Dutch accounting Standards

Introduction

The Dutch Accounting Standards Board (DASB) recently published the 2020 edition of the Standards for the Annual Report of large and medium-sized entities ("The Standards"). Unless stated otherwise, the revised Standards in the 2020 edition apply to financial years starting on or after 1 January 2021.

This factsheet provides an overview of the major changes in the Standards. It does not identify changes with respect to specific industries. In order to provide a complete overview, we start with a summary of the major changes in the Standards that already came into effect for financial years starting on or after 1 January 2020. The factsheet concludes with an overview of the major changes for small entities as included in the Standards for micro and small entities, which were published at the same time as the Standards for large and medium-sized entities.

Major changes applicable from 1 January 2020

Integral application of IFRS Standards

Some Standards include already an option to apply IFRS Standards (as adopted by the European Commission) integrally. The application of such an option may be chosen per Standard. This concerns:

- Standard 221.102a Construction contracts and Standard 270.101a Profit and loss account relating to IFRS 15 'Revenue from contracts with customers';
- Standard 290.101 Financial Instruments relating to IFRS 9 'Financial Instruments' with respect to expected credit losses;
- Standard 292.101 Leasing relating to IFRS 16 'Leases'; and
- Standard 271.3 relating to IAS 19 'Employee benefits' with respect to pensions and other post-retirement benefits (there is also the option to apply US GAAP standards).

In the new Standard 110.104a, the DASB has clarified what is meant by integral application. Integral application means that, in principle, all provisions of the relevant IFRS Standards (or the relevant parts thereof) are followed, however, references in the relevant IFRS Standards to provisions in other IFRS Standards within that accounting regime that are not applied by the entity are not applicable, unless this is explicitly included in the Standards. These references shall be interpreted as references to the Standard where that topic is discussed.

Foreign currencies

Translation of income and expenses to presentation currency

An entity may present its financial statements in a currency (presentation currency) other than its functional currency. Then the main rule is that income and expenses are translated into the presentation currency at the exchange rate on the transaction date. For medium-sized entities, the alternative method existed to always translate income and expenses at the exchange rate on the balance sheet date (Standard 122.304). This option has been removed.

The transition from the removed method to the other method may, in deviation of the main rule of Standard 140 'Changes in accounting policies', be applied prospectively (Standard 122.601).

Translation of a foreign operation

Standard 122.310 relating to the translation of goodwill and the adjustment to fair value of the carrying amounts of other assets and liabilities of a foreign operation included the option to translate the items at the rate at balance sheet date (main rule) or at the rate at transaction date (alternative). The DASB decided to limit this option to the translation of goodwill. The fair value adjustments of the carrying amounts of the other assets and liabilities at the time of that acquisition shall from now on be translated at the rate at balance sheet date. This means that the entire carrying amount of an asset or liability of a foreign operation is translated at the rate at balance sheet date. A necessary change in accounting policies as a result of the removed option may, in deviation of the main rule of Standard 140 'Changes in accounting policies', be applied prospectively (Standard 122.602). This means that the translation of the adjustments to the fair value of the carrying amounts of other assets and liabilities against closing rate are solely applicable to acquisitions that take place in financial years that start on or after 1 January 2020. Therefore it is permitted to account for these adjustments to the fair value for acquisitions in prior financial years in accordance with the original accounting policy.

(Partial) disposal of a foreign operation in relation to the legal reserve for translation differences

In case of a (partial) disposal of a foreign operation, Standard 122.311 allowed to recognise the release of the related cumulative translation differences reserve (legal reserve) in the profit and loss account or transfer it to the other reserves within equity. The option to transfer the cumulative translation differences within equity in the event of (partial) disposal has been removed. In accordance with Section 377(8) of Book 2 of the Dutch Civil Code, the amount of the cumulative translation differences charged or credited to the profit and loss account as part of the result on the (partial) disposal is disclosed separately.

Any change in accounting policy shall be applied in accordance with Standard 140 'Changes in accounting policies'.

Presentation of distributed interim dividend in a balance sheet presented before appropriation of result

A distributed interim dividend is deemed to exist if (on the basis of a resolution of the body designated for this purpose in the articles of association of the entity) a distribution has been made in the year under consideration, charged to the result in the financial year, in connection with and in anticipation of the appropriation of profit.

If the balance sheet is prepared before appropriation of result, Standard 160.210 has been adjusted so that distributed interim dividend shall be deducted from the component 'result after tax for the financial year' within equity. This shall be presented on the face of the balance sheet as a visible deduction and the balance being referred to as undistributed profit.

Agricultural inventories

Standard 220.301 includes that agricultural inventories can be valued at cost or lower net realisable value, or at current value. On the basis of article 8 of the Current Value Decree and the Explanatory Memorandum, other inventories shall not be valued at current value.

In the Standards, agricultural inventories were previously defined as harvested products from a living animal or a living plant owned by the entity. The restriction that the harvested products shall be 'owned by the entity' has been removed. This means that more inventories will be covered by the definition of agricultural inventories, for example purchased fruit by a retailer.

Classification of equity in the separate financial statements based on legal form or economic reality

In the Standards an authoritative statement is included that in the consolidated financial statements the economic substance is relevant for the classification of a financial instrument. However, in the separate financial statements previously the legal form was relevant for the classification of a financial instrument. The DASB is of the opinion that the provision relating to the separate financial statements may be too strict, particularly for entities that only prepare separate financial statements. Standard 240.207 and Standard 240.208 have been changed, whereby for the separate financial statements now a choice needs to be made between classification based on legal form and based on economic substance. If the legal form is followed, the total of the financial instruments that would be classified as debt on the basis of the economic substance, but as equity based on the legal form, shall be presented separately within equity and the most relevant conditions shall be disclosed.

