

## External reporting updates

### CHANGES TO ANNUAL REPORTING FOR THE 2025 FINANCIAL STATEMENTS

The Dutch Accounting Standards Board (DASB) annually issues a new edition of the Dutch Accounting Standards. The annual edition for 2025 sets out the Accounting Standards applicable to reporting years beginning on or after 1 January 2025 (hereinafter: financial year 2025). This annual edition mainly includes clarifications to existing Standards. Substantive changes are limited. National and international developments mainly focus on sustainability reporting.

October 2025 also saw the release of the annual edition for 2026. Although that edition applies to reporting years beginning on or after 1 January 2026 (hereinafter: financial year 2026), it contains several clarifications and changes that may already be helpful and relevant for preparing the financial statements for the financial year 2025. This publication briefly outlines the most relevant changes and clarifications.

This publication outlines the key changes and clarifications for the financial statements for financial year 2025 of large and medium-sized legal entities. Changes to the regulations for special sectors (such as not-for-profit organisations, healthcare institutions and financial institutions) are not covered in this publication. The changes to Accounting Standards for micro and small legal entities are addressed at the end of this publication.

### Vitality plans

There may be employee schemes that, if certain conditions are met, entitle the employee to (partial) continued payment of salary during absence. An example of such a scheme is a vitality plan, which generally includes a years-of-service requirement. That is, an employee must have a minimum number of years-of-service with the employer to participate in the scheme.

Previously, vitality plans were not explicitly addressed in DAS 271 'Employee Benefits', and, more generally, the distinction was drawn between benefits that include an accrual of rights and those that do not. In contrast, for vitality plans specifically, the updated DAS 271 further clarifies how to assess whether the remuneration gives rise to accrual of rights or does not. The reason being that this distinction determines the way in which expenses under the vitality plans are taken into account.

### Vitality plans with accrual of rights

The general principle in accounting for employee benefits is that if remuneration involves the accrual of entitlements, the expected expenses arising from this remuneration are allocated to the years in which the work is performed (DAS 271.203). This means that at the balance sheet date, a liability is recognised that accrues during the employment period. The DASB cites a number of examples of remuneration with accrued rights, such as jubilee payments and paid absence. The vitality plan is an example of the latter.

With effect from the 2025 annual edition, the Standards contain further provisions for assessing whether vitality plans involve remuneration with accrual of rights. In doing so, the DASB indicates that this assessment must be made on the basis of the economic reality of the conditions that must be met to make use of the plan. The DASB clarifies that, if there is a service requirement, the scheme should generally be considered

a plan with accrual of rights, unless this service requirement has no or only minor economic significance.

The DASB provides no further clarification or examples of 'no or only minor economic significance'. So that requires judgement in relevant cases. It is intended that a scheme with a service requirement gives rise to a liability in respect of those years-of-service, unless the service requirement has no 'substance'. In that case, an additional assessment must determine whether there is remuneration with or without accrual of rights.

#### **Example: vitality plan with rights accrual**

If entitlement to continued pay is acquired on reaching the age of 65, provided the employee has been continuously employed for the previous 5 years, the liability is usually accrued over these 5 years. This ensures that staff costs are allocated to the period in which entitlements are actually accrued.

In case the expected total expenses under this vitality plan are estimated at €30,000, an annual charge of  $\text{€}30,000 / 5 \text{ years} = \text{€}6,000$  is recognised from the time the employee reaches the age of 60. In addition, when determining the amount of the provision, the probability that the employee will not use the scheme and other regular estimation factors in the accrual of contingent remuneration (such as the probability of death and expected salary increase) should be taken into account.

#### **Introduction or extension of a vitality plan**

As the example shows, a scheme with accrual of rights is allocated to the period in which the rights in substance accrue. Normally, this concerns the period of a years-of-service requirement. However, the accrual period may differ if a vitality plan is introduced or extended.

For staff members who already meet the conditions, including the years-of-service requirement, when a vitality plan is introduced or extended, a liability is recognised at that time equal to the best estimate of the (total) expected expenses under the scheme. In the previous example, if the relevant vitality plan is introduced when the employee has already reached the age of 65, an expense (provision) of €30,000 is immediately recognised at the time the scheme is introduced. Of course, insofar as the employee is expected to make use of the scheme and where the valuation takes account of the aforementioned elements of estimation.

For staff who must remain in service for another period to qualify for the introduced or extended scheme, the expenses

are allocated to that remaining period. In the previous example, if the scheme is introduced when the employee is already 63 years old, a provision is built up over the remaining period of service, i.e. spread over 2 years. Of course, insofar as the employee is expected to make use of the scheme and where the valuation takes account of the aforementioned elements of estimation.

