ONESOURCE Statutory Reporting
Netherlands Content Update Document

This document provides confirmation to our stakeholders that Netherlands Corporate Template contains Illustrative Model Content with legislative coverage for (Annual) Year End Reporting.

Financial Period Type:	12-Months (Annual)
Target Industry Type:	Manufacturing, Services, Generic (excl. Financial Services)

What are the Netherlands legislative changes for the upcoming December 2024 financial year? If they are any, please specify them with the accounting reference numbers (e.g. IFRS 16).

1 Applicable size regime

The application of the furnishing and publication regulations for the annual accounts depends on the applicable size regime.
The threshold amounts up to and including 2023 were:

	Micro size entity	Small size entity	Medium size entity
Total assets	≤ € 350.000	≤ € 6 m	≤ € 20 m
Net turnover	≤ € 700.000	≤ € 12 m	≤ € 40 m
Employees	< 10	< 50	< 250

The threshold amounts as from 2024 were increased as follows:

Total assets	≤ € 450.000	≤ € 7.5 m	≤ € 25 m
Net turnover	≤ € 900.000	≤ € 15 m	≤ € 50 m
Employees	< 10	< 50	< 250

The reason for the increase is that since 2013 the size criteria have not been changed, while inflation, particularly in 2021 and 2022, has risen sharply.

The purpose of this directive is to ensure that micro, small, and medium-sized enterprises are not subject to numerous EU provisions on financial reporting and sustainability reporting that apply to larger enterprises.

The new size criteria will apply from January 1, 2024. Companies can opt for early application of the directive from fiscal year 2023.

Note: this change will have no impact on the statutory reporting models. It may have impact on the statotory reporting obligations when due to the change of thresholds of size regimes the applicable size regime of an entity would change.

2 Proposal for digital filing by large legal entities

Micro, small, and medium-sized legal entities already file their financial statements digitally via Standard Business Reporting (SBR). Large legal entities were granted a deferral from the mandatory electronic filing of the annual report via SBR, as many large legal entities follow listed companies in their annual reporting, and it therefore made sense for the obligation for large legal entities to follow the obligation for listed companies. Meanwhile, that European format, the European Single Electronic Format (ESEF), has been introduced for issuing institutions. Issuing institutions must file their financial statements in this format starting from the fiscal year 2021. It is expected that digital filing via SBR for large legal entities will become mandatory from the fiscal year 2024 or 2025.

Note: This item has no impact on the statutory financial statements; it only refers to electronic filing

3 Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD) was approved by the European Parliament in November 2022.

For large public-interest entities (PIEs: banks, insurers, listed companies) with more than 500 employees, the CSRD will be mandatory for fiscal years starting in 2024. From the fiscal year 2025, in addition to large PIEs, large enterprises will also have to report on sustainability as part of the management report, and the scope of the sustainability reporting will be significantly expanded. The European Sustainability Reporting Standards (ESRS) will also have to be mandatorily applied from those dates. The CSRD still requires implementation into Dutch law; this implementation is expected at the the beginning of 2024. The ESRS do not require implementation.

The CSRD will also apply to non-EU companies with substantial activities in the EU market (> 150 million euros in turnover in the EU) and that have at least one subsidiary (large or listed) or branch office (net turnover > 40 million euros) in the EU (i.e., reporting by third-country enterprises). The CSRD also includes the requirement to provide limited external assurance for sustainability information, with an option to move to reasonable external assurance at a later stage.

Note: This change does not impact the statutory reporting model. It is only applicable for entities that have to prepare CSRD reporting.

What are the local accounting law changes for the upcoming December 2024 financial year?

1 Reporting in the event of uncertainty about continuity

For reporting in the event of uncertainty about continuity, a number of clarifications have been included in DAS 170. The adjustments to DAS 170 relate to:

• harmonization of the conceptual framework;

•clarification of the assessment of whether there is a material uncertainty;

• to clarify the disclosure requirements in the situation that material uncertainty about continuity exists;

• to include an overview of the different continuity situations and associated reporting regulations in an annex to the Guideline.

In the conceptual framework, the term 'material uncertainty' will henceforth be used instead of the former term 'serious uncertainty'.

1.1 Assessment of whether there is material uncertainty

When a legal entity is expected to no longer be able to meet its obligations on its own, it is important to determine whether additional cooperation from stakeholders can be obtained. Examples of stakeholder cooperation include a shareholder who guarantees the debts of the legal entity, a bank that provides a waiver and suspends its right to demand early repayment of a loan, or a bank that provides (additional) financing.

