Dutch Accounting Standards

Introduction

The Dutch Accounting Standards Board (DASB - Raad voor de Jaarverslaggeving - RJ) recently published the 2025 edition of the Standards for Annual reporting for large and medium-sized legal entities ('the Standards'). Unless stated otherwise, the revised Standards in this edition apply to financial years starting on or after 1 January 2025 (financial year 2025). Earlier application is recommended, unless otherwise specified in the Standards.

This factsheet provides an overview of the most important amended provisions applicable for financial year 2025. It does not identify changes with respect to specific industries. To provide a complete overview, this factsheet starts with a summary of the main changes to the Standards that came into effect for financial years beginning on or after 1 January 2024 (financial year 2024). In addition, other developments, such as Sustainability Reporting are included.

We conclude the factsheet with an overview of the main changes for small legal entities as included in the Standards for micro and small legal entities, which have been published simultaneously with the Standards for large and medium-sized legal entities.

Overview of the main changes

Main changes applicable from financial year 2024

Increase in the size criteria thresholds

In 2024, the thresholds on the value of assets and net turnover increased by approximately 25%. The third size criterion, the average number of employees, remains unchanged. The thresholds determine the size category.

The size category determines, amongst other things, which legal requirements and exemptions apply to the preparation and publication of the financial statements. It is also important to understand which provisions and exemptions of the Standards apply. The different size categories are micro, small, medium or large.

As a result of the increase in the thresholds, more legal entities can (continue to) make use of the exemptions for micro, small or medium-sized legal entities.

These increased thresholds apply to reporting years starting on or after 1 January 2024. The increased thresholds may also be applied for reporting years starting on or after 1 January 2023. In that case, the amended thresholds also apply to the comparative figures for the purpose of determining the size category of the current reporting year. The size category for annual reports for reporting years that started before 1 January 2023 will therefore be determined based on the old thresholds.

The DASB made consequential amendments to the provisions that mention these thresholds (e.g. Standard 100.202 and 100.202a and 315.102a).

New thresholds	Micro	Small (if not micro)	Medium-sized (if not micro or small)
Value of assets	≤ EUR 450,000	≤ EUR 7.5 million	≤ EUR 25 million
Net turnover	≤ EUR 900,000	≤ EUR 15 million	≤ EUR 50 million
Average number of employees	< 10	< 50	< 250

Old thresholds	Micro	Small (if not micro)	Medium-sized (if not micro or small)
Value of assets	≤ EUR 350,000	≤ EUR 6 million	≤ EUR 20 million
Net turnover	≤ EUR 700,000	≤ EUR 12 million	≤ EUR 40 million
Average number of employees	< 10	< 50	< 250

Pillar 2 income taxes

The Minimum Tax Act 2024 came into force on 31 December 2023 and applies for the first time to financial years beginning on or after 31 December 2023. The Minimum Tax Act ensures that the profits of multinational groups and domestic groups with an annual (consolidated) turnover of EUR 750 million or more are taxed at least at an effective tax rate of 15%. The Pillar 2 model rules do not apply to excluded entities, such as government entities, non-profit organisations and pension funds.

If a group falls within the scope of the Minimum Tax Act, the group assess for each jurisdiction in which it operates whether the effective tax rate (by the specific standards of the Minimum Tax Act) in the relevant jurisdiction is lower than 15%. The effective tax rate for Minimum Tax Act purposes uses the financial reporting standards used in the preparation of the consolidated financial statements of the ultimate parent entity as an input (consolidation adjustments in respect of intra-group transactions are eliminated).

When the effective tax rate of group entities in a jurisdiction where the company operates with one or more group entities is below the 15% minimum level, then these are low-taxed group entities. In that case, the difference between the effective tax rate and the 15% minimum rate is levied on the basis of internationally agreed mechanisms (i.e. the domestic minimum top-up; ii. the income-inclusion rule; and iii. the under-taxed profits rule). The additional tax payable is calculated separately for each country. This surcharge is also known as 'top-up tax'.

The new tax legislation also has implications for the accounting of income taxes in the financial statements. The DASB has included provisions relating to the Minimum Tax Act (Pillar 2 model rules) in Standard 272 Income taxes. These provisions concern in particular:

- a mandatory exception to the general requirements in Standard 272 under which deferred tax assets and deferred tax liabilities related to Pillar 2 income taxes are not recognised (Standard 272.102a); and
- various additional disclosure requirements (see below) .

The following information about (recharged) Pillar 2 income tax should be disclosed (Standard 272.717 and 272.718):

- that the mandatory exception for the accounting of deferred tax assets and deferred tax liabilities related to Pillar 2 income taxes has been applied;
- the Pillar 2 tax expense (or income), including any Pillar 2 recharge, included in the tax expense or income;
- if Pillar 2 income taxes are recharged, the recharging method; and
- in periods in which the Pillar 2 legislation has been enacted, or substantially enacted at the balance sheet date, but in which that Pillar 2 legislation is not yet effective, the expected effects of the Pillar 2 legislation (these may be both qualitative and quantitative effects together with information on the implementation status).

Cash and cash equivalents in the cash flow statement

Cash equivalents

The DASB has revised the term 'short-term highly liquid assets' to the term 'cash equivalents' to ensure consistency within the Standards. For the purpose of the cash flow statement, cash and cash equivalents ('geldmiddelen') is now defined as cash ('liquide middelen'), demand deposits and cash equivalents. Cash equivalents are highly liquid assets that can be easily converted into cash without restrictions, and subject to an insignificant risk of changes in value (Standard 360.102).

Generally, equity shares cannot qualify as cash equivalents, because there is no fixed redemption value, which implies the existence of a significant risk of changes in value. This also applies to listed shares. Only in very exceptional cases, for example in the case of preference shares that will be repurchased at a contractually determined date in the very near future and which are acquired shortly before this date, can shares meet the definition of cash equivalents. Investments in money market funds may meet the definition of cash equivalents. This will have to be assessed on a fund by fund basis.

