

New accounting criteria: towards further simplification

By Mr Peter Suykens, Partner HVG advocaten-avocats and Mr Reinart Vos, Lawyer HVG advocaten-avocats

New size criteria for companies

For financial years starting as from 31 December 2015, increased criteria have been introduced to determine the size of a company. New companies need to estimate and apply these criteria in good faith at the beginning of the financial year.

1. SMALL COMPANY

A company is considered small if it exceeds at most one of the following criteria.

SMALL COMPANY	
Staff	50 FTE employees
Annual turnover, excluding VAT	9,000,000 €
Balance sheet	4,500,000 €

New is that companies must exceed (or no longer exceed) these criteria during two consecutive financial years before they change status. For example: a small company in financial year X will only become a large company in financial year X + 3 if it exceeds more than one criteria in financial years X + 1 and X + 2. A one-off exceptionally profitable year will thus no longer impact a company's status.

In principle, the criteria regarding annual turnover and balance sheet are calculated on an individual basis. However, for parent companies and companies belonging to a consortium, these criteria are calculated on a consolidated basis.

Relevance: small companies may (i) prepare financial statements according to the abbreviated format and (ii) for small non-listed companies there is no obligation to draft an annual management report.

2. MICRO COMPANY

New is the concept of 'micro company'. A micro company is a small company which exceeds at most one of the following criteria:

MICRO COMPANY	
Staff	10 FTE employees
Annual turnover, excluding VAT	700,000 €
Balance sheet	350,000 €

A subsidiary or parent company cannot be considered a micro company. The transition from a micro company into a small or large company or vice versa can only take place if the criteria are exceeded (or are no longer exceeded) during two consecutive financial years.

Relevance: micro companies can prepare their financial statements according to a determined micro schedule and are not obliged to draft an annual management report.

3. GROUP OF LIMITED SIZE

The legislator has replaced the concept 'small group' by 'group of limited size'. A group is considered of limited size when a company together with its subsidiaries, or companies that together make up a consortium do not exceed more than one of the following criteria:

GoLS	
Staff	250 FTE employees
Annual turnover, excluding VAT	34,000,000 €
Balance sheet	17,000,000 €

If the group exceeds (no longer exceeds) at least two criteria, it will only impact the status of the group if it occurs during two consecutive financial years. The above criteria should be calculated on a consolidated basis.

4. IMPORT CONSEQUENCE FOR EXISTING COMPANIES

The new legislation applies to financial years starting after 31 December 2015.

For the first financial year starting after 31 December 2015, it should only be verified whether the company exceeds one of the new criteria on the balance sheet date of the last financial year. If previously the company qualified as a large company, it may be that it immediately qualifies as a small company for the financial year starting after 31 December 2015 if it exceeds no more than one of the new criteria.

Appointment of the auditor

The Belgian Companies' Code imposes the obligation to appoint a statutory auditor if it concerns (i) a listed company, (ii) a large company or (iii) if the company belongs to a group that is required to prepare and to publish consolidated annual accounts.

As a result of the increase of the criteria for small companies, fewer companies should appoint an auditor. Moreover, the criteria of a group of limited size increased so that a number of groups of companies will no longer be obliged to draw up and publish consolidated annual accounts and consequently, escape from the obligation to appoint a statutory auditor (cf. infra).

Obligation to draw up and publish consolidated annual accounts

Each parent company must prepare consolidated annual accounts and an annual management report on the consolidated annual accounts if it controls, alone or jointly, one or more subsidiaries. Also, in case the company belongs to a consortium, consolidated annual accounts should be drawn up in which all companies belonging to the consortium are included.

A company shall be exempt from the obligation to draw up consolidated annual accounts and an annual management report on the consolidated annual accounts if it belongs to a group of limited size.

Please do not hesitate to contact us in case you would like to obtain more information on this topic via peter.suykens@hvglaw.be and reinart.vos@hvglaw.be