If sufficient cooperation from stakeholders is confirmed before the preparation of the annual accounts, there is no material uncertainty about continuity. If additional cooperation from stakeholders is required, but this has not been confirmed at the time of preparing the annual accounts, there is an increased degree of uncertainty about continuity. This does not necessarily mean that there is material uncertainty about continuity. Just as the likelihood of a future scenario occurring is taken into account, the management of the legal entity must in this situation make an estimate of the likelihood that the required cooperation can still be obtained.

DASB has clarified that only when the required but not yet confirmed cooperation from stakeholders is sufficiently plausible based on the specific facts and circumstances, this does not lead to material uncertainty about continuity. DASB has clarified that it is assessed based on the entirety of the facts and circumstances, including the degree of plausibility of additional cooperation from stakeholders, whether there is material uncertainty about continuity. It must be considered that if the cooperation of stakeholders is not yet entirely certain, whether this cooperation is so likely (high degree) that no material uncertainty about continuity remains.

1.2 Clarifications regarding the disclosure

In the new Guideline 170, disclosure requirements have been included for clarification for situations of no uncertainty about continuity and concerns about continuity, but no material uncertainty.

- For the situation where there is no uncertainty about continuity, it has been clarified that no specific disclosure about continuity is required.
- For the situation where there are concerns about continuity, but there is no material uncertainty, it has been clarified that significant judgments, estimates, and uncertainties must be disclosed, provided this is necessary for the required insight. The DASB refers to existing disclosure requirements for these judgments, estimates, and uncertainties in Guidelines 110 and 135, respectively.
- For the situation where there is material uncertainty about continuity, the current disclosure requirements determine that an adequate explanation must be given of the circumstances in which the legal entity finds itself. To be understandable and relevant, this disclosure must explicitly mention, in accordance with article 2:384 paragraph 3 of the Dutch Civil Code, that as a result of the described circumstances, there is material uncertainty about continuity. The DASB thus specifically points to this legal disclosure requirement.

Additionally, in the Pronouncement (2023-3), attention was called to the disclosure of continuity risks in the management report. The management report is required by law to contain a description of the principal risks and uncertainties faced by the legal entity. Users of the management report are thus enabled, in accordance with the requirements of DAS 400, to form a good understanding of possible events or developments with significant consequences for continuity.

Note: This change does not impact the statutory reporting model. It will only have an impact on the content of specific disclosures in case of going concern issues.

2 Clarification of presentation and classification of financial instruments

In the Guidelines DAS 240 and DAS 290, three clarifications have been included:

- a clarification of the presentation within equity in the separate financial statements of financial instruments that classify as equity based on their legal form, while economically they would be classified as debt.
- the addition of an additional example and the modification of an existing example under which contractual circumstances there is equity or debt, and the removal of an existing example in DAS 290.
- a clarification of the definition of profit-dependent instruments and under what conditions there is a choice for instruments between classification as equity or as debt.

2.1 Classification based on legal form in separate financial statements

If the classification of the financial instrument is based on its legal form in the separate financial statements, then the amount of the instrument must be presented separately within equity if it would be classified as debt based on economic reality. This was already an existing disclosure requirement, but DAS has clarified how separate presentation within equity should take place. The company has the option to present this either separately for each type of financial instrument or as a total amount of these financial instruments. In addition, the company must include a specification in the notes of the total amount divided into the categories of equity.

In a new example included in DAS, Company A has issued 8,000 ordinary shares with a nominal value of €100, totaling €800,000, and 200 preferred shares with a nominal value of €1,000 for a total of €200,000 with a fixed dividend, which is a market-conforming compensation, and an obligation to repurchase 5 years after the issuance of the instrument for €200,000. In addition, Company A has a reserve of €2,000,000 consisting of retained earnings. The company chooses in the separate financial statements to classify financial instruments based on their legal form. This means that despite the future repurchase obligation, the preferred shares remain classified as equity. According to economic reality, this future repurchase obligation classifies as debt. Consequently, there is a difference in equity between the separate and the consolidated financial statements, because this instrument must be presented based on economic reality in the consolidated financial statements. It would look as follows:

Balance sheet (for fiscal years from 2024)

	Separate	Consolidated	Difference
Issued capital	1,000,000	1,000,000	0
Other reserves	1,800,000	1,800,000	0
Reserve with the economic characteristics of debt	200,000	0	0
Total equity	3,000,000	2,800,000	200,000