Debit balances on bank accounts

In a cash flow statement, bank debts are generally classified as part of the financing activities. The DASB has clarified when bank debt forms part of the cash and cash equivalents in the cash flow statement (Standard 360.102a). If a bank overdraft forms an integral part of an entity's cash management, then the entity is required to include these as part of cash and cash equivalents for the purposes of cash flow statement. Such bank overdrafts positions are payable on demand and such arrangements with banks are often characterised by the fact that the account balance often fluctuates between positive and negative. This is an indication that a bank overdraft is used for normal payment transactions and is therefore an integral part of a company's cash management. In such a case, changes in bank overdrafts are similar in nature to changes in cash and cash equivalents.

Reporting in case of uncertainty about going concern

Inevitable discontinuity exists when there is no realistic scenario in which a legal entity will be able to continue (part of) its business activities because the legal entity is no longer able to meet its obligations independently and required additional cooperation from stakeholders cannot be obtained (Standard 170.103). If there is no inevitable discontinuity, then the financial statements are prepared on the basis of the going concern assumption (Standard 170.301). When applying the going concern assumption, material uncertainty about the going concern assumption may exist. This is the case when, for example, the legal entity will no longer be able to meet its obligations on its own and it is not yet sufficiently plausible that sufficient required additional cooperation from stakeholders will be obtained, but there is a realistic scenario in which the legal entity will be able to continue (part of) its business activities.

If concerns about going concern exist, but no material uncertainty has been identified, then this is disclosed if necessary for the required insight. If a material uncertainty about going concern exists, then this is disclosed in the financial statements, including an adequate explanation of the legal entity's circumstances (Standard 170.305).

The DASB has included a summary table containing the reporting requirements per continuity scenario:

<table>
<tr><th colspan="5">Continuity scenarios and relevant reporting requirements</th></tr>
<tr><td></td><td>Scenario 1:
No uncertainty about going concern</td><td>Scenario 2:
Concerns about going concern, but no material uncertainty</td><td>Scenario 3:
Material uncertainty about going concern</td><td>Scenario 4:
Inevitable discontinuity</td></tr>
<tr><td>Description</td><td>No events or circumstances that can give rise to reasonable doubt whether the legal entity can meet its obligations.</td><td>Events or circumstances that can give rise to reasonable doubt whether the legal entity can meet its obligations, where there is no material uncertainty whether the mitigating measures are sufficient.</td><td>Events or circumstances that can give rise to reasonable doubt whether the legal entity can meet its obligations, where there is material uncertainty whether the mitigating measures are sufficient. However, there is a realistic chance that the legal entity can meet its obligations. (Standards 170.103 and 170.302-170.304)</td><td>There is no realistic chance that the legal en-tity can meet its obligati-ons (Standard 170.103).</td></tr>
<tr><td rowspan="2">Accounting policy</td><td colspan="3">Financial statements based on the going concern assumption.</td><td rowspan="2">Financial statements on liquidation basis (Standards 170.102, 105, 201-205, and 207)</td></tr>
<tr><td colspan="2">(Standards 170.101 and 170.106)</td><td>(Richtlijnen 170.101, 105 en 301)</td></tr>
<tr><td rowspan="2">Disclosure</td><td>No specific disclosure on going concern.</td><td>Significant judgments and estimates (nature and assumptions) and uncertainties (nature and magnitude), if necessary for the required insight (Statement 110.129and Statement 135.203).</td><td>Disclose the material uncertainty about going concern, along with a comprehensive explanation of the circumstances the legal entity is facing. (Statement 170.305)

Significant judgments and estimates (nature and assumptions) and uncertainties (nature and magnitude), if necessary for the required insight (Statement 110.129 and Standard 135.203).</td><td>Disclosure, with a statement of the impact on equity and result, that the legal entity's will not continue its overall operations. (Standard 170.206)

Customary disclosure requirements of Title 9 Book 2 of the DCC. (Standard 170.207)

Specific disclosure regarding inevitable discontinuity. (Standard 170.208)</td></tr>
<tr><td colspan="3">If discontinuity is applicable due to establishment of the legal entity for a specific period or a decision is made for voluntary liquidation, disclose this fact along with a statement of the potential impact on equity and result. Further, explain the nature of the (remaining) business activities and, if applicable, men-tion that the legal entity is established for a specific period (Standard 170.104).</td><td></td></tr>
</table>

Application of the effective interest rate method when measuring financial instruments

The DASB has introduced new provisions in the Standards on the application of the effective interest rate method when measuring financial instruments at amortised cost.

The Standards already include that, if a modification in the contractual terms of the financial instrument results in an significant change in the economic substance of that financial instrument, then the original loan should be derecognised and a new loan should be recognised on the balance sheet (Standard 290.702). Any difference between the amortised cost of the original loan and the fair value of the new loan should be recognised in the profit and loss account. In almost all cases the transaction costs should be directly recognised in profit or loss.

However, the Standards did not yet contain provisions on the accounting for a modification in the contractual terms of a financial instrument that does not lead to a significant change in the economic substance and hence results in continued recognition of the original financial instrument.

The DASB has included provisions for this in Standard 290 'Financial Instruments' (Standards 290.523a and 290.523b). If the contractual cash flows change as a result of this, then the DASB allows the following two accounting methods:

a) recognising the effect of the modified contractual cash flows directly in profit or loss – the new carrying amount is then calculated on the basis of the modified contractual cash flows and the original effective interest rate; or
b) recognising the effect of the modified contractual cash flows in profit or loss over the remaining expected term of the financial instrument through adjusting the effective interest rate.

When choosing one of these accounting methods, the legal entity takes into account all facts and circumstances.

Annex 1 of Standard 290 'Financial Instruments' and RJ Statement 2022-13 'Paragraphs application of the effective interest method when measurement is at amortised cost' provide a detailed example of the application of the effective interest rate method.

Classification and presentation of financial instruments as equity or as liability

The DASB has clarified the classification and presentation of financial instruments as equity or as liability.

Classification in the separate financial statements

The classification of financial instruments as equity or liability in the separate financial statements can be based on the legal form of the instrument. It is clarified that if a financial instrument is classified as equity in the separate financial statements based on the legal form, while it would be classified as a liability based on the economic substance, then the total amount of that instrument should be presented as a separate line item within equity (Standard 240.207).