Measurement of provision at present value

The Standards provided an option for provisions within the scope of Standard 252 to be measured at nominal or present value of the cash outflows that are expected to be necessary to settle the obligations.

The DASB has decided that a provision shall be measured at present value if (Standard 252.306):

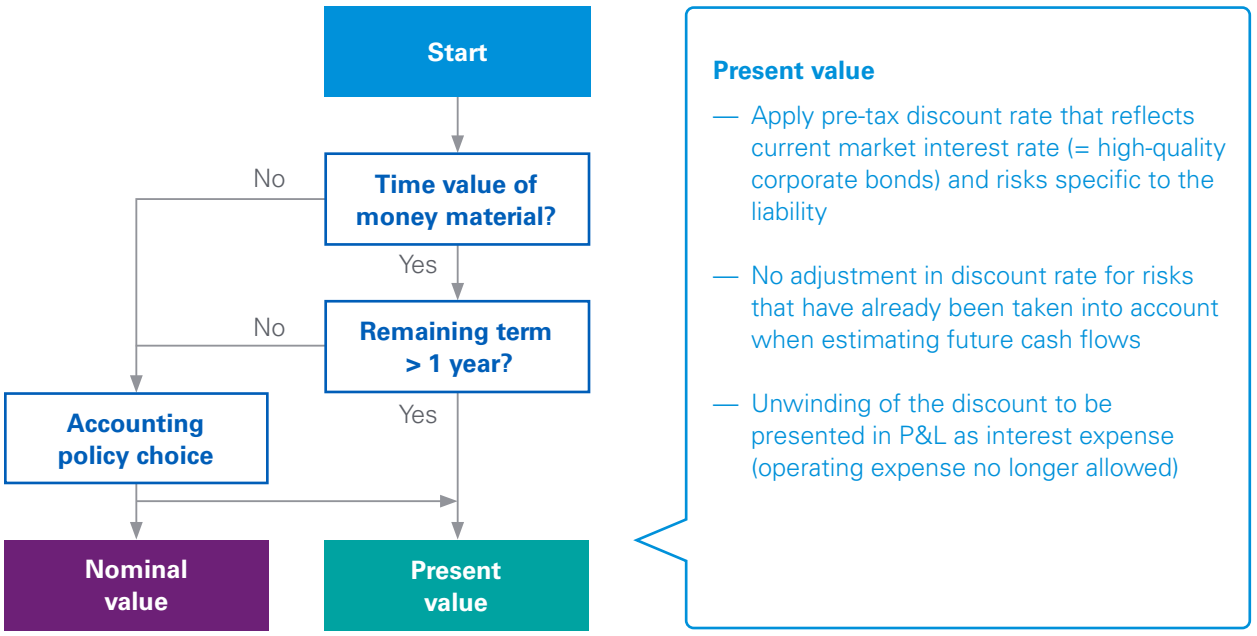
— the effect of time value of money is material, and
— the term over which expenditure is discounted is more than one year.

If this is not the case, the option exists to value the provision at either nominal or present value.

Whether the time value of money is material depends on, among other things, the size of the provision, the term and the discount rate. As a result, a provision with a term of more than one year may, in certain circumstances, not need to be measured at present value. Any change in accounting policy shall be applied in accordance with Standard 140 'Changes in accounting policies'.

Standard 252.317 has also been changed. An increase in a provision measured at present value as a result of unwinding the discount from now on shall be presented as interest expense in the profit and loss account. It is no longer permitted to present the unwinding of the discount as an addition to the provision.

Any change in accounting policy shall be applied in accordance with Standard 140 'Changes in accounting policies'.



Statement of comprehensive income

Large entities that prepare consolidated financial statements shall include a 'statement of comprehensive income' in the financial statements.

In Standard 265 'Statement of comprehensive income' a number of paragraphs have been clarified, including the manner in which the statement is to be presented (Standard 265.202).

The statement of comprehensive income shall be presented:

— as a consolidated primary statement in addition to the consolidated balance sheet, profit and loss account and cash flow statement, or as a disclosure on group equity in the consolidated financial statements; or
— combined with the equity movement schedule in the consolidated financial statements; or
— as an extension of the consolidated profit and loss account.

Income taxes

Accounting, measurement and disclosure of uncertain tax positions

In Standard 272 changes are made in the context of the recognition, measurement and disclosure of an uncertain tax position. Due to these changes the Standard is now in line with IFRIC 23. The measurement of an uncertain tax position shall be in accordance with the (intended) tax return, except if it is not probable that the tax authority will accept (a part of) the (intended) tax return (Standard 272.402a). In Standard 115.104 and Standard 115.105 it is included that the criterion 'probable' is relevant whether or not an item shall be recognised in the financial statements. In practice it has appeared that in case of uncertain tax positions sometimes 'defendable' or 'pleadable' tax positions (mostly less than 50% certainty) are being recorded in the tax return but also in the financial statements. Such positions do not always comply with the general recognition criteria with respect to the financial statements. Therefore, in Standard 272.402a the criterion 'probability' has been added.