#### **Please note!**

If the effect of the time value of money is material, the provision for the vitality plan should be measured at present value. The current market interest rate shall be used as the starting point for the discount rate. Usually this refers to the market interest rate as at the balance sheet date of high-quality corporate bonds.

#### **Vitality plans without accrual of rights**

If employee benefits are provided without accrual of rights, the general principle applies that the (expected) expense arising from this remuneration is recognised in the period for which the remuneration is due (DAS 271.204). The updated DAS 271 includes additional examples of employee remuneration that does not give rise to rights. For example, continued payment in the event of maternity or parental leave, the granting of additional holidays upon reaching a certain age, and future salary increases based on salary scales.

For vitality plans without accrual of rights, the principle means that the right to paid absence is regarded as compensation for work performed after the conditions of the plan have been met. This means that the expenses of the vitality plan are accounted for during the period the scheme is used.

#### **Example: vitality plan without accrual of rights**

A vitality plan has only an age requirement and no years-of-service requirement. The right to continued payment is acquired upon reaching the age of 62. In the absence of a years-of-service requirement, the scheme is assessed as one without any accrual of rights. Expenses under the scheme are therefore taken into account in the year for which the remuneration is due. That means the expense is not matched to the employment period.

Suppose an employee reaches the age of 62 on 1 July 2025 and chooses to make use of the vitality plan. As a result, the employee continues to work 80% of his contract hours, while retaining 90% of his salary. His monthly salary of €5,000 is consequently reduced to €4,500 (being 90%). From July 2025, this monthly salary charge includes an amount of €450 (10% of €4,500) related to the vitality plan.

## Disclosure requirements relating to vitality plans

Specifically for vitality plans, in addition to the regular disclosure requirements regarding provisions, new disclosure requirements apply (DAS 271.213a). The main features of the scheme should be explained, including whether it is a scheme with or without accrual of rights. If there is a scheme with accrual of rights, the discount rate used (if measured at present value) and significant principles and assumptions underlying the 'best estimate' of the provision should be disclosed.

### Please note!

If the clarifications in the Standard result in an adjustment of the accounting policies applied, this constitutes a change in accounting policies which should be recognised and explained in accordance with DAS 140 'Changes in accounting policies'.

## Early retirement schemes

In addition to the clarifications made regarding the accounting for vitality plans, the DASB inserted a new paragraph in DAS 271 (paragraph 4) addressing the accounting for early retirement schemes. Such a scheme provides cash payments or benefits in kind to staff to bridge the period until the retirement date. An early retirement scheme differs from other benefits during employment in that no work is performed during the period the scheme is used. Whereas with a vitality plan expenses can be attributed to work performance during the period the scheme is used, this is not possible with early retirement schemes, as work performance is lacking afterwards.

The starting point is that the expected expenses of an early retirement scheme are recognised during the period in which the benefit entitlement is essentially accrued (DAS 271.404). That is, over the period during which the work services required to benefit from the scheme are performed. A liability (usually a provision) should be recognised at the balance sheet date for legal and constructive obligations towards:

- ▶ staff who have already opted into the scheme;
- ▶ staff who can already opt in under the existing scheme but have not yet done so; and
- ▶ staff who cannot yet opt but may do so in the future during the term of the scheme for which a constructive obligation has been incurred.

For the first two categories of personnel, the liability to be recognised is the amount of the best estimate of the expected expenditure required to settle the related liability at the balance sheet date, measured at present value where necessary. In fact, these staff members no longer have to perform any work to benefit from the scheme.

For the third category, expenses under the scheme must be recognised in the income statement during the period in which entitlement to benefits is, in substance, accrued. This period is based on the economic reality of the scheme, which is determined by:

1. the conditions that apply to make use of the scheme; and
2. the duration of the scheme for which a constructive obligation is incurred.

### Example: early retirement scheme

For a 5-year temporary scheme, an employee is entitled to early retirement upon reaching the age of 65 ('age requirement'), provided the employee has been continuously employed by the current employer for at least the previous 3 years ('years-of-service requirement'). For a 60-year-old employee, the entitlement then accrues during the 3 years prior to reaching the age of 65. The obligation therefore accrues over these 3 years (time-proportional) from the age of 62.

In a new annex to DAS 271 (Annex 4), the DASB provides several other examples of how to assess the economic substance of the arrangement that determines the period over which the liability accrues. This includes cases where there is no length-of-service condition, only an age requirement. In this regard, the DASB states that, essentially, there is still an accrual of rights because, at each subsequent balance sheet date, the period over which services must be rendered to make use of the scheme decreases. Therefore, the period during which rights are actually accrued is the remaining service until the age requirement is reached. Due to the lack of a length of service requirement, the period of accrual starts on the date of introduction of the scheme or subsequent entry into service of the employee.