In addition, it has been clarified that if various types of such financial instruments exists, either a separate line item for each type of financial instrument is presented in equity, or the total amount of all types of such instruments is presented as a separate line item in equity accompanied by a breakdown of that amount in individual instruments provided in the notes. Furthermore, the notes include a breakdown of the (total) amount, subdivided into the equity categories as mentioned in Article 373, paragraph 1 of the Dutch Civil Code, and provide the main conditions of the instruments.

Profit-dependent payments

Profit-dependent payments are non-discretionary payments (or a portion thereof) that are contingent on the generation of sufficient available profit in any year after the issuance of the instrument. Instruments with only profit-dependent payments may be classified as equity or liability. It has been clarified that this only applies to instruments that other than such profit-dependent payments, do not give rise to any other payment obligations. If there is an obligation to make a payment when profits are generated, but this payment exceeds the profit amount, then this payment is not considered profit-dependent. The relevant instrument is then classified as a liability and the payment is not split into a portion that is profit-dependent and a portion that is not (Standard 290.810).

Standard 290.805 provides additional examples of these financial instruments and illustrates which contractual features lead to classification as equity or liability.

A change in an accounting policy resulting from Standard 290.805-810 should be accounted for in accordance with Standard 140 'Changes in accounting policies, correction of errors and changes in accounting estimates'. However, the comparatives do not need to be restated (Standard 290.1018) following a change in accounting policy based on changes to Standard 290.805-810.

Recognition of results on intercompany transactions in the financial statements

The DASB has restructured Standard 260 'Treatment of results on intragroup transactions in the financial statements'. The Standard is now organised as follows:

a) participating interests measured at net equity value;
b) participating interests measured at cost or current value;
c) consolidation; and
d) recognition of intercompany transactions in the financial statements of the participating interest itself.

In addition, the DASB clarified the following topics:

a) elimination of losses;
b) presentation of elimination amounts; and
c) eliminations in case of negative net equity value.

Ad a) Elimination of losses

If a legal entity transfers an asset or liability to a participating interest that is measured at net equity value, then the result arising from this transfer can only be recognised in proportion to the relative interest that third parties have in that participating interest (proportional result determination). So, no result arising from this transfer is recognised in proportion to the relative interest that the legal entity has in that participating interest. It has been clarified that this applies to both a profit and a loss. A loss that results from the transfer of a fixed asset can be considered an indication of an impairment of fixed assets as referred to in Standard 121 'Impairment of fixed assets', or of a lower realisable value of inventories as referred to in Standard 220 'Inventories'. The extent to which a loss should be recognised is then determined by the relevant sections of these Standards. An impairment amount, if any, may not (automatically) equate to the loss on the intercompany transaction.

For completeness, we note that if a legal entity transfers an asset or liability to a participating interest that is measured at cost or current value, then the intercompany result is generally directly and fully recognised (no elimination), unless the transaction has not been substantially realised (Standard 260.301).

Ad b) presentation of elimination amounts

Intercompany transactions can be divided into downstream, sidestream and upstream transactions. Standards 260.206 and 260.207 clarify how to present the elimination amounts:

<table>
<tr><th></th><th colspan="3">Intercompany transactions</th></tr>
<tr><th></th><th>Downstream</th><th>Sidestream</th><th>Upstream</th></tr>
<tr><td>Profit and loss account</td><td>The intercompany result to be eliminated is credited or debited to the line item in the profit and loss account that includes the intercompany transaction (for example net turnover or other income).</td><td colspan="2">The elimination amounts are recognised in the line item 'result of participating interests'.</td></tr>
<tr><td>Balance sheet</td><td colspan="2">The elimination amounts are included in accruals or in the line item participating interests (if applicable).</td><td>The elimination amounts are included in accruals or in the line item participating interests (if applicable). Alternatively the elimination amounts can be credited or debited to the value of the acquired asset. In the case of a 100% participating interest, the intercompany transaction then does not lead to a difference between the book value of the asset in the separate financial statements and the book value of the asset in the consolidated financial statements.</td></tr>
</table>

The alternative under which the intercompany result to be eliminated is deducted from the result of the corresponding participating interest is removed for downstream sales.

Ad c) Eliminations in case of negative net equity value

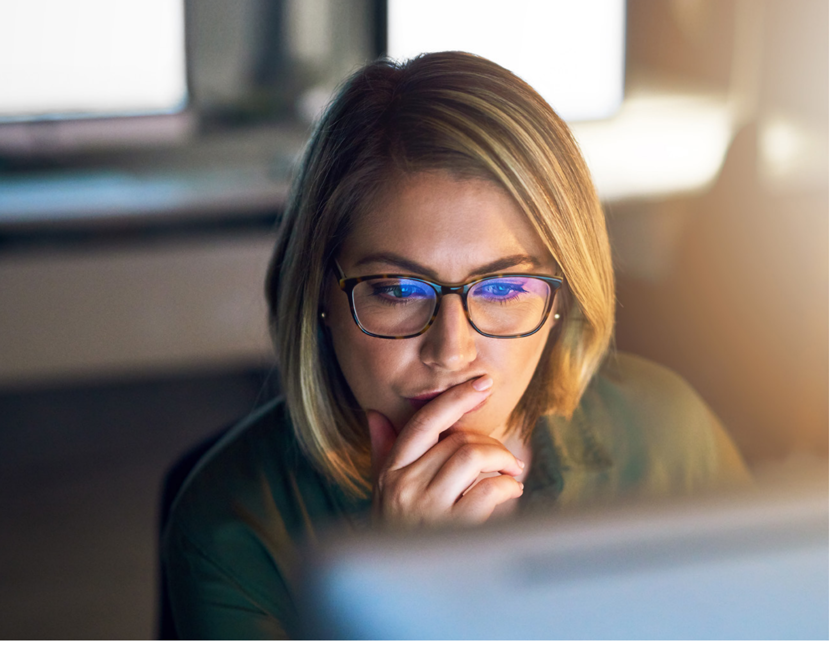
Standard 260.204 clarifies that also if the value of a participating interest measured at net equity value is or becomes negative, then the transaction result is only realised on a transfer to a third party or through depreciation. It has been clarified that if the value of the participating interest under the equity method is negative and the investment is therefore measured at nil (Standard 214.339), the elimination of intercompany results is required for as long as the relevant assets are not yet sold to third parties or otherwise realised. In this case, such eliminations are recognised as accruals.