In the assessment of the probability of acceptance of the uncertain tax position it shall be assumed that the tax authorities have full knowledge of all relevant information and that examining of the uncertain tax position by the tax authorities will take place (in other words: the detection risk shall be considered at 100%).

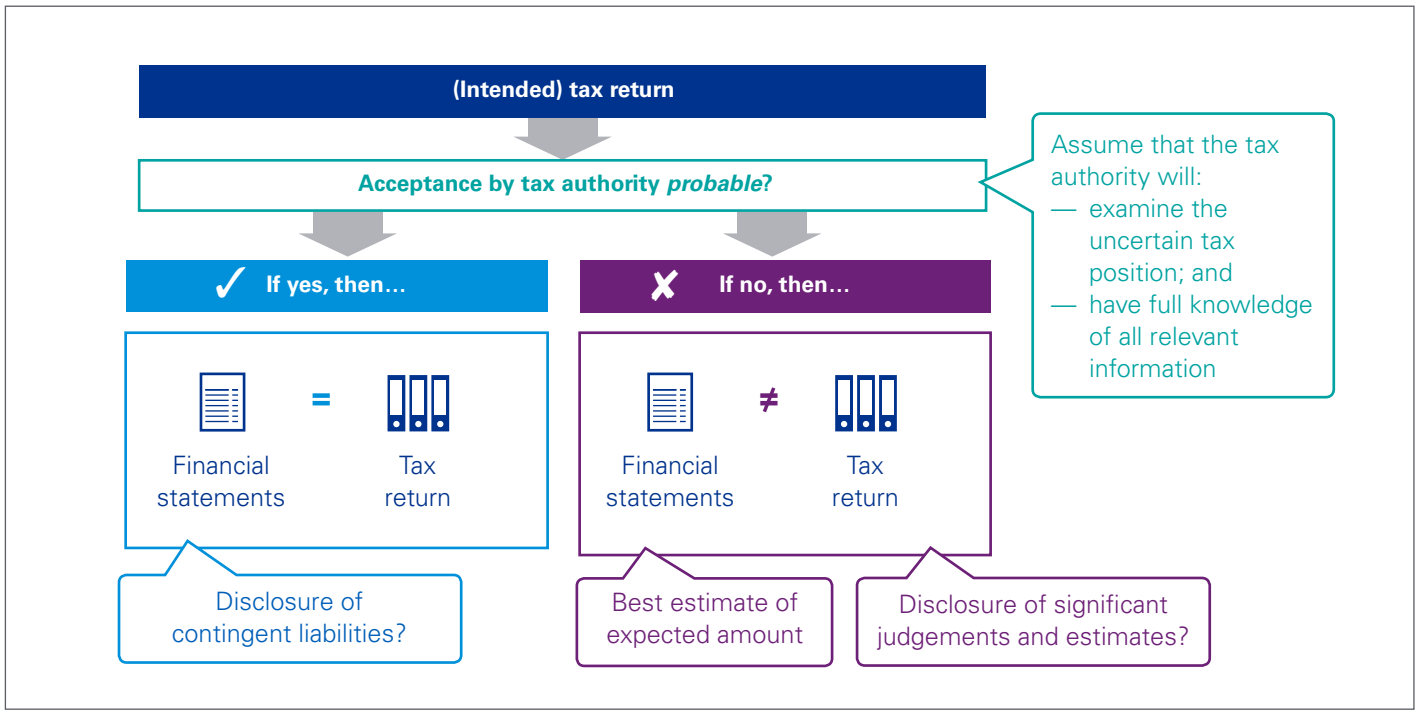
If it is not considered probable that the tax authorities accept (a part of) the (intended) tax return, the best estimate of the expected amount different from the (intended) tax return must be recognised.

In Standard 272.716 a provision has been included for possible additional disclosures for an uncertain tax position for which the acceptance by the tax authorities is probable.

In case the acceptance of the tax authority is not probable, the general provision in Standard 110.129 is relevant with respect to the disclosure of the nature of significant judgements and estimates, including related assumptions.

Presentation of deferred tax assets

Standard 272.602 clarifies that deferred tax assets shall be presented as a separate line item within financial fixed assets and/or as a separate line item within current assets (receivables). For the part of the deferred tax assets that will be recoverable within 12 months after the balance sheet date, the option exists to either present these under the current assets (receivables) or under the financial fixed assets (with disclosure of the short term part). Standard 190 paragraph 2 'The distinction between fixed and current assets' defines whether a receivable qualifies as fixed or current.



Offsetting of deferred tax assets and liabilities

The DASB has simplified the conditions for offsetting deferred tax assets and liabilities in Standard 272.607. A firm intent to settle these deferred tax assets and liabilities simultaneously is no longer required for offsetting. The offsetting of deferred tax assets and liabilities is only dependent on the following criteria:

— the entity has a legally enforceable right to set off current tax assets and liabilities to the extent that they relate to the same financial year; and
— the deferred taxes are levied by the same tax authority on the same taxable legal entity or fiscal unit.

Disclosure provisions

The paragraphs relating to the disclosure provisions in Standard 272 'Income Taxes' have been updated. Large and medium-sized entities will have to include a disclosure (numerical reconciliation) regarding the relationship between the tax expense or income and the result before tax. Previously, this disclosure was only recommended.