Long-term obligation	0	200,000	200,000

2.2 Examples of equity-debt

The second change relates to DAS 290, where some examples have been further clarified under which contractual circumstances there is equity or debt. The examples in DAS 290 are based on the assumption that classification is based on the economic reality of the instrument. Example G has been added: if a debt is repaid in a variable number of shares, it is classified as debt based on economic reality. Example K has been clarified by DAS: when a company is obligated to repurchase its own shares (written put option), an obligation must be recognized for the present value of future payments at the issuance of this option, even if it is still dependent on future exercise by the counterparty. In addition, the example where there is a purchase of goods or services settled in own shares has been removed, as this falls under the scope of DAS 275 Share-based Payments.

2.3 Profit-dependent payments

This last change in the DAS relates to a clarification of the definition of 'profit-dependent payments'. The Guidelines offer the choice to classify a non-mandatory redeemable instrument with profit-dependent payments as either equity or debt. Profit-dependent payments refer to: 'Non-discretionary payments that only occur if sufficient profit has been made in any year after the issuance of the instrument, where the payment cannot exceed the profit made.' This means that if the payment in any year is greater than the profit made in that year, it does not qualify as a profit-dependent payment. Furthermore, DASB has also clarified that if the instrument has a redemption obligation in addition to the profit-dependent payments, the choice between equity and debt classification does not exist.

Note: This change does not impact the statutory reporting model. The Dutch Accounting Standard Board has only given further clarification on the accounting treatment

3 Processing of results on intercompany transactions

The new Directive regarding the processing of results on intercompany transactions in the financial statements clarifies a number of issues that were not or insufficiently clear in the old Directive. This pertains to the following topics:

- Elimination of losses;
- Presentation of elimination amounts;
- Eliminations in case of a negative net asset value;
- The processing in the financial statements of the participation.

3.1 Elimination of losses The DASB (Dutch Accounting Standards Board) has clarified that a loss on an intercompany transaction should, in principle, be eliminated proportionally. However, such a loss may indicate an impairment. In the case of fixed assets, this can be an indication of an impairment and for inventories, there may be a lower net realizable value.

This must be assessed according to the applicable Directive. However, the loss on the intercompany transaction is not necessarily equal to the loss that ultimately needs to be accounted for.

Example
Parent company A sells a property with a book value of 70 to 100% group company B for 50 euros. Consolidated, this has no effect in principle. In principle, this loss of 20 euros must be completely eliminated in the individual financial statements, because it has not yet been realized through transfer to a third party. Subsequently, company A must apply the provisions of DAS 121 (Tangible fixed assets). The low selling price may indicate an impairment, which means that company A must apply the provisions of DAS 121 Impairments. This applies to both the consolidated and individual financial statements. Indeed, an indication is identified, and therefore the recoverable value of the property is estimated.

The recoverable value is ultimately estimated at 60 euros, in this case the value in use or indirect recoverable amount. This is 10 euros lower than the book value. So although the intercompany loss of 20 euros has been eliminated, an impairment of 10 euros must be booked.

Since this occurs both consolidated and individually and there is a 100% participation, there is no difference between the consolidated and individual equity and result.

After accounting for the impairment, there remains an unrealized intercompany loss of 10 euros that is included in the balance sheet. This intercompany result will be realized through depreciation over the remaining useful life or by sale to a third party.

3.2 Presentation of elimination amounts
In the current Directive, only for downstream transactions, i.e., sales from the parent company to a participation, is it prescribed how the eliminations should be processed in the balance sheet and income statement.
In the new Directive, this has been further elaborated for all types of transactions, including sidestream and upstream transactions. This is schematically included below:

Type of transaction	Balance Sheet	Income Statement
Downstream	Participations or accruals	accruals Item in which the transaction is processed
Sidestream	Participations or accruals	Result of participations

Upstream	Participations or accruals or value of the acquired asset	Result of participations

3.3 Eliminations in case of a negative net asset value

Participations with a negative net asset value are valued at zero, with a provision possibly being recognized, depending on the facts and circumstances. The question here is how eliminations should be processed in such situations. has added a new paragraph to the Directive to give concrete guidance on this. This paragraph states that even with a negative net asset value, realization only occurs upon transfer to a third party or through depreciation of the asset, which means that eliminations of intercompany results still need to be accounted for.

In addition, it is indicated that these eliminations in this case should be accounted for as an accrual, not through the Participations item because this item is already valued at zero.