Non-current prepayments and accrued income and non-current accrued liabilities and deferred income

The DASB has clarified the presentation and disclosure requirements for non-current prepayments and accrued income and non-current accrued liabilities and deferred income.

If the prepayments and accrued income are predominantly non-current in nature, then they are presented as non-current assets (Standard 224.102). If the prepayments and accrued income are presented separately under current assets in the balance sheet, then the amount with a remaining term longer than one year should be disclosed in the notes. If the prepayments and accrued income are combined with other receivables, then the disclosure for the total other receivables should indicate up to which amount the remaining term is longer than one year (article 2:370(2) of the Dutch Civil Code).

The DASB recommends classifying the current portion of the non-current accrued liabilities and deferred income as current liabilities (Standard 258.102). If the accrued liabilities and deferred income are presented separately under current liabilities in the balance sheet, then the notes should indicate for which amount the remaining term is longer than one year (Standard 258.107). If accrued liabilities and deferred income are combined with other payables, then the disclosure for the total other payables should indicate up to which amount the remaining term is longer than one year (article 2:375(2) of the Dutch Civil Code).



Clarifications on mergers and acquisitions

Several clarifications have been included in Standard 216 'Business combinations'. The most important clarifications include:

a) transactions that are not part of the acquisition;
b) minority interests in a step acquisition;
c) reverse dilution leading to control;
d) recognition of negative goodwill that does not relate to expected future losses and expenses; and
e) disclosure of negative goodwill that does not relate to future losses and expenses.

Ad a) Transactions that are not part of the acquisition

The DASB has included provisions for the recognition of transactions agreed as part of an acquisition, but which are in substance not part of the acquisition. Examples include transactions that (1) in substance settle an existing relationship between the acquirer and the acquiree, and (2) compensate employees or former owners of the acquiree for future services. Based on the economic substance, the acquirer assesses whether such transactions should be accounted for as separate transactions (Standard 216.201a).

Ad b) Minority interests in a step acquisition

The DASB has clarified how to measure a minority interest in a step acquisition. In a step acquisition, any minority interest is recognised for the proportionate share in the fair value of the identifiable assets and liabilities at the acquisition date, even if an election is made not to remeasure the identifiable assets and liabilities of the interest already held (Standard 216.204).

Ad c) Reverse dilution leading to control

Through 'reverse dilution' (a participating interest repurchases its own shares from other shareholders, which increases the relative interest of the participating legal entity in that participating interest) control can be obtained. The DASB has clarified that this should be accounted for as a step acquisition (Standard 216.205).

Ad d) Recognition of negative goodwill that does not relate to foreseeable future losses and expenses

The DASB has worded the recognition of negative goodwill in the profit and loss account that does not relate to foreseeable future losses and expenses in a more principle-based manner. With this update, the wording aligns better with the actual circumstances (Standard 216.235).

Ad e) Disclosure of negative goodwill that does not relate to foreseeable future losses and expenses

In the Standards there were no specific disclosure requirements for negative goodwill that does not relate to foreseeable future losses and expenses. The DASB has decided that for both negative goodwill that does not relate to foreseeable future losses and expenses as well as for negative goodwill that does relate to foreseeable future losses and expenses, the following should be disclosed in the notes (Standard 216.406):

- the periods in which the negative goodwill will be recognised in profit or loss;
- the profit or loss line item that includes the income related to negative goodwill;
- a reconciliation of the carrying amount of the negative goodwill during the reporting period;
- if negative goodwill relates to foreseeable future losses: a description of these losses, their amount and the periods in which they will arise.

Main changes applicable from financial year 2025

Employee benefits

Vitality schemes

The DASB included amendments in paragraph 2 'Remuneration during employment' of Standard 271 'Employee Benefits' about the accounting for vitality schemes. *Vitality schemes* are schemes under which there is a right to continued payment during absence for part of the working hours.

According to paragraph 2 of Standard 271, employee benefits during employment, including vitality schemes, are classified as a scheme under which either rights accrue or under which no rights accrue. For schemes involving the accrual of rights, a provision is recognised. For schemes under which there is no accrual of rights, expenses are recognised in profit or loss as and when they arise.

The content of these classification provisions itself has not changed. The amendments relate to the application of these provisions to vitality schemes. The main changes are:

- The assessment of whether a vitality scheme leads to an accrual of rights (= provision) or no accrual of rights (= no provision) should be based on the economic substance of the scheme, primarily based on the conditions that should be met to qualify for the scheme. Examples of conditions include a service time requirement and an age requirement.
- In the case of vitality schemes with a service time requirement, the DASB stipulates that, generally, rights accrue for which a provision should be recognised, unless the service period requirement has no or little economic significance.
- With regard to an age requirement included in a vitality scheme, the DASB explains that the economic significance is part of the assessment of the economic substance of the vitality scheme. However, the age requirement in itself does not determine whether rights under the scheme accrue (= provision) or not (= no provision).
- If a provision is recognised for vitality schemes because, based on the economic substance such rights should be accrued, then this provision should be accrued over the period during which those rights accrue. Generally this is the service requirement period.

Example

Employees can choose to continue working 80% of their standard hours from the age of 65 if they have been employed the previous 5 years (i.e. from the age of 60), for 90% of their salary while retaining 100% of their pension accrual. Because of the service time requirement, this vitality scheme is in principle assessed as a scheme under which rights accrue. For a 40-year-old employee, the right (= provision) is accrued during the 5 years prior to reaching the age of 65 (= the service time requirement), i.e. from the moment the employee turns 60. For a long-term employee who is 62 years old on introduction of the arrangement, the entire provision is accrued over the ('remaining') 3-year period during which the employee can meet the service time requirement (for this 62-year-old employee, 2/5 of the provision is not recognised on day-one (no back service)).

The application of these changes may result in the recognition of a provision for a vitality scheme that was not previously recognised. The reverse is also possible.

The conditions included in vitality schemes, such as a service time requirement and the accrual period applied, are disclosed.