A number of exemptions for medium-sized entities have been removed and from now on these entities shall disclose the following in the notes:

— the effective tax rate and the applicable tax rate (Standard 272.703);
— significant changes in the effective tax rate or the applicable tax rate compared to the previous reporting period (Standard 272.706); and
— the nominal value of the deferred tax assets and liabilities that originated in the reporting period and the nominal value of the remaining liabilities and assets on the balance sheet date, if deferred tax assets and liabilities are measured at present value (Standard 272.707a).

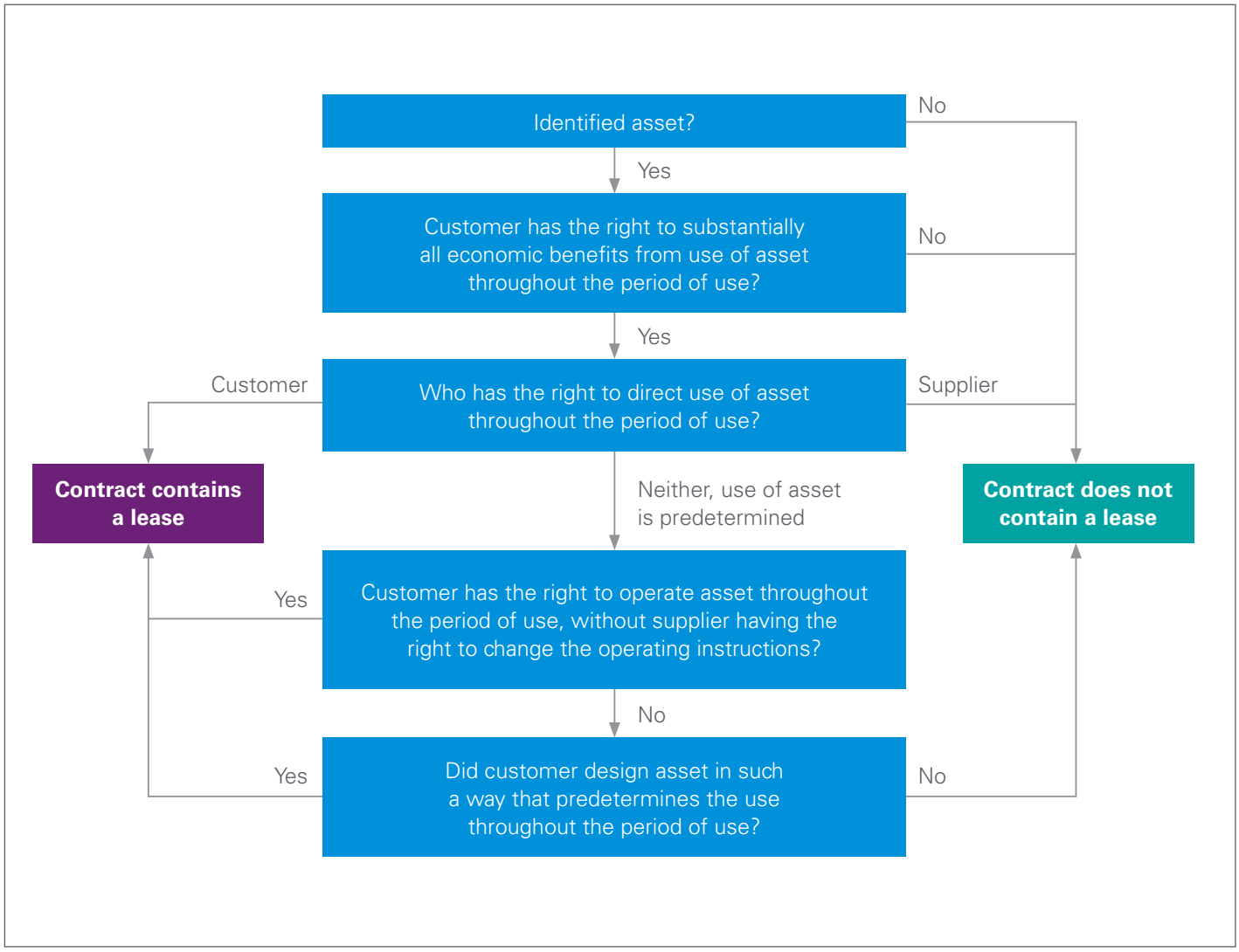
Leases

Determining whether an arrangement contains a lease

In the Standards the definition of a lease (Standard 292.105 up to and including 110) was based on IFRIC 4 'Determining whether an arrangement contains a lease'. Since 1 January 2019, IFRIC 4 has been replaced by IFRS 16 Leases. The main provisions from IFRS 16 concerning the assessment of whether an agreement contains a lease are now included in Standard 292.105 up to and including Standard 292.110a.

When having concluded an agreement that does not primarily qualify as lease agreement, the legal entity has to assess whether or not the agreement contains a lease. Purchase agreements are exempt from this. An agreement contains a lease if it, in exchange for a consideration to the other party (the supplier), gives control to the legal entity (buyer) over the use of an identified asset during the agreed period of use. This is the case if the following conditions have been met:

— there is an identified asset;
— during the entire period of use the buyer has the right to substantially all economic benefits from the use of the identified asset; and
— during the entire period of use the buyer has the right to determine the use of the identified asset.



For the assessment of these conditions further provisions for consideration have been included in the Standards. The exemption for medium-sized entities to assess whether an agreement contains a lease for those agreements that do not primarily qualify as a lease has been removed.

