

## Important accounting reform coming up

Our annual accounts legislation is based on the Fourth and Seventh Bookkeeping Directives. The new European Annual Accounts Directive 2013/34/EU of 26 June 2013 for non-listed companies amends these directives and modifies the exiting legal framework significantly. The new directive foresees different arrangements for micro, small, medium and big companies in order to make sure that the administrative costs for the annual accounts obligations are in line with the size of the concerned companies. The debate on the implementation of the directive into national legislation is going on.

### Small Business Act with Think Small First principle

Directive 2013/34/EU of 26 June 2013 modernises and simplifies a number of provisions of the Fourth (annual accounts) and Seventh (consolidated annual accounts) Bookkeeping Directives. Both directives are the basis of our annual accounts legislation. The new directive fits into the framework of the action plan of the European Commission "A Small Business Act for Europe" which gives actual content to the "Think Small First"-principle. The Think Small First-principle does not mean that micro companies and SME's should not apply the legislation. The purpose is that, when drafting the legislation, it is taken into consideration that it will also apply to small entities. The new Annual Accounts Directive encourages Member States to foresee separate arrangements for micro, small medium and big companies.

### Definition of small companies

We find the definition of a small company in article 15 of the Belgian Companies Code. The definition is based on the thresholds of the annual average of the number of staff, turnover and total balance sheet. These are incorporated companies which for the last and the last but one financial year did not exceed more than one of the following criteria:

- annual average number of staff: 50;
- annual turnover, ex. VAT: 7.300.000€;
- total balance sheet: 3.650.000€;
- unless the annual average of number of staff exceeds 100.

The criteria net turn over and total balance sheet in the directive are higher then our current thresholds which will be increased (the current criteria have not been adapted following the consumer price index since 2004). The modifications will have an impact on the reporting obligations, the nomination of an auditor and on all other (tax) legal provisions referring to article 15 of the Belgian Companies Code.

## Definition of micro companies

The directive foresees in the possibility to introduce micro companies. This is a concept which we do not know in Belgian law.

Micro companies are companies which at the end of the financial year do not exceed at least 2 of the three following criteria:

- total balance sheet: 350.000€;
- net turnover: 700.000€
- average annual number of staff: 10.

These companies can form a subcategory of the small companies with limited reporting obligations: exemption from accrual accounting (allocation of profit and loss to the financial year to which they belong, irrespective of the payment date); exemption of the explanation with the balance sheet and profit and loss statement, under condition that the most important information is mentioned in footnote on the balance sheet; exemption of the annual report (as it is the case for small companies in Belgium) and an exemption from the publication obligation of the annual accounts, but the balance sheet information should be deposited with the competent authority. The directive further foresees in simplifications for the financial reporting of micro entities (limited balance sheet, limited profit and loss accounts, valuation at real value).

The social partners within the Central Economic Council plea for the introduction of a new category of micro companies. In Belgium this would apply to 320.000 companies (on a total of 385.000 companies).

## Quid consolidated annual accounts?

Also for groups and the consolidated annual accounts new (quite low) thresholds are foreseen. Probably thresholds next to the maximum amounts will be chosen in order not to disturb the existing landscape too much (current thresholds: total balance sheet of 14,6 m€, annual turnover ex taxes and VAT of 29,2 m€ and an annual average of number of staff of 250).

## Entry into force of the new legislation

The EU members states, including Belgium, should adapt their internal legislation on 20 July 2015 to the new directive. The rules will apply for the first time on the date of the entry into force of the new legislation or to annual accounts for financial years which start on 1 January 2016 or during calendar year 2016.