Early retirement schemes

The DASB included amendments in paragraph 4 'Early retirement schemes' of Standard 271 'Employee benefits', which contains provisions for the accounting for so-called early retirement schemes. The (almost) sole purpose of an early retirement scheme is for a legal entity to make one or more payments to a fund or employees, to bridge the time until the pension or AOW (state pension) start date, during which no further employee services are performed.

According to paragraph 4 of the Standard, a liability (a provision) is recognised for an early retirement scheme that gives rise to legal or constructive obligations, including (1) employees who have already opted to use the scheme and (2) employees who can still opt in to the existing scheme but have not yet done so. The liability is recognised at the best estimate of the expected expenditure (at present value). These employees are no longer required to perform any work to qualify for participation in and benefit from the scheme. The requirements for the accounting for the obligation for these employees have not changed.

In addition, paragraph 4 of Standard 271 requires the recognition of a liability for employees who are not yet able to opt in but are able to do so during the term of the arrangement. These employees still have to perform work in order to qualify for using the scheme in the future. The amendments to paragraph 4 of Standard 271 relate to the liability recognition, including the estimation of the accrual period for that liability. The following new requirements are introduced:

- A liability (provision) is recognised over the period during which the right to payments is accrued in substance.
- The accrual period should be based on the economic substance of the scheme, which is defined by (1) the conditions that should be met to use the scheme, and (2) the duration of the scheme for which a constructive obligation has been incurred. If a scheme has a service time requirement that has no or only minor economic significance, then the accrual period is not based on the service time requirement period. In an appendix, the Standard provides examples of the assessment of the economic substance of schemes with a service time requirement.

The application of the amended accounting rules for early retirement schemes in the financial statements, for employees who can still opt in for using such a scheme, may mean, amongst other things, that according to the new provisions, a liability should be recognised (accrued) over a different period than the period used under the current accounting requirements. The contractual and other (actual) arrangements of early retirement schemes need to be reassessed.

The conditions included in the early retirement scheme, such as a length of service requirement and the accrual period applied, should be disclosed.

Pension Schemes and the Future Pensions Act (WTP)

On 1 July 2023, the Future Pensions Act (WTP) came into effect. Existing pension schemes are required to meet the requirements of the WTP no later than 1 January 2028, the so-called 'transition period'.

Example of a scheme with a service time requirement

Assume a temporary scheme with a duration of 5 years, under which an employee has the right to early retirement on reaching the age of 65 ('age requirement'), provided the employee has been continuously employed by the legal entity for at least the preceding 3 years ('service time requirement'). For a 60-year-old employee, the right is then accrued during the 3 years before reaching the age of 65, and the liability is built up from the age of 62 over these 3 years.

Example of a scheme with a service time requirement of little or no economic substance

For a temporary scheme with a duration of 5 years that stipulates an employee has the right to early retirement upon reaching the age of 65, provided the employee has been continuously employed by the legal entity for at least the preceding 3 months. The 3 month service time requirement has no or only minor economic significance. Therefore the period over which the rights are in substance accrued is the remaining service time from reaching the age of 60 until reaching the age requirement. For a 60-year old employee, the right is then accrued from 60-65 years.

To clarify, no liability should be accrued for employees who do not meet the age requirement (e.g. a 58-year old employee). This also applies to example 1.

In the context of the WTP, the DASB has made changes to paragraph 3 'Pensions' of Standard 271 'Employee Benefits'. The amended paragraph of Standard 271 applies to all pensions schemes that are accounted for in accordance with Dutch accounting rules (i.e. not when IAS 19 Employee Benefits is applied). This includes both schemes drawn up under the Pensions Act (PW) applicable until 1 July 2023 and schemes drawn up under the WTP.

The requirements, for example with regard to the recognition and measurement of 'additional liabilities' for an obligation to the pension administrators or employee, have not changed in terms of content. The changes to the provisions clarify the (possible) impact of the WTP on the accounting for pension liabilities under the DAS, such as:

- Legal or constructive obligations to the pension administrators or employee to compensate ('compensation payments') that a company commits to in the context of the transition to a scheme in accordance with the WTP, depending on the form and conditions, may lead to a (new) 'additional liability' (pension provision); and
- Liabilities (pension provisions) that have been recognised in the financial statements under the PW until 1 July 2023 may still have to be recognised after 1 July 2023 or even after 1 January 2028 (and may not be released in such a case).

The application of the changes to the accounting rules for pension commitments as a result of the WTP may have consequences for the financial statements, in particular if 'additional liabilities' have to be recognised in the context of the transition. It is recommended to understand the specificities of the Transition Plan that companies and pension administrators should have agreed on by 1 January 2025 at the latest in the context of the transition to a scheme that complies with the WTP (insurers and PPIs: 1 January 2026).

Debt presentation

In Standard 254 'Debts', the DASB has clarified the scenario in which, on the balance sheet date, the loan covenants included in the long-term loan agreement are met, but it is expected that the covenants will be breached within 12 months after the balance sheet date. In this case, the debt is classified as long-term (non-current). However, as an alternative, it is permitted to classify the debt as short-term (current). The application of this alternative should be disclosed. The chosen presentation method should be applied consistently.

Example:

In the Transition Plan, the company has agreed a one-off compensation payment with the pension administrator in the context of the transition to a new/adjusted pension scheme that complies with the WTP as of the balance sheet date. The company will pay a one-off amount to increase the risk-sharing reserve in the (new/adjusted) pension scheme. As at the balance sheet date, this commitment gives rise to an 'additional obligation' for which the company should recognise a provision in the financial statements.

Disclosure of liquidity risk in financial instruments

Standard 290 'Financial Instruments' contains disclosure requirements for interest rate, cash flow and liquidity risk. A new requirement has been added on liquidity risk (Standard 290.918a). This requirement states that it may be important to provide information about contractual arrangements and their business purpose, if the risks arising from (the cessation of) such arrangements are significant in assessing the legal entity's liquidity position. Examples of such arrangements are factoring, reverse factoring, credit facilities and master netting agreements.