In Standard 292.602 a transitional provision has been included that for those agreements that have been entered into or that have been changed before 1 January 2020, it does not have to be determined again whether or not the agreement includes a lease. Moreover, it is allowed that the new provisions are being applied retrospectively for all agreements or for one or more categories of leased assets.

Providing information about leasing agreements

The objective of disclosures about leases, together with the information contained in the balance sheet, profit and loss account and cash flow statement, is to provide insight into the effect of leases on equity, result and cash flows. The DASB has explicitly included this objective in Standards 292.208, 212, 311 and 319 and therefore requires that this objective be achieved when applying these respective provisions. In a transitional provision the DASB clarified that comparative figures need not be provided on first-time adoption (Standard 292.603). In addition, some of the disclosure requirements for lessors and lessees have been enhanced, such as the inclusion of a description of the principal provisions, such as the content of renewal options, purchase options and conditional lease payments and existing residual value guarantees, of the lease agreement.

Temporary reductions in lease payments as a consequence of the COVID-19 pandemic

In September 2020 the DASB issued a DASB statement regarding temporary reductions in lease payments as a consequence of the COVID-19 pandemic. Due to the unfavourable economic developments as a result of the COVID-19 pandemic, the situation may occur that lessors provide a reduction to lessees by temporarily reducing lease payments or by providing an extension of payment. The Standards did not contain any specific provisions on this topic.

The DASB statement has been definitively adopted unamended in the meeting of the Dutch Accounting Standard Board of October 2020. The DASB has decided to include the following in temporary Standards how these COVID-19 related reductions in lease payments can (shall) be recognised in the profit and loss account.

For financial leases in the financial statements of the lessor there is no choice in the recognition of reductions of lease payments and the loss shall be recognised directly in the profit and loss account. Here a parallel is visible with financial instruments and the impairment of receivables.

The aforementioned changes are applicable for financial years starting on or after 1 January 2020. Early application is allowed if in that financial year reductions or exemptions of payments that are related to the consequences of the COVID-19 pandemic are applicable (for example if the financial year does not equal the calendar year). The changes are temporarily and are valid for lease payments that are due up to and including 30 June 2021.

		Recognition option 1	Recognition option 2
Operational lease	Lessee (Standard 292.211a)	Recognise the reduction on a straight-line basis over the lease period	Recognise the reduction in the period it relates to
	Lessor (Standard 292.313a)	Recognise the reduction on time weighted basis over the lease period	Recognise the reduction in the period it relates to
Financial lease	Lessee (Standard 292.206a)	Fully recognise the reduction of the net lease obligation at the moment of the contract change	Allocate the reduction of the net lease obligation to the period the reduction relates to
	Lessor (Standard 292.309a)	Fully recognise the reduction of the net lease obligation at the moment of the contract change	Not applicable

Remuneration report (applicable as of 1 January 2019)

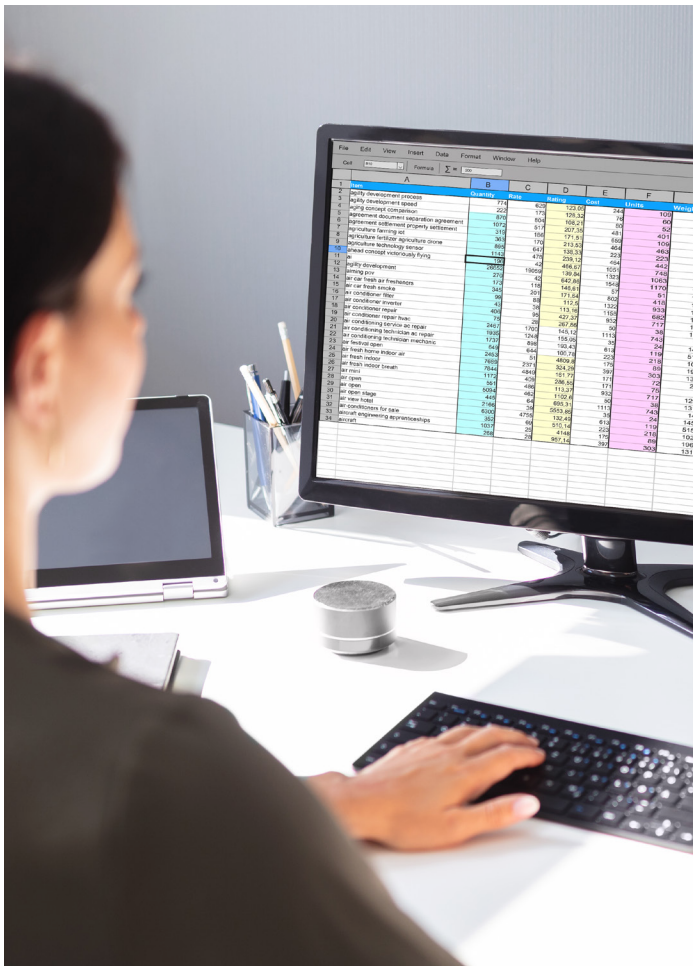
In the Dutch Civil Code (BW) and the Financial Supervision Act (Wet op het financieel toezicht (Wft)) amongst others new legal provisions relating to the remuneration report have been included based on EU-Directive on shareholder engagement (Directive 2017/828/EU). This Act has become operative on 1 December 2019 and is applicable as from financial year 2019.

