

October 2022



What happened?

The annual 2022 edition of the Dutch Generally Accepted Accounting Principles (Dutch GAAP) for medium-sized and large companies includes several changes to existing accounting standards, which are applicable for fiscal years beginning on or after 1 January 2023. Early adoption of the new accounting standards is recommended, unless stated otherwise.

These changes apply to all companies for which Dutch GAAP is the applicable accounting framework. Additional industry specific changes to standards (listed in the “600 chapters”) are not included.

Dutch Accounting Standards: 2022 edition (applicable from 1 January 2023)

Which additional changes of Dutch GAAP are effective for financial years beginning on or after 1 January 2022?

After the publication of *Rechtstreeks* last year, there were some additional changes in the Dutch accounting standards for financial years beginning on or after 1 January 2022, which were not included in the Dutch GAAP edition of 2021.

Directors' Report: change on target figure for balance male-female ratio

The updated “Besluit inhoud bestuursverslag” came into effect on the 1st of July 2022. As a result of this, a legal obligation has emerged on formulating a target ratio for the male to female ratio. This change is applicable for large private companies and limited companies (BV's and NV's) for financial years beginning on or after 1 January 2022. The ratio is focussed on the board, the supervisory board and the “subtop” of the company.

The goals, which are linked to these ratios, and the progress made in relation to these ratios must be reported annually to the SER. In addition, the same information must be included in the Directors' Report.

Disclosure on “pooling of interests” method

The DASB made DAS 216.409 definitive with the publication of RJ-Uiting 2022-2. Here the DASB clarified that when the “pooling of interests” method is applied for a business combination, information on the assets and liabilities of each of the merging entities at the beginning of the financial year should be disclosed. The same goes for the revenue, other income, extraordinary items and the net results of each of the merging entities with regards to the comparative figures.

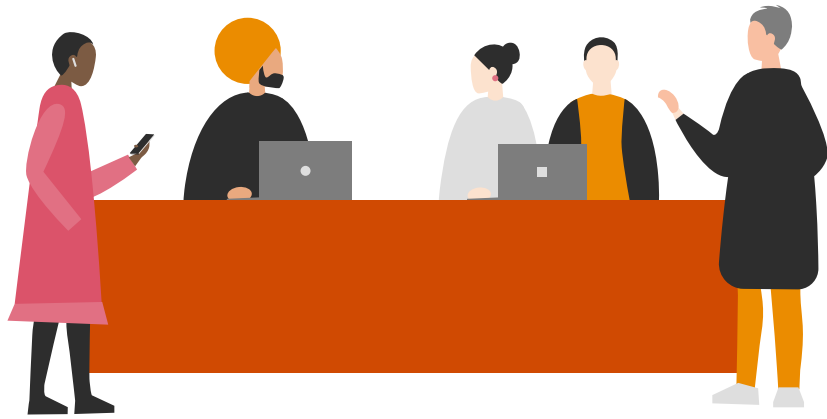
This disclosure needs to be included in the financial year the merger is realised.

The DASB also recommends to disclose the value of the assets and liabilities of each of the merging entities at the actual merger date, including the revenue, other income, extraordinary items and net results over the period between the start of the financial year and the actual merger date.

Accounting treatment proceeds before intended use of fixed assets

The draft standards (“ontwerprichtlijnen”) on the accounting treatment related to the proceeds of fixed assets before the intended use were included in the Dutch GAAP edition of 2021. The DASB made these final with the publication of RJ-Uiting 2022-2. With this change the DASB responds to the changes that the IASB made to IAS 16 “Property, Plant and Equipment - Proceeds before intended use”. The IFRS amendment allows only a single treatment of the proceeds that were generated from the fixed assets before its intended use. The proceeds should be recognised in the P&L, where previously it was allowed to incorporate them in the cost price of the asset.

The DASB has decided to change paragraph 212.303 to include both the old DAS method (to include the proceeds in the cost price of the fixed asset) and the IFRS method (recognition in the P&L). This allows legal entities which prepare their company financial statements based on DAS, but for group purposes have their reports based on IFRS, an accounting policy choice. Both methods are allowed as long as they are consistently applied for all comparable fixed assets.



What are the main changes for fiscal years beginning on or after 1 January 2023?)

The most important changes are described below.

Clarification on treatment of replacement investments

In the workfield there was some uncertainty about the difference between the replacement of a material component of a fixed asset and the costs related to major maintenance (“groot onderhoud”).

This distinction is important because replacements must be recognised and depreciated over their useful life, where major maintenance costs could be included as a provision.