Clarifications on financial fixed assets

The DASB restructured Standard 214 'Financial fixed assets' to improve its readability, making a clear distinction between measurement of participating interests at costs and measurement of participating interests using the equity method. In addition some clarifications have been included. These relate to:

a) measurement of participating interests using the equity method; and
b) measurement of the provision for participating interests.

Re a) Measurement of participating interests using the equity method

When a participating interest is measured using the equity method, the measurement is based on its net equity value. Only if the net equity value cannot be determined, then measurement on the basis of visible equity is permitted.

Re b) Measurement of the provision for participating interests

If the equity value of the participating interest has become negative, then the participating interest is measured at zero. If the participating legal entity has other interests in the participating interest that qualify as an extension of the net investment in the participating interest, then the negative equity value of the participating interest is deducted from these interests up to a maximum of the negative equity value. To the extent that receivables are still due after the write-off of the items above, then it will be assessed whether a further impairment should be recognised on the basis of Standard 290 'Financial instruments'. If thereafter a negative equity value remains, then the participating legal entity assesses whether it has a legally enforceable or a constructive obligation to enable the participating interest to pay its debts. If that is the case, then a provision for participating interests is recognised to the extent that the participating legal entity expects a probable outflow of resources and can reliably determine the amount (Standard 214.419).

Construction contracts - disclosures

The DASB amended the disclosure requirements in Standard 221 'Construction contracts' to align with the requirements in Standard 270 'The profit and loss account'. The nature of significant performance obligations is disclosed and the disclosures are provided for each significant performance obligation (Standard 221.414).

The DASB clarified that medium-sized legal entities, that, based on Article 397 paragraph 3, aggregate items in the profit or loss in the line item 'gross operating profit', are exempt from disclosing the revenue from construction contracts that is recognised in profit or loss during the period, unless such revenue constitutes a significant revenue category. In that case, it is permitted to disclose the percentage of total revenue of each significant revenue category instead of the amounts (Standard 270.601).

Standard 221.414 – the following is included in the notes:

a. The revenue from construction contracts that has been recognised in profit or loss during the period;
b. The nature of significant performance obligations;
c. For each type of significant performance obligation, the method used for the recognition of construction contract revenue in profit or loss; and
d. For each type of significant performance obligation, the method used for allocating revenue to reporting periods, including the method determining the stage of completion of construction contracts in progress.

Country-by-country reporting

The DASB has expanded the existing Standard 500 'Country-by-country reporting' following the implementation of the European Directive on Public Disclosure of Income Tax in early 2024 (paragraph 4 of Standard 500). At the same time, Standard 500 has been amended and the title has been changed to 'Country-by-country reporting'.

The aforementioned implementation has taken place through the Implementation Act Directive on Public Disclosure of Income Tax. This provision applies, with exception of certain specific exemptions to:

- NVs
- BVs;
- VOFs and cooperative societies of which all the partners who are fully liable for the debts to creditors are capital companies governed by foreign law

if these entities (either individually or as ultimate parent company) have achieved a consolidated net turnover of more than EUR 750 million for two consecutive financial years.

An entity in the scope of the Implementation Decree is required to file an income tax report with the Dutch Trade Register, and should also publish this report on its website. The requirements apply to financial years starting on or after 22 June 2024.

The income tax report includes, amongst others, revenue, profit before tax, attributable income tax (per tax jurisdiction), paid income tax (per tax jurisdiction) and cumulative retained earnings. The report does not need to be audited by an auditor.

Framework, general principles and backgrounds and principles for the Standards

When developing the Standards, the DASB applies general principles. In doing so, the DASB also made use of a Framework (het Stramien), which has been included as appendix (930) to the Standards.

The DASB has noted that the Framework is no longer entirely in line with developments in the Dutch reporting practice and the working methods of the RJ in certain respects, but at the same time has established that certain conceptual sections of the Framework are still relevant.

The relevant parts of the Framework are retained in the Standards, but not in the form of a separate Framework (930). The RJ has decided to discontinue the Framework as an appendix to the RJ bundle.

The key provisions of the Framework are retained by including them in Section 1 'General principles'. Furthermore, certain conceptual principles, that underpin the development and design of the Standards, are included in a new preface to the Standards titled 'Background and principles for the Standards'.

The amendments are not intended to change the content of the Standards and retain the conceptual principles of the Standards.

Other developments

Electronic filing

As of the 2025 financial year, all legal entities are required to file their financial statements electronically with the trade register of the Chamber of Commerce (KVK) via Standard Business Reporting (SBR). The Electronic Filing of the Trade Register Decree is expected to be amended in 2024 to achieve this. Until now, certain categories of legal entities, including large legal entities and their medium-sized subsidiaries, have been exempted from the obligation to file electronically via ESEF.

For more information see Extension of electronic filing of the commercial register | Standard Business Reporting (sbr-nl.nl)

Sustainability reporting

Introduction

At the end of 2022, the EU published the Corporate Sustainability Reporting Directive CSRD). The Directive describes the main features of non-financial information to be provided in the management report. In addition, the Directive gives the European Commission the power to set standards for sustainability reporting. These standards are a further elaboration of the reporting provisions of the Directive. The drafting of these standards (European Sustainability Reporting Standards, abbreviated ESRS) is the responsibility of the European Financial Reporting Advisory Group (EFRAG). The non-financial information to be disclosed in the management report under the Directive and these standards is subject to 'limited assurance', issued by an auditor or (member state option) an independent assurance service provider. The intention is to increase the required level of assurance to 'reasonable assurance' in the future.

Scope

The scope of the Corporate Sustainability Reporting EU Directive includes large listed and non-listed companies as well as medium-sized and small listed companies (excluding micro-entities).
The implementation of the EU Directive takes place in 4 stages:

- reporting from financial years beginning on or after 1 January 2024 for large public interest entities and large issuers with more than 500 employees;
- reporting from financial years beginning on or after 1 January 2025 for other large entities;
- reporting from financial years beginning on or after 1 January 2026 (with the option of a 2-year deferral) for listed small and medium-sized entities (except for micro-entities), and for small and non-complex credit institutions and insurance captives;
- reporting from financial years beginning on or after 1 January 2028 for third-country entities with a net turnover in the EU exceeding EUR 150 million and with at least one subsidiary within the EU that is in scope of the Directive, or one branch in the EU with a net turnover exceeding EUR 40 million.