## Introduction or extension of a scheme for early retirement

If a scheme is introduced or extended and includes a service requirement, a liability is recognised for the staff who have already met the service requirement at the time the scheme is introduced or extended for the amount of the best estimate of the expected expenditure.

For staff who must remain in service for a further period during the term of the scheme in order to qualify for the scheme, the expense is allocated to the remaining years-of-service until they reach the age required to participate in the scheme. As a result, from the time the scheme is introduced or extended, a liability accrues for these staff members over the remaining years-of-service.

As the principle of recognition does not differ from that for the introduction or extension of a vitality plan, the elaboration of the examples given under 'Introduction or extension of a vitality plan' applies accordingly.

### Years-of-service in the sector or industry

A service requirement may relate to years-of-service with the employer itself and/or years-of-service in the industry or sector, i.e. with another employer. Years-of-service with another employer are only taken into account in estimating whether an employee can participate. The allocation of expenses on the basis of the best estimate of the amounts necessary to settle the relevant liabilities as at the balance sheet date is done solely on the basis of the length of service with the entity.

#### Example: years-of-service requirement in the sector

Suppose that for a particular physically demanding occupation, an early retirement scheme can be used if an employee has worked in the sector of heavy occupations for at least 20 years, and the last 5 years of which with the current employer. If a particular employee has worked a total of 10 years in a physically demanding occupation and transfers to his current employer, accrual of the obligation will apply over the remaining period of service, namely 10 years. This includes taking into account the expectation of whether the scheme will still be active in 10 years' time.

### Disclosure requirements relating to early retirement schemes

Specifically for early retirement schemes, new disclosure requirements apply in addition to the regular requirements on provisions (DAS 271.410). The legal entity shall describe in the notes the main features of the schemes, the discount rates used (when measured at present value) and significant principles and assumptions underlying the 'best estimate' of the provision.

#### Please note!

If the clarifications in the Standard result in an adjustment of the accounting policies applied, this constitutes a change in accounting policies which should be recognised and explained in accordance with DAS 140 'Changes in accounting policies'.

## Classification of debts with loan conditions

The general starting point for debts is that presentation in the balance sheet as short-term is required if the debts become payable within 12 months of the balance sheet date (DAS 254.303). For example, the DASB stipulates that if the borrowing conditions of a debt are not met at the balance sheet date, making the debt payable on demand, the debt should in principle be presented as current (see also 'Some relevant changes and clarifications in the 2026 annual edition'). Under IFRS, the question arose as to how to deal with a debt where the loan conditions are met at the balance sheet date, but a breach of the loan conditions is expected at the subsequent measurement date of the covenant. As there is no obligation at the balance sheet date to repay the loan within 12 months of the balance sheet date, the IASB has clarified that such loans should remain classified as non-current. The DASB has decided to follow this principle but, by way of an alternative, will allow the loan to be classified as current in the balance sheet.

#### Example: expected breach of loan conditions

As at the balance sheet date, a legal entity establishes that the loan conditions agreed with the bank under long-term financing are met. However, it expects that, at some point within 12 months of the balance sheet date, it will be unable to meet the financial covenants, causing the loan to become repayable on demand. Under added paragraph DAS 254.307a in the 2025 annual edition, the main rule is that the relevant debt should remain classified as non-current. That is because the situation at the balance sheet date was that the loan would not become payable within 12 months. However, by way of an alternative, the DASB allows the debt to be classified as current on the grounds that this may improve transparency in terms of the legal entity's liquidity. The notes will need to state that use is being made of this option.

#### Please note!

With effect from financial year 2025, the disclosure requirement has also been tightened for debts where the loan terms were breached during the financial year or in the preparation period, or where they were close to being breached. In addition to a statement that this circumstance exists and an explanation of the main terms and conditions applicable to the debt, the amount of the relevant debt should also be disclosed as from financial year 2025.



## Some relevant changes and clarifications in the 2026 annual edition

In the annual edition for 2026, the DASB has included several clarifications that may also be helpful when preparing the financial statements for 2025 and therefore may be adopted earlier. The key clarifications are briefly explained below and relate to the classification of long-term debt where there is a breach of loan terms and to 'share-based payments'.

### Classification of long-term debt upon breach of loan terms

As mentioned earlier in this publication in the changes for financial year 2025, debts where loan conditions are not met at the balance sheet date and which make the debt payable on demand are in principle classified as short-term debt in