3.4 The processing in the financial statements of the participation
For downstream and sidestream transactions, where a participation acquires assets or liabilities from the parent or another participation, DAS has clarified that the participation should not eliminate intercompany results in its own financial statements. Instead, the acquisition of these assets or liabilities should be processed based on the applicable standards. So, for example, participation B that acquires a property must simply apply DAS 212 Tangible fixed assets, where the initial valuation normally takes place at cost price.

Note: This change does not impact the statutory reporting model. The Dutch Accounting Standard Board has only given further clarification on the accounting treatment

4 Changes in the cash flow statement
There are a couple of changes in the Directive regarding the cash flow statement:

- Definition of cash and cash equivalents in the cash flow statement;
- In which situation debit balances on bank accounts are part of cash and cash equivalents

4.1 Definition of cash and cash equivalents in the cash flow statement
According to the current definition, cash and cash equivalents in the cash flow statement include: cash on hand, balances with banks, bills and checks, demand deposits, and short-term highly liquid investments.

According to the new definition, cash and cash equivalents in the cash flow statement include: liquid assets (= cash on hand, balances with banks, bills, and checks), demand deposits, and equivalents of liquid assets. Equivalents of liquid assets are highly liquid investments that:
- can be converted to cash without restrictions and easily; and
- do not have significant risks of changes in value.

Example:

Suppose a company has made a deposit for a period of up to 6 months with the following conditions:

- *If the deposit is not requested during 6 months, the company receives 1.5% interest;*
- *If the deposit is requested early, the company receives 1.0% interest;*
- *The 1.0% is equal to the regular interest on demand deposits;*
- *The intention of the company is to meet short-term liquidity needs, but if the liquidity is not needed, the company can benefit from a higher interest rate.*

In this case, the deposit qualifies as an equivalent of liquid assets in the cash flow statement because:

- *The deposit can be easily converted into liquid assets;*
- *There are no significant risks of changes in value;*
- *Even with early withdrawal, at least the regular short-term interest is received;*
- *The purpose is to meet short-term liquidity needs.*

4.2 In which situation debit balances on bank accounts are part of cash and cash equivalents

Under the current rules, no distinction is made between loans provided by banks and debit balances on bank accounts. Therefore, at present, debit balances on bank accounts are not considered (and thus not deducted from) cash and cash equivalents under DAS (Dutch Accounting Standards).

The new rules indicate that debit balances on bank accounts can be part of cash and cash equivalents in the cash flow statement if a number of conditions are met:

- The debit balance is immediately demandable upon request, and
- The debit balance is an integral part of the legal entity's cash management

Furthermore, DAS indicates that such arrangements with credit institutions are characterized by the fact that the account balance often fluctuates between positive and negative.

If the above conditions are not met, the debit balance is recorded as a financing cash flow in the cash flow statement.

Note: This change does not impact the statutory reporting model. The Dutch Accounting Standard Board has only given further clarification and guidance on the treatment of cash elements in the cashflow statement

5 Application of the effective interest method under measurement at amortized cost

The DASB (Dutch Accounting Standards Board) has observed that there is uncertainty in practice regarding the processing of a change in the contractual terms of a financial instrument measured at amortized cost. If the change in contractual terms does not result in a significant change in the economic reality with respect to that financial instrument, it remains recognized on the balance sheet. If the contractual cash flows change as a result, the following two processing methods are allowed in line with practice:

- to recognize the effect of the changed contractual cash flows directly in the result; or
- to recognize the effect of the changed contractual cash flows over the remaining expected duration of the financial instrument in the result by adjusting the effective interest rate.

The first processing method is in accordance with the prescribed processing method under IFRS (with possible exceptions for very specific fact patterns). A chosen processing method should be applied consistently. An example of the implementation of this clarification is included in Annex 1 of DASB-Expression 2022-6.

Furthermore, DASB has clarified that the application of the first processing method (change directly in the result) is not in conflict with DAS 115.109. DAS 115.109 states that if a transaction does not lead to a significant change in the economic reality with respect to an asset or a liability, the asset or liability should remain on the balance sheet. Such transactions should also not give rise to the recognition of results. This latter provision could be read as if it is not allowed to recognize any result under the application of the first processing method. Therefore, DAS 115.109 has been amended by adding the words "in principle." DAS 115.109 then reads that such transactions do not, in principle, give rise to the recognition of results.