This Act contains requirements for the remuneration report of an entity of which shares or depositary receipts for shares issued with the entity's cooperation have been listed on a regulated market (as intended in Article 1:1 Wft). This relates to companies of which shares or depositary receipts for shares within the European Economic Area (EEA: the EU, Norway, Iceland and Liechtenstein) have been admitted to the regulated market.

This law (Article 135b) includes, among other things, the obligation to prepare a clear and understandable separate remuneration report each year with an overview of all remuneration awarded or due to individual directors in the previous financial year. This obligation also applies to the remuneration of individual supervisory board members (Article 145(2)). The non-binding guidelines published by the European Commission may provide guidance on the fulfilment of the statutory requirements. After having been submitted to the general meeting for an advisory vote, the remuneration report must be published on the company's website (for at least 10 years).

Incidentally, the provisions of Articles 2:383c up to and including 383e of the Dutch Civil Code regarding, among other things, the remuneration of individual (former) management board members and individual (former) supervisory board members are no longer directly applicable to the aforementioned companies. Instead, as from the 2019 financial year, Article 2:383 of the Dutch Civil Code will apply to these companies. However, as is apparent from Article 135b(3)(k), the information referred to in Articles 2:383c up to and including 383e of the Dutch Civil Code must be included in the remuneration report.

As a result of this legislative amendment, Standard 404 'Remuneration Report' has been added to the Standards. The provisions regarding the remuneration report, as previously included in Standard 405.107 up to and including 405.109 of Standard 405 'Report of the supervisory board', have been moved to Standard 404. As a result, all provisions relating to the remuneration report are dealt with in a single Standard. It is also possible to merge the information to be included in the remuneration report into a single document (Standard 404.102).



Major changes applicable from 1 January 2021

Disclosures

In Standard 110 'Objectives and principles' is included that Article 2:362 paragraph 4 of the Dutch Civil Code, first sentence, stipulates that the legal entity provides information in the financial statements in addition to that which is required in the special requirements of and pursuant to Title 9 Book 2 Dutch Civil Code, if this is required by the insight as meant in Article 2:362 paragraph 1 of the Dutch Civil Code. In this paragraph it has been added that in the Standards this is implemented by including additional disclosure requirements in various Standards. In Standard 100.108 it is emphasized that, despite this, in specific situations it can be necessary that the entity includes additional information in the financial statements in order to comply with Article 2:362 paragraph 4 of the Dutch Civil Code.

In Standard 300 'Function and format' the general provisions of disclosures are discussed. To this Standard a provision has been added regarding the objective of the disclosures (Standard 300.101a). The disclosures have the objective to provide reliable information that is relevant for the decision making of the users of the financial statements. Also comprehensibility and comparability are relevant when information is provided in the notes. As examples of relevant information for the users are being mentioned:

— the nature and financial impact of transactions for the entity;
— the nature, the size, the timing and the uncertainty of items on the balance sheet and the profit and loss account and the impact thereof for the financial position, the result and the cash flows of the entity; and
— the nature of risks and the exposure of the entity to these risks.

Material

The definition of material is added to the Standards. The definition is as follows:

Information is material if this information is relevant for providing the required insight as set out in 2:362 paragraph 1 of the Dutch Civil Code. This is the case if it can reasonably be expected that the omission, misstatement or the obscuring of information could influence the economic decisions taken by the users of the financial statements.

By the addition of this definition to the Standards substance has been given to when information is material. On account of this addition, Standard 150.103 of Standard 150 'Correction of Errors' has also been adjusted and the terms 'relative significance', 'materiality' and 'material significance' in various Standards have been replaced by the term 'material'.

Removed exemptions for medium-sized entities

Medium-sized entities have various exemptions, especially in the area of disclosures, compared to large entities. The DASB has updated Standard 315 'Exemptions for medium-sized entities' and simultaneously has assessed the exemptions for medium-sized entities. As result, a number of exemptions for medium-sized entities have been removed. From this financial year onwards medium-sized entities need to include the following information in the disclosures (if applicable):

— a further disclosure regarding an impairment loss (Standard 121.805, under c2 up to and including g);
— a quantitative estimate of the impact of an accounting policy change on one or more subsequent financial years (Standard 140.216);
— a quantitative estimate of the impact of a change in estimate on one or more subsequent financial years (Standard 145.305);
— a further disclosure in situations that the fair value of an investment property cannot be established reliably (Standard 213.805, under e);
— information regarding the liquidity risk (Standard 290.918 up to and including 290.927).

Investment property

In Standard 213.113 it is described that if an entity owns real estate and makes this available to and is used by the parent company or another group company, this real estate is not an investment property in the consolidated financial statements that includes both entities. Background to this is that the real estate viewed from the group perspective as a whole is intended for own use. In the separate financial statements of the entity that owns the real estate, the real estate is considered to be investment property.

In application of the equity method by the parent company it is proposed that the real estate as held by the subsidiary is classified as real estate for own use (and not as an investment property), as also applied in the consolidated financial statements of the parent company. Through this way of measurement no differences will result between equity according to the consolidated financial statements and the equity according to the separate financial statements of the parent company, which is in line with the general principle as explained in the draft Standards in Standard 100 'Introduction'. In the separate financial statements of the subsidiary the real estate remains classified as investment property.

In addition, the present provision does not specifically discuss the situation in which the relevant real estate is held by the parent company and this real estate is made available to a consolidated participating interest for own use. It is proposed that the real estate in the separate financial statements of the parent company then also is classified as real estate for own use.

The DASB proposes the above changes to be effective from financial years starting on or after 1 January 2021.