Implementation in Dutch law

The implementation of the EU Directive in Dutch law started in mid-2023. The implementation takes place via two parallel routes, which are:

1. Legislative proposal for the implementation of the Sustainability Reporting Directive: this specifically addresses the requirements for auditors and audit firms that are required to audit sustainability information, and the extension of the transparency obligations for listed companies.
2. Draft Implementation Decree on the Sustainability Reporting Directive: this specifically addresses the scope of the sustainability reporting, the effective dates and the reporting requirements for companies that fall within the scope.

The legislative proposal was sent to the House of Representatives in August 2024 for consideration and adoption. The draft decision was sent to Parliament in June 2024 as part of a so-called preliminary procedure. After assessment by the Parliament and possible adjustments, the draft decision will be sent to the Council of State for advice. The Act and Decree are expected to be finally adopted and published at the end of 2024.

In the aforementioned draft decision, the Dutch legislator has chosen to keep the scope of application the same as that of the EU Directive. This would mean that sustainability reporting would apply in the Netherlands to the legal entity forms N.V., B.V., V.O.F. and C.V. (insofar as all partners who are fully liable for the debts to creditors are capital companies under foreign law), as well as banks and insurers (regardless of their legal form).

European Sustainability Reporting Standards (ESRS)

The standards for sustainability reporting (ESRS) require that the reported information is understandable, relevant, representative, verifiable, comparable, and presented in a fair manner. The standards specify what information companies provide about:

- Environmental factors, including climate change mitigation, climate change adaptation, water and marine resources, resource use and the circular economy, pollution and biodiversity and ecosystems. These are the 6 environmental objectives that are also listed in the EU Taxonomy Regulation.
- Social factors, including equal treatment and opportunities for all, working conditions and respect for human rights, fundamental freedoms, democratic principles and norms outlined in the International Statute of Human Rights and other significant human rights treaties.
- Governance factors, including the role of the governing, executive, and supervisory bodies of the company, the key features of the company's internal control and risk management systems, corporate ethics and culture, the company's political engagement, management and quality of relationships with customers, suppliers, and communities affected by the company's activities.

By the end of 2023, the EU published a first set of 12 draft standards (comprising two general standards and ten topical standards covering environmental, social and governance topics) as a delegated regulation. The standards therefore have direct effect in the Member States. The effective date of the standards is the same as the effective date of the Sustainability Reporting Directive.

Implementation support

European Commission
At the beginning of August 2024, the European Commission published a set of 90 frequently asked questions about the (implementation of the) Directive. The questions deal in particular with the scope of the Directive and the exemptions, the assurance on the disclosures, and practical issues relating to the disclosures to be provided. This publication supports companies in implementing the Directive in their future reporting.

EFRAG
At the end of May 2024, EFRAG published three implementation guidelines. These guidelines are not binding, but are intended to support companies in implementing some of the key principles from the 12 sustainability reporting standards. The topics are 'double materiality', 'value chain' and 'data points in the standards'.

Furthermore, at the end of 2023, EFRAG started collecting and answering questions about the implementation of the sustainability reporting standards. The published responses do not have a binding status, but can support the implementation of the ESRS. Up to and including September 2024, nearly 100 questions with answers have been published.

At the beginning of 2024, EFRAG published draft standards for listed small and medium-sized enterprises (LSME) and for non-listed small and medium-sized enterprises (VSME). The VSME standard is specifically intended for voluntary application by small and medium-sized enterprises that do not themselves fall within the scope of the Sustainability Reporting Directive, but may be affected by it as they, for example, are part of the value chain of companies that do fall within its scope.

In addition, EFRAG will develop additional standards for third-country companies and sector-specific standards in the coming years.

EU Taxonomy Regulation

Scope

As of 1 January 2022 (de facto from financial years starting on or after 1 January 2021), large PIEs with more than 500 employees, who are required by the Bbnfi ('Disclosure of Non-Financial Information Decree') to include a non-financial statement in the management report are required to provide additional sustainability disclosures in this statement.

The additional disclosure requirements arise from the EU Taxonomy Regulation and an associated delegated regulation, both of which have direct effect in the member states. Standard 400.3015 points out additional obligations for the content of the non-financial declaration.

The scope of the EU Taxonomy Regulation will be expanded in the near future. When the Sustainability Reporting Directive Implementation Decree (see: 'Sustainability Reporting') enters into force, the Bbnfi will be repealed at the same time. The scope of the EU Taxonomy Regulation will in principle be the same as the scope of the Implementing Decision for financial years starting on or after 1 January 2024.

Principles and objectives of EU Taxonomy Regulation

The EU Taxonomy Regulation is part of the EU's sustainability and sustainability reporting measures, and includes a listing of economic activities that can be classified as environmentally sustainable ('green'). These disclosure requirements will be phased in for financial companies and non-financial companies.

The starting point of the EU Taxonomy Regulation is that companies within its scope include, in their non-financial statement, information on how and to what extent the activities of the company are related to economic activities that can be classified as environmentally sustainable. This is done by using prescribed key performance indicators (KPIs) for each type of company. Within this framework, what should be assessed is the extent to which the economic activities of the company contribute to six environmental objectives, namely:

1. climate change mitigation;
2. climate change adaptation;
3. the sustainable use and protection of water and marine resources;
4. the transition to a circular economy;
5. pollution prevention and control; and
6. restoration of biodiversity and ecosystems.

For the assessment against these six environmental objectives, the European Commission publishes, through delegated regulations, a list of economic activities that have the potential to be environmentally sustainable (eligible economic activities for the taxonomy) and the so-called 'technical screening criteria' for these economic activities. An economic activity classifies as environmentally sustainable (activity aligned with the taxonomy), if it meets both the 'technical screening criteria' and the 'minimum safeguards'. The technical screening criteria correspond to requirements that indicate that an economic activity substantially contributes to one or more of the six environmental objectives and does not significantly harm any of the other environmental objectives. The minimum safeguards cover the procedures that a company applies to act in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and include, in particular, respect for human rights, combating corruption, tax compliance and fair competition.