Note: This change does not impact the statutory reporting model. The Dutch Accounting Standard Board has only given further clarification on accounting treatment

6 Pillar 2 Corporate Taxes

In October 2021, more than 135 jurisdictions, including the Netherlands, agreed to the OECD (Organisation for Economic Co-operation and Development) framework for addressing the tax challenges arising from the digitalization of the economy. To this end, the OECD has developed so-called 'Pillar Two model rules.'

The main outline of these OECD 'Pillar Two model rules' is as follows:

a. The goal is for large multinational groups to pay a minimum amount of tax on income in each jurisdiction where they operate.

b. To achieve this, a system of additional taxes is applied, ensuring that the total amount of corporate taxes paid on profits in each jurisdiction is at least the minimum rate of 15%.

c. Primarily, the ultimate parent company of a group is obligated to pay the additional tax, in the jurisdiction where it is established, on the profits of its subsidiaries that are taxed at less than 15%.

In the Netherlands, the legislative proposal ('Minimum Tax Act 2024') was adopted by the Senate on December 19, 2023. The law will come into effect as of December 31, 2023, and will first apply to reporting years that begin on or after December 31, 2023.

Mandatory Exception

The amendments introduce a mandatory exception in IAS 12 for recognizing and explaining deferred tax assets and liabilities related to Pillar 2 corporate taxes. The amendments state that the temporary exception provides entities relief from accounting for deferred taxes related to this complex new tax legislation, giving stakeholders time to assess the implications. It also prevents entities from developing different interpretations of IAS 12 that could lead to inconsistent application of the standard.

Given the short timeframe for implementation, the Dutch Accounting Standards Board (DASB) proposes to adopt a mandatory temporary exception for the processing of deferred tax assets and liabilities related to Pillar 2 corporate taxes. The DASB further proposes that a legal entity should disclose in the notes that it has availed of the mandatory exception.

When Applicable

Dutch legal entities that will have to comply with the 'Minimum Tax Act 2024 (Pillar 2)' based on the OECD's 'Pillar Two model rules.' This concerns multinational and domestic groups with a (consolidated) group turnover of more than EUR 750 million (equivalent to Country by Country Reporting).

Effective Date
The DASB proposes that the changes take effect for reporting years beginning on or after January 1, 2023. The DASB proposes to allow and recommend earlier application.

Obligations
Obligations for medium-sized & large entities

Based on the DASB statement, (medium) large enterprises for fiscal years starting after January 1, 2023, should disclose the following:

• Reporting year 2023:

2. a note that the mandatory exception regarding the processing of deferred tax assets and liabilities related to Pillar 2 corporate taxes has been applied (draft paragraph 272.717, item a); and
3. an explanation of the expected effects of Pillar 2 legislation (draft paragraph 272.718).

• Reporting year 2024 (after Pillar 2 implementation):

4. a note that the mandatory exception regarding the processing of deferred tax assets and liabilities related to Pillar 2 corporate taxes has been applied (draft paragraph 272.717, item a);
5. an explanation of the Pillar 2 tax charge (or benefit) included in the tax charge or benefit (draft paragraph 272.717, item b); and
6. the method of any pass-through (draft paragraph 272.717, item c).

Obligations for small entities

In general, it is expected that micro and small legal entities will not be affected by Pillar 2 legislation unless a micro or small legal entity is part of a group subject to Pillar 2 legislation. Only in that situation are the provisions relevant.

The small company should, in accordance with DAS B15.127, set out in its accounting principles the processing and valuation and the determination of the result regarding Pillar 2 corporate taxes in the notes. The legal entity may consider including the other disclosures mentioned in the RJ bundle. In principle, it suffices to mention the application of the exception and in future years how the group deals with the allocation of the resulting charges.

Example Texts

Obligation 1: example text for explanation in the accounting principles of the use of the mandatory exception (application small/medium/large)

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting published the Pillar Two model rules designed to address the tax challenges arising from the digitalisation of the global economy. It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, the Dutch Accounting Standards Board issued amendments to DAS 272 'Income taxes' introducing a mandatory temporary exception to the requirements of DAS 272 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules. The NAME applied the temporary exception at BALANCE SHEET DATE.

Obligation 2: example text for explanation in the income statement of the expected effects (application medium/large and optional small)

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group/NAME operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes.

This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. The Group does not expect a material exposure to Pillar Two income taxes.

Note: The changes with regard to Pillar 2 Income tax will be added in the 2024 Dutch statutory reporting model and are applicable to entities that are part of a group with >750m turnover.

Is early adoption available for these accounting standards?

New DAS guidelines may be adopted earlier.

If adopted earlier a new standard may only be applied as a whole.