

## Changes to Dutch Accounting Standards for small legal entities

### Changes to regulations for financial years as from 2013

---

In the annual edition 2012 of the Dutch Accounting Standards (DASs) for small legal entities, several standards have become final. These final standards are effective for financial years that start on or after 1 January 2013. Earlier application is recommended. New draft standards have been included as well. Draft standards do not yet formally apply. Anticipating the final standards, the Dutch Accounting Standards Board (DASB) does expect draft standards to already provide the accounting practice with a certain extent of support and guidance. This newsletter outlines the changes in the DASs for small legal entities.

#### Final standards

##### **Events after the balance sheet date**

Events after the balance sheet date that do not provide additional information about the facts and circumstances as at the balance sheet date will only be reported in the financial statements if the going concern assumption no longer applies and the financial statements are prepared on the assumption that all of the legal entity's operations will be liquidated. Previous provisions stipulated that such events were to be reported in situations of discontinuity or substantial doubt about the entity's ability to continue as a going concern. So substantial doubt about the entity's ability to continue as a going concern does not lead to recognition in the financial statements of events after the balance sheet date that do not provide additional information about the situation as at the balance sheet date. This change was already included in the 2011 annual edition of the DASs for large and medium-sized legal entities.

##### **Measurement of receivables**

Previous provisions stipulated that receivables should be measured at face value. The new provisions now determine for both long-term and short-term receivables that they should be measured at fair value at initial recognition and subsequently at amortised cost. If no share premium, discount or transaction costs are involved, the fair value in an arm's length transaction will equal the face value at initial recognition. The amount of the valuation of receivables will not change then, although it does concern a change in accounting policy. The new provisions align the accounting principle for the measurement of receivables to the principle for measurement of debt and the recognition of interest. This implies that the measurement of the receivables should include any share premium, discounts and transaction costs involved, which are to be taken to the income statement using the effective interest method or possibly the straight-line method.

#### Draft standards

##### **Presentation of gross versus net revenue (including taxes)**

The 2012 annual edition clarifies in a draft paragraph that amounts which the legal entity receives on behalf of third parties do not represent the performances that the legal entity realises at its own risk and expense. So amounts received for the account of third parties that are subsequently paid on do not constitute revenues. For commission businesses, for instance, the commission income

rather than the transaction value of concluded contracts will be reported as revenue. In situations where agents render services on a commission basis, too, only the provision received only will be recognised as revenue.

For the same reason, certain sales taxes do not constitute revenue either and thus do not form part of the net revenue. This applies, for instance, to VAT. Yet there are taxes that do belong to the net revenue.

#### Example: Excise tax presentation in the income statement

Company A imports wines from all reputed wine regions around the world and sells them in the Netherlands. The company is liable for Dutch excise duties in respect of the imported wines. The importer holds an excise warehouse. The excise duties are chargeable as the wines are removed from the excise warehouse. Dutch excise duty is a tax that is chargeable on imported or produced quantities of a product, in respect of which the importer or manufacturer runs significant risks:

- excise duties are also chargeable on excise goods that are missing from the excise warehouse and on goods that have gone lost without this being demonstrable;
- the importer or manufacturer is completely free to charge on the excise duties in their selling prices. Goods may very well be sold below their excise value. Nor does an increase or reduction of the excise duties have to lead to a change of the selling price. Obviously, this immediately affects the results realised by the importer or manufacturer; and
- there is no excise refund scheme if the eventual buyer does not pay the invoice.

So the excise duties included in the price charged by the importer or manufacturer to the consumer will belong to the net revenue of that importer or manufacturer. This may be different for foreign excise duties, depending on the applicable excise regulations.

#### Other changes

##### **Flexibilisation of private limited liability company law**

As of 1 October 2012, major changes have been introduced for Dutch private limited liability companies (*BV*) due to the coming into force of the Act on the Simplification and Flexibilisation of Private Limited Liability Company Law ("*Wet vereenvoudiging en flexibilisering BV-recht*") and the accompanying Implementation Act ("*Invoeringswet vereenvoudiging en flexibilisering BV-recht*"). The new legislation also has consequences for financial statements relating to financial years covering 1 October 2012. So for the majority of the companies this will be the financial year 2012. The related changes to the DASs have been published in DASB-Statement 2012-4 in July 2012. These changes are also included in the 2012 annual edition of the DASs. The most remarkable change is the potential effect on the formation of the statutory reserve for associated companies. From 1 October 2012 onwards, in some instances this reserve is to be formed by majority shareholders, too. The consequences for the financial statements also relate to:

- cancellation of a number of statutory reserves;
- classification and measurement of shareholdings;
- converting share capital denominated in foreign currencies; and
- a number of repairs to Part 9, Book 2 of the Netherlands Civil Code.

#### Contact information

If you have any questions, comments or suggestions, please contact Corné Kimenai: e-mail [ckimenai@deloitte.nl](mailto:ckimenai@deloitte.nl).