With respect to major maintenance, two accounting methods are allowed to recognise the cost:

- in the carrying value of the assets, if the criteria for recognition are met; or
- through the recognition of a provision of major maintenance.

If a company applies the second method it is still mandatory to recognise replacement investments of fixed assets as investments (and not via the provision).

To clarify the distinction between replacement investments and major maintenance a definition of major maintenance is included in the standard.

DAS 212.445 (translated from Dutch)

Major maintenance costs are costs which occur from (periodic) maintenance activities after a longer period of use to maintain the current state of the fixed asset, which do not include the replacement of material components of the fixed asset and do not qualify as common maintenance costs.

Material components of a fixed asset are recognised in the carrying value of the asset (paragraph 206 and 418). Common maintenance costs are treated in accordance with paragraph 447.

The term “material component” is relevant here. The standard describes this as follows:

DAS 212.418 (translated from Dutch)

A material component of a fixed asset is a component whose cost price is significant in relation to the total cost value of the fixed asset. For example, in the case of a production facility the lifts/cranes within this facility could be (preventively) replaced every 10 years, yet the useful life of the facility is considerably longer.

With the purchase of the facility the lifts/cranes are identified as a material component because the cost price is significant in relation to the total cost price of the facility (...).

When a material component is identified and this component is replaced, this classifies as a replacement investment. If the component is not considered to be a material component, these are part of major maintenance costs (unless the maintenance costs are common, in that case recognition takes place via the P&L).

The identification of a material component and the related replacement investments highly relies on managements’ judgement. The outcome is dependent on the specific facts and circumstances. Once classification is chosen management needs to apply this in a consistent manner over time.

Below an example from the Annex to DAS 212 is included. In example F it is explained how a replacement investment and additions to or withdrawals from the provisions major maintenance are accounted for.

Calculation Example (translated from Dutch)

A legal entity has a production facility with a cost of € 2.000.000 and a useful life of 30 years. Every two years there is a short maintenance period and once every 10 years a longer maintenance period. During this longer maintenance period the material components, such as cranes and hoist systems in the production facility, are (preventively) replaced, with an estimated cost of € 400.000. These replacements classify as replacement investments, and have a useful life of 10 years. Since they are a material component they will be depreciated over their useful life.

Furthermore:

- every five years the ovens are thoroughly cleaned, estimated costs € 100.000;
- after fifteen years the exterior of the building needs to be painted, estimated costs € 150.000.

Both of these activities are classified as major maintenance.

During the short maintenance period routine checks take place and necessary frequent maintenance is performed. This maintenance does not classify as major maintenance and does not classify as a replacement of a material component either. For that reason these expenses are expensed in the P&L when they occur. After five years the ovens undergo major maintenance for an amount of € 110.000 and after eight years the cranes and hoist systems are replaced for an amount of € 380.000.

Answer

The cranes and hoist systems are classified as a material component of the production facility. Therefore these are separately identified and depreciated over their useful life (DAS 212.418).

The depreciation in year 1 is calculated below:	
Replacement cranes and hoist systems,	
€ 400.000/10 years	40.000
Production facility (excluding the material component of cranes and hoist systems),	
€ 1.600.000/30 years	53.333
Depreciation in year 1	<u>93.333</u>

Costs related to major maintenance are included in the provision for major maintenance.

Based on the estimated costs of major maintenance, annual additions take place to the provision of € 30.000 (€ 100.000/5 years plus € 150.000/15 years).

After five years the actual costs related to the major maintenance on the ovens (€ 110.000) is subtracted from the provision of major maintenance. The shortage of € 10.000 will be directly recognised in the P&L. After eight years the cranes and hoist systems are replaced. The cost price of the new cranes and hoist systems is € 380.000 and will be recognised as a separate component of the production facility and is depreciated based on the expected useful life. Since the cranes and hoist systems were replaced sooner than expected a residual book value remains. The residual book value of € 80.000 (€ 400.000 minus eight years depreciation of € 40.000) is disposed of and recognised as a loss in the P&L.

Accounting for the private motor vehicle and motorcycle tax (in Dutch: bpm)

With RJ-Uiting 2022-1 the DASB made changes to DAS 220 "Inventories" and DAS 270 "The income statement". The changes are related to the presentation of bpm. Importers and sellers of cars and motorcycles receive bpm as an agent from the government. This concerns cars and motorcycles for which first-time licence plate registration in the Netherlands is applicable. With the changes made to paragraph 270.202a it is no longer possible to present bpm as part of the net revenues. The reason for this is that importers and sellers are not entitled to the economic benefits of the bpm. They act as an agent on behalf of the government. Furthermore, the change has consequences for the valuation of inventories. In paragraph 220.303 the DASB stated that the bpm should no longer be included in the purchase price for the initial recognition of inventories. For the treatment of bpm a reference is made from DAS 220 to paragraph 270.202a.

