisation	Comissão de Normalização Contabilística (CNC) [Committee on Accounting Standards]
Role of the organisation	The CNC, which functions within the Ministry of Finance of Portugal, is the standard setter except for banks, insurance companies and other financial institutions.  Standards for banks are established by the Bank of Portugal. Standards for insurance companies are established by the Portuguese Insurance Institute.
Website	<a href="http://www.cnc.min-financas.pt/">http://www.cnc.min-financas.pt/</a>
Email contact	<a href="mailto:cecnc@igf.min-financas.pt">cecnc@igf.min-financas.pt</a>

#### COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?	Yes.  Refer to the IAS Regulation adopted by the European Union in 2002: <a href="http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm">http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</a>
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<p>Has the jurisdiction made a public commitment towards IFRS Standards as that single set of high quality global accounting standards?</p>	<p>Yes.</p> <p>Refer to the IAS Regulation adopted by the European Union in 2002: <a href="http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm">http://ec.europa.eu/internal_market/accounting/legal_framework/ias_regulation_en.htm</a></p>
<p>What is the jurisdiction's status of adoption?</p>	<p>IFRS Standards are required for the financial statements of all companies whose securities are traded in a regulated market, and are permitted for the subsidiaries of such companies. In addition IFRS Standards are required for all banks by the Bank of Portugal and for all insurance companies by the Portuguese Insurance Institute, whether or not the bank or insurance company has issued securities that trade in a regulated market.</p> <p>In addition, IFRS Standards are permitted, as an option, for the consolidated financial statements of companies whose securities do not trade in a regulated securities market, as well as for the subsidiaries of such companies.</p>
<p>Additional comments provided on the adoption status?</p>	<p>As a member state of the European Union, Portugal is subject to the IAS Regulation adopted by the European Union in 2002.</p> <p>The EU IAS Regulation requires application of IFRS Standards as adopted by the EU for the consolidated financial statements of European companies whose securities trade in a regulated securities market starting in 2005. The EU IAS Regulation gives member states the option to require or permit IFRS Standards as adopted by the EU in separate company financial statements (statutory accounts) and/or in the financial statements of companies whose securities do not trade on a regulated securities market. See the Profile for the European Union for more detailed information about the EU IAS Regulation.</p> <p>Regulated markets in Portugal are:</p> <ul style="list-style-type: none"> <li>• Mercado de Futuros e Opções.</li> <li>• Mercado de Derivados OMIP (OMIP Derivatives Market).</li> <li>• Euronext Lisbon.</li> </ul> <p>Portugal used the option under the IAS Regulation as follows:</p> <p><u>Companies whose securities trade in a regulated market</u></p> <ul style="list-style-type: none"> <li>• IFRS Standards as adopted by the EU are required in the consolidated financial statements of a company whose securities trade in a regulated market and are permitted in the financial statements of the subsidiaries of such a company.</li> <li>• IFRS Standards as adopted by the EU are required in the financial statements of a company whose securities trade in a regulated market but that does not prepare consolidated financial statements because it does not have subsidiaries.</li> <li>• IFRS Standards as adopted by the EU are permitted in the separate financial statements of all other companies whose securities trade in a regulated market. If such a company chooses to prepare its separate financial statements using Portuguese national accounting standards rather than IFRS as adopted by the EU, it is required to provide additional disclosures about the effect of applying IFRS.</li> </ul> <p><u>Companies whose securities do not trade in a regulated market</u></p> <ul style="list-style-type: none"> <li>• IFRS Standards as adopted by the EU are required in the consolidated financial statements of all credit institutions and other financial institutions whose securities do not trade in a regulated market.</li> <li>• IFRS Standards as adopted by the EU are permitted in the consolidated financial statements of all other companies whose securities do not trade in a regulated market.</li> <li>• IFRS as adopted by the EU are permitted in the separate financial statements of: <ul style="list-style-type: none"> <li>- any company within the scope of consolidation of an entity that</li> </ul> </li> </ul>

- applies IFRS Standards as adopted by the EU, and insurance undertakings that are not within the scope of consolidation.

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or towards IFRS Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Standards in the jurisdiction.

Not applicable.

## EXTENT OF IFRS APPLICATION

### *For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Standards REQUIRED or PERMITTED?

IFRS Standards as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Portugal.

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

IFRS Standards as adopted by the EU are required in the financial statements of a company whose securities trade in a regulated market but that does not prepare consolidated financial statements because it does not have subsidiaries.