Financial companies:

From 1 January 2024 (de facto from financial years starting on or after 1 January 2023), financial companies within the scope of the EU Taxonomy Regulation disclose the following for the first two environmental objectives:

- (for asset management companies) the information to be reported in accordance with Annexes III, IV and XI of the Delegated Regulation;
- (for credit institutions) the information to be reported in accordance with Annexes V, VI and XI of the Delegated Regulation;
- (for investment firms) the information to be reported in accordance with Annexes VII, VIII and XI of the Delegated Regulation;
- (for insurance and reinsurance companies) the information to be reported in accordance with Annexes IX, X and XI of the delegated regulation;
- for the activities added in 2023 related to the first two environmental objectives, and for all activities related to the other four environmental objectives:
  - the proportion of total assets of exposures to non-Taxonomy and Taxonomy-eligible economic activities;
  - the qualitative information referred to in Annex XI of the Delegated Regulation.

From 1 January 2026 (de facto for financial years beginning on or after 1 January 2025), financial companies falling within the scope of the EU Taxonomy Regulation provide the following disclosures for all six environmental objectives:

- (for asset managers) the information to be reported in accordance with Annexes III, IV, and XI of the delegated regulation;
- (for credit institutions) the information to be reported in accordance with Annexes V, VI, and XI of the delegated regulation;
- (for investment firms) the information to be reported in accordance with Annexes VII, VIII, and XI of the delegated regulation;
- (for insurance and reinsurance companies) the information to be reported in accordance with Annexes IX, X, and XI of the delegated regulation.

Non-financial companies:

As of 1 January 2025 (de facto for financial years beginning on or after 1 January 2024), non-financial companies falling within the scope of the EU Taxonomy Regulation provide the following disclosures for all six environmental objectives:

- the proportion of taxonomy-eligible and taxonomy non-eligible economic activities in total turnover, capital expenditure and operational expenditure;
- the accompanying information to be reported in accordance with Annexes I and II of the Delegated Regulation.

Changes in Standards for micro and small entities

Main changes in the Standards for Annual Reporting for micro and small entities (RJk) applicable for financial years beginning on or after 1 January 2024

The main changes resulting from the 2024 edition (applicable for financial beginning on or after 1 January 2024) for small legal entities are:

- The increase in thresholds as described in the section 'main changes applicable from financial year 2024'.
- Pillar 2 income taxes as described in the section 'main changes applicable from financial year 2024'. In the RJk bundle, Standard B15.127 refers to the RJ bundle for the treatment of Pillar 2 income taxes. Therefore, these changes also apply to small legal entities.
- Amendments clarifying the presentation and classification of financial instruments as equity or liability as described in the paragraph 'Main changes applicable from financial year 2024'. Standard B12.112 in the RJk bundle refers to the RJ bundle for the classification of a financial instrument as equity or liability in the consolidated financial statements. Therefore, these changes are also applicable to small legal entities.
- Amendments clarifying the accounting for results on intercompany transactions in the financial statements as described in the paragraph 'Main changes applicable from financial year 2024'. Standard B3.403 in the RJk bundle refers to the RJ bundle for the accounting for the results on intercompany transactions in the financial statements. Therefore, these changes are also applicable to small legal entities.
- Amendments to A2 'Recognition and Measurement' clarifying the reporting requirements in cases of uncertainty about the going concern assumption, as described in the section 'Main changes applicable from financial year 2024'.
- Amendments to B3.2 'Mergers and acquisitions' clarifying merger and acquisition accounting, as described in the paragraph 'Main changes applicable from financial year 2024'.
- The DASB has clarified the presentation and disclosure of non-current prepayments and accrued income and non-current accrued liabilities and deferred income:
  - If the prepayments and accrued income are predominantly non-current, then they are presented as non-current assets. If the prepayments and accrued income are presented separately under current assets in the balance sheet, then disclosing the amount with a remaining term of longer than one year in the notes may be considered (Standard B5.2.203).
  - The DASB recommends that the current portion of the non-current accrued liabilities and deferred income is classified as current liabilities (Standard B9.402). If the accrued liabilities and deferred income are presented separately under current liabilities in the balance sheet, disclosing up to which amount the remaining portion exceeds one year may be considered (Standard B9.403).
- The DASB has added a requirement to the Guidance on the application of tax measurement policies. If in the tax return goodwill, which originated from the acquisition of shares, is recognised in equity, then this goodwill should be accounted for in the same manner in the financial statements based on the tax measurement policies (RJk D3.1.202 and RJk D3.2.202). This means that if goodwill is credited or charged to equity in the tax return, this goodwill should also be credited or charged to equity in the financial statements.
- The DASB has added a requirement under which the accounting for tax corrections in the financial statements follows the tax accounting. This means that if a correction in the tax return results in an adjustment to the taxable profit for the relevant (prior) financial year, then the tax correction should be accounted for retrospectively in the comparative figures included in the current year's financial statements, regardless of the magnitude of the correction. Such an adjustment to the comparative figures is not considered a prior year adjustment. If in the tax return a tax correction leads to an adjustment to the taxable profit for the current financial year, then the tax correction should be accounted for prospectively in the current year's financial statements, regardless of the magnitude of the correction (RJk D3.1.402 and D3.2.402).

Main changes in the Standards for Annual Reporting for micro and small entities (RJk) applicable for financial years beginning on or after 1 January 2025

The DASB recently published the 2025 edition of the Standards for Annual Reporting for micro and small legal entities (RJk). This edition is effective for financial years beginning on or after 1 January 2025, unless otherwise indicated. The main changes resulting from the 2025 edition for small legal entities are:

- Amendments in B14 'Employee benefits' on the clarifications on the accounting for vitality schemes and early retirement schemes, as described in the section 'Main changes applicable from financial year 2025'.
- Amendments to B9 'Liabilities / payables' on the clarifications on the presentation of debts, as described in the section 'Main changes applicable from financial year 2025'.

Endnote

Sources

The information in this factsheet is largely derived from the introduction (Ten Geleide) to the 2024 and 2025 editions of the Standards for Annual Reporting and the RJ statements.

Further information

Your KPMG contact will be happy to inform you in more detail about the information contained in this publication and the impact on your company.

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