When the taxes are charged on a date before the actual delivery of the car or motorcycle, the entity should recognise an accrual for the amount of the owed bpm.

Calculation of provisions in nominal or real terms

The DASB has included a clarification within DAS 252 "Provisions, contingent liabilities and contingent assets". The estimates used for calculating future cash flows and discount rates when measuring the present value should be consistent, such as the assumptions for price rises due to inflation. Estimates in future cash flows and discount rates should therefore both be in nominal terms (not considering inflation) or both in real terms (considering inflation).

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Changes for small-sized companies

Below an overview is included of modifications in the Dutch GAAP 2022 edition applicable for small-sized companies.

Changes for small-sized companies	
Clarification on treatment of replacement investments	B2
Clarification that Provision for major maintenance falls under B2 instead of B10	B10
Presentation of the private motor vehicle and motorcycle tax (in Dutch: bpm)	B13

The nature of these changes are similar to the descriptions of the paragraphs for medium-sized and large companies that are stated above.

When are these changes applicable?

The new standards included in the Dutch GAAP 2022 edition are applicable to fiscal years beginning on or after 1 January 2023. Earlier application of the new accounting standards is recommended.

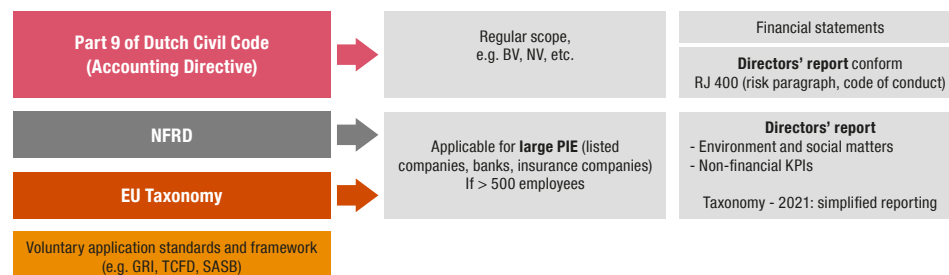
One more moment of your attention

In addition to these changes in the Dutch Accounting Standards, we would also like to draw your attention to the following.

Developments on ESG reporting in the coming years

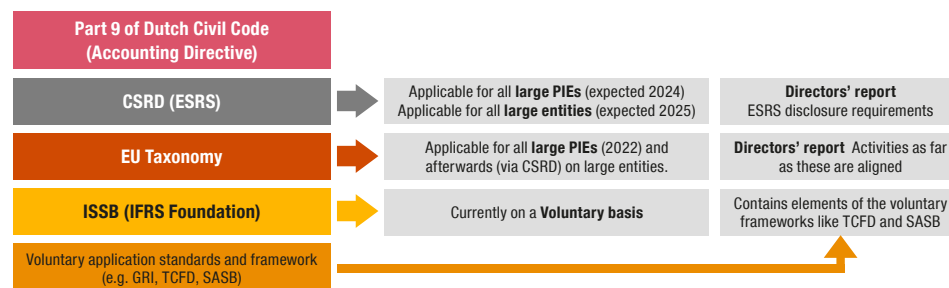
In the figures below it is summarised which applicable accounting framework is currently in effect in the field of sustainability reporting (e.g. CSRD, EU taxonomy, etc.) and the (expected) developments in the coming years. The expectation is that a lot of developments will take place in the area of sustainability reporting. For each regulation, it is indicated who falls within the scope of these rules and on which part of the annual reporting this has an impact.

Current ESG-reporting regulations



For legal entities that qualify as a public interest entity (PIE) that have more than 500 employees and for legal entities who provide financial services already additional mandatory disclosures are included for financial years starting on or after 1 January 2021. In 2022 the first part of the EU taxonomy came into effect. This is a uniform classification system for sustainable activities.

Future ESG-reporting regulations



As of 2024 it is expected that the Corporate Sustainability Reporting Directive (CSRD) comes into effect. This means many additional requirements with regard to sustainability reporting will apply to a much larger group of legal entities (in 2024 for all large PIEs and from 2025 also for all large legal entities).

More information?

Do you want more information regarding the subjects described above? Your contact at PwC is happy to help you.