IFRS Standards as adopted by the EU are permitted in the separate financial statements of all other companies whose securities trade in a regulated market. If such a company chooses to prepare its separate financial statements using Portuguese national accounting standards rather than IFRS Standards as adopted by the EU, it is required to provide additional disclosures about the effect of applying IFRS Standards.

For instance, are IFRS Standards required or permitted for companies whose securities do not trade in a public market?

IFRS Standards as adopted by the EU are required in the consolidated financial statements of all credit institutions and other financial institutions whose securities do not trade in a regulated market.

IFRS Standards as adopted by the EU are permitted in the separate financial statements of any company within the scope of consolidation of an entity that applies IFRS as adopted by the EU and also in the financial statements of insurance undertakings not within the scope of consolidation.

If the jurisdiction currently does NOT require or permit the use of IFRS Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Standards for such companies in the future?	Not applicable.
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***For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:***

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Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Standards in their consolidated financial statements?	Yes.
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If YES, are IFRS Standards REQUIRED or PERMITTED in such cases?	Required for some and permitted for others. Foreign companies whose securities trade in a regulated market in Portugal (and generally in the EU) are required to report under IFRS Standards as adopted by the EU for their consolidated financial statements unless the European Commission has deemed their local accounting standards to be equivalent to IFRS Standards, in which case they may use their local standards.
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[http://ec.europa.eu/internal\\_market/accounting/legal\\_framework/equivalence\\_mechanism\\_en.htm](http://ec.europa.eu/internal_market/accounting/legal_framework/equivalence_mechanism_en.htm)

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?	All.
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## IFRS ENDORSEMENT

Which IFRS Standards are required or permitted for domestic companies?	IFRS Standards as adopted by the European Union, which are IFRS Standards as issued by the IASB Board with some limited modifications such as the temporary 'carve-out' from IAS 39. However, the resulting financial statements of the majority of companies can still be in full compliance with IFRS Standards.
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The auditor's report and/or the basis of presentation footnotes states that financial statements have been prepared in conformity with:	IFRS Standards as adopted by the European Union.
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Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Standards and the jurisdiction's GAAP)?	No.
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Are IFRS Standards incorporated into law or regulations?	Yes, through EU Regulations.
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If yes, how does that process work?	The process is described in the Profile of the European Union.
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If no, how do IFRS Standards become a requirement in the jurisdiction?	Not applicable.
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Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Standards (including Interpretations) in place?	Yes, through EU Regulations.
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If yes, what is the process?	The process is described in the Profile of the European Union.
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If no, how do new or amended IFRS Standards become a requirement in the jurisdiction?	Not applicable.
Has the jurisdiction eliminated any accounting policy options permitted by IFRS Standards and/or made any modifications to any IFRS Standards?	Yes.
If yes, what are the changes?	Details are in the Profile of the European Union.
Other comments regarding the use of IFRS Standards in the jurisdiction?	None.

## TRANSLATION OF IFRS STANDARDS

Are IFRS Standards translated into the local language?	Yes.  The European Union has 24 official and working languages. They are: Bulgarian, Croatian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish and Swedish. Before they are published in the <i>Official Journal of the European Union</i> , and therefore become binding under EU law, individual IFRS Standards must be translated into all of those languages (other than English and Irish).
If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Standards?	Pursuant to a copyright waiver agreement with the Directorate-General for Translation of the European Commission, the Commission takes care of the translation into the official languages according to their own translation process. The translation covers only the standards and mandatory guidance, which is then published in the <i>Official Journal of the European Union</i> .  In addition, some countries (usually the standard setter or institute) have a translation contract with the IFRS Foundation to produce an 'official translation' for publication of a bound volume of IFRS Standards (usually the 'Red Book') and publication, in some cases, of individual standards and exposure drafts.

## APPLICATION OF THE IFRS FOR SMEs STANDARD

Has the jurisdiction adopted the IFRS for SMEs Standard for at least some SMEs?	No.
If no, is the adoption of the IFRS for SMEs Standard under consideration?	No.
Did the jurisdiction make any modifications to the IFRS for SMEs Standard?	Not applicable.
If the jurisdiction has made any modifications, what are those modifications?	Not applicable.
Which SMEs use the IFRS for SMEs Standard in the jurisdiction, and are they required or permitted to do so?	Not applicable.

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For those SMEs that are not required to use the IFRS for SMEs Standard, what other accounting framework do they use?

In their consolidated financial statements, they are permitted to use either IFRS as adopted by the EU or Portuguese national accounting standards. In their separate financial statements, subsidiaries of IFRS companies may also use IFRS Standards as adopted by the EU; all others must use Portuguese national accounting standards.

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Other comments regarding use of the IFRS for SMEs Standard?

None.

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