Mergers and acquisitions

In Standard 216 'Mergers and acquisitions' it is clarified when this Standard is applicable. The Standard is applicable if there is an acquisition of an integrated set of activities, assets and/or liabilities that is capable of generating revenue (Standard 216.101).

If there is no merger or acquisition of an integrated set of activities, assets and/or liabilities that is capable of generating revenue, for example the acquisition of a group of assets (and related liabilities), the acquiring entity recognises the acquired identifiable assets and/or liabilities in accordance with the Standards for the relevant assets and/or liabilities. The acquisition cost is then fully allocated to the acquired identifiable assets and/or liabilities on the basis of their relative fair value on acquisition date. Such a transaction thus does not lead to the recognition of goodwill. Mostly it is quite clear whether there is an acquisition of an integrated set of activities, assets and/or liabilities that is capable of generating revenue, but in some cases a higher degree of judgment is necessary.

This clarification has also taken place in Standard 214 'Financial fixed assets'. For the initial recognition of participating interests in which the entity exercises significant influence on the operating and financial policies, reference is made to Standard 216. It is clarified that the acquisition of participating interests that are measured at net equity value, goodwill can only be recognised in case of an acquisition of an integrated set of activities, assets and/or liabilities that is capable of generating revenue (Standard 216.303).

Transitional compensations

On 1 January 2020, the 'Balanced Labour Market Act' (Wet arbeidsmarkt in balans) came into force. This Act replaces the 'Work and Security Act' (Wet werk en zekerheid). The Balanced Labour Market Act regulates that from 1 January 2020 an employee is entitled to a transitional compensation from the first day of the employment agreement in case of dismissal. The amount of the transitional compensation is determined in a different way than according to the Work and Security Act.

In Standard 271 'Employee benefits' provisions are included for the recognition of the transitional compensation. With an exception for the adjustment of the reference to the Balanced Labour Market Act in Standard 271.502a, the content of the Standard has remained unchanged. Depending on the situation, transitional compensations are recognised either as termination benefits on the day of termination or as remuneration during employment. In the situation that in the transition phase transitional compensations still are covered by the Work and Security Act, Standard 271.502a remains applicable on transitional compensation based on that law.

Share-based payments

Share-based payments are transactions in which the entity receives goods or services against a compensation in equity instruments or for which an amount is paid based on the value of the equity instruments. In some cases, the counterparty has the option to demand settlement in cash. The fair value of settlement in cash in such scenario can be lower than the fair value of settlement in own shares of the entity, for example in order to discourage settlement in cash.

In that case, the equity component (the difference between the fair value of the total commitment and the fair value of the cash settlement commitment) and the liability component need to be recognised separately (Standard 275.207). The option to solely recognise the liability is removed. Any possible change in accounting policy has to be applied in accordance with Standard 140 'Changes in accounting policies'.

Cash flow hedge-accounting and cost hedge-accounting

In Standard 290.631, when using cash flow hedge-accounting, two recognition methods were possible if a hedged forecast transaction led to the recognition of a non-financial asset or a non-financial liability. Solely the option remains to include the cash flow hedge accounting related gains and losses on the hedging instrument, that have been recognised directly in equity (in a legal reserve), in the initial cost or other carrying amount of the non-financial asset or non-financial liability that arises when the hedged forecast transaction takes place. The option has been removed to transfer to the profit and loss account those gains and losses related to cash flow hedge accounting, that have been recognised directly in equity.

For cost hedge accounting the same adjustment has been made (Standard 290.638). However, in that case the removed option implied that the related gains and losses on the hedging instrument were not recognised directly in equity but as an accrual.

Any change in accounting policies has to be applied in accordance with Standard 140 'Changes in accounting policies'.

In Standard 290.937 it has been clarified that when financial assets or financial liabilities at fair value have been measured in the balance sheet, the amount of the fair value does not need to be included in the disclosures. Further information about the fair value, such as the valuation method and significant assumptions, do need to be included in the disclosures.

Cash flow statement

If consolidated subsidiaries are acquired or disposed of, the option existed to either deduct the cash and cash equivalents present in those consolidated subsidiaries within the cash flow from investment activities from the purchase or sales price of the subsidiary, or to disclose it separately as part of the reconciliation between the net cash flow and the changes in cash and cash equivalents in the balance sheet. The latter possibility has been removed. The cash and cash equivalents present need to be deducted from the acquisition price or the sales price respectively (Standard 360.219).

Any change in accounting policies has to be applied in accordance with Standard 140 'Changes in accounting policies'.

Standard 360.207 has been changed in that payments of financial lease terms with respect to the interest part need to be presented in accordance with the accounting policy choice for cash flows with respect to interest paid (cash flow from operational activities or cash flow from financing activities).

Target figures balanced distribution of seats management board and supervisory board

The law included target figures aimed at a balanced distribution of the seats in the management board and supervisory board among women and men. From 1 January 2020, Article 391 subsection 7 of the Dutch Civil Code has expired, which is why Standard 400.108 also has expired. This means that from a legal perspective, management reports that are being prepared (dated) from 1 January 2020 onwards do not need to include the information with respect to the balanced distribution, regardless of the financial year they refer to.

