

## **THE “COVID-19” EMERGENCY AND NEW ITALIAN CORPORATE LAW PROVISIONS**

Sections 6,7 and 8 of the Law Decree No. 23 of 8 April 2020 (effective 9 April) introduced new provisions of corporate law in order to reduce as much as possible the detrimental effects of the “Covid-19” emergency and, at the same time, ensure the continuity of the activity of the Italian companies.

\* \* \*

### **I. THE PROVISIONS AND FIRST ADVICE FOR COMPANIES**

#### **(A) Temporary Provisions on Joint-Stock Capital Reductions**

1. Until 31 December 2020, and in relation with facts related to financial statements to be approved within such emergency period, Italian companies shall not:

(i) reduce the joint-stock capital for losses;

(ii) take any remedy in case the joint-stock capital should be below the legal thresholds;

and

(iii) decide the dissolution of the company due to the reduction or loss of the entire joint-stock capital.

2. With the introduction of these rules, therefore, in the period mentioned above, Italian joint-stock companies shall not be required to reduce the joint-stock capital by the amount equal to the loss suffered (or to increase it in order to comply with the legal thresholds) during the “Covid-19” emergency.

3. Such new provisions will be welcomed as the companies involved will not have to resort to new shareholders or third-party capital to cover losses caused by and/or related to the development of the health emergency.

4. Further, as said, in order to make the negative impact of the health emergency as “neutral” as possible for Italian companies, the losses incurred in this emergency period cannot be a reason for the dissolution of the company.

#### **(B) Temporary Provisions on Financial Statements Principles**

1. In the drafting of the financial statements for this year, the assessment of the items in view of the continuation of the activity may be carried out if such

assessment exists in the last financial year ended 23 February 2020. This provision also applies to financial statements closed by 23 February 2020 and which have not yet been approved.

2. This provision provides companies with an additional tool to “sterilize” the negative effects of the “Covid-19” emergency, allowing a more correct and truthful picture of the company’s financial and economic status after and during the emergency period.

### **(C) Temporary Provisions on Companies Financing**

1. The repayment of the loans of the shareholders (and of those who control the company indirectly) made in favor of the company within 31 December 2020 will no longer be postponed to those made by other creditors.

2. This provision is aimed at incentivizing the shareholders, in case of need in the emergency period, to finance the company directly without regulatory “penalties” and without necessarily having to purchase new riskier stock capital.

Milan, 10 April 2020