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International Tax News/International Accounting Standards IAS/IFRS

ITALY

**1. First time adoption of the International Accounting Standards IAS/IFRS
(empowering L. 31 October 2003, no. 306, to be implemented by 30 November 2004)**

Milano, 12 March 2004

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1. First time adoption of the International Accounting Standards IAS/IFRS (empowering L. 31 October 2003, no. 306, to be implemented by 30 November 2004)

The European Union has adopted the International Accounting Standards IAS/IFRS as the basis for the preparation and presentation of Financial Statements covering periods beginning on or after 1 January 2005. Such Financial Statements should also report comparative Financial information as at the year end date of the preceding period.

The reason for the selection of the IAS/IFRS as the basis for the preparation and presentation of Financial Statements is their quality and attitude to contribute to the transparency and harmonization of Financial information. The European Union believes that the adoption of the IAS/IFRS will strengthen the trust of investors on Financial Markets and in the end will help in developing the economy of the EU countries (CE 19 July 2002, no. 1606/2002).

The Government was empowered to implement the above provision by 30 November 2004 by amending both Civil Code regulations on the preparation and the presentation of Financial Statements and the newly introduced tax reform. In fact, income taxes are levied on the basis of Financial Statements. Therefore, enterprises should not be impaired by the effects from the adoption of IAS/IFRS.

Companies obliged to adopt IAS/IFRS are those listed on any Regulated Financial Market of the EU, banks and insurance companies for their consolidated Financial Statements and/or separate Financial Statements.

Any other companies, except very small companies, can elect to adopt IAS/IFRS, and election will be made for sure by companies included in consolidated Financial Statements prepared by using IAS/IFRS.