In DASB Statement 2020-3, the DASB indicates that the subject has unabated attention, as also becomes apparent from the Disclosure of Diversity Policy Decree (Besluit bekendmaking diversiteitsbeleid) and the Dutch corporate governance code. In addition to that, in September 2019 the Social and Economic Council recommendation 'Diversity at the top' was published. Based on the cabinet response to the Social and Economic Council recommendation (*parliamentary paper* 29 544, nr. 999) it is expected that this will lead to proposals for legislation for certain entities later in 2020 (such as Dutch listed companies and large public limited liability companies and private limited liability companies). The effective date of the expected legislation is not known as yet.

Combination 3

In the Standards, draft provisions are included in order to clarify the application of combination 3 in the separate financial statements. The DASB aims to further elaborate the application of combination 3 conceptually with these provisions. In combination 3, the consolidated financial statements are prepared based on EU-IFRS and the separate financial statements based on Book 2, Title 9 of the Dutch Civil Code, but with the option to apply the measurement policies that have been applied in the consolidated financial statements.

It is proposed to clarify the general principle that the equity according to the separate financial statements under combination 3 in principle equals the equity according to the consolidated financial statements. The assumption here is that in the measurement of a consolidated participating interest in the separate financial statements according to the equity method, the participating interest is considered as a group of assets and liabilities and not as an indivisible asset ('single asset'). From this it results that transactions and/or balance sheet positions between the parent company and its consolidated participating interest, in which there is a 100% interest, do not lead to differences between the equity according to the consolidated financial statements and the equity according to the separate financial statements.

For that matter this does not mean that there can be no differences under combination 3 between the equity and the result according to the consolidated financial statements and the separate financial statements. These differences can occur from the perspective of the separate financial statements in specific situations, such as transactions and/or balance sheet positions between the parent company and its consolidated participating interest, where there is no 100% interest or in case of a consolidated participating interest with a negative equity. The nature of these differences under combination 3 is not different from those under combination 1 (consolidated and separate financial statements are being prepared based on Book 2, Title 9 of the Dutch Civil Code).

The DASB proposes the above changes to be applicable for financial years starting on or after 1 January 2021.

Major changes applicable from 1 January 2022

Revenue recognition

In practice there was a need for further guidance regarding the way in which revenues are being recognised under the Standards. In the analysis how best to accommodate this need, the DASB has taken into account IFRS 15 'Revenue from Contracts with Customers'. It has been concluded that a full absorption of the provisions of IFRS 15 in the Standards is not desirable because of the target group of the Standards in combination with the related implementation costs. Thus the DASB has decided to maintain the existing Standards as much as possible and to improve the Standards regarding revenue recognition by way of specific changes and additions (further guidance and examples). This approach provides insight into the exact changes compared to the present Standards. In addition to that, the DASB emphasizes that in the interpretation of the proposed draft Standards the provisions of IFRS 15, including further guidance on the application of IFRS 15, are not leading.

The DASB has published two new draft Standards, notably draft Standard 221 Construction contracts and draft Standard 270 The profit and loss account. The proposed changes relates to, amongst others, the identification of performance obligations included in a contract, the recognition of variable consideration, the allocating of the transaction price in a contract to the included performance obligations, and the presentation of construction contracts in the profit and loss account and on the balance sheet.

The DASB has included transitional provisions to simplify the implementation of the changes that possibly result from the changed provisions. It is allowed to apply the changes that relate to the recognition of revenue solely to contracts that are entered into or modified on or after the proposed effective date or a self-chosen earlier date in case of earlier application (prospectively).

For the sake of completeness it is mentioned that the possibility to apply IFRS 15 integrally (Standard 221.102a and Standard 270.101a) remains unchanged in the draft Standards.

It is proposed that the draft Standards will become applicable for financial years starting on or after 1 January 2022. The DASB expects that for year-end 2020, after processing of comments, the draft Standards will become final. We will publish a separate document in which the changes will be discussed in more detail after the final Standards are published.

Changes in Standards for micro and small entities

The DASB recently published the 2020 edition of the Standards for micro and small entities (RJk). This edition is effective for financial years starting from 1 January 2021 onwards, unless otherwise indicated. The major changes in edition 2020 for small entities are:

— Changes in A2 'Recognition and measurement' and A3 ' Changes in accounting policies' regarding the addition of the definition of material as described above in the paragraph 'Major changes applicable from 1 January 2021';

— Changes in B2.2 'Investment property' regarding the determination of the revaluation reserve for investment property valued at fair value (whether or not taking into account the cumulative depreciations and impairments);

— Changes in B3 'Financial fixed assets' regarding the clarification when Standard 216 'Mergers and acquisitions' is applicable (in the RJk bundle, for this topic reference is made to the RJ bundle) as described above in the paragraph 'Major changes applicable from 1 January 2021';

— Changes in B9 'Liabilities/debts' regarding the option to present a debt as current if after the balance sheet date but before the date of preparation of the financial statements an early repayment has occurred or an early repayment has already been agreed upon (previously, classification as current debt was required in that situation).

In conclusion

Sources

The information in this factsheet has largely been derived from the introduction (Ten Geleide) of the editions 2019 and 2020 of the Dutch Accounting Standards.

Further information

Your KPMG contact will be pleased to discuss further on the information in this publication and the consequences thereof for your company.

KPMG
Laan van Langerhuize 1
1186 DS AMSTELVEEN
T +31 (0)20 656 78 90

www.kpmg.nl

Tanja van den Vlekkert - Zevenbergen

vandenvlekkert.tanja@kpmg.nl
T +31 (0)10 453 43 72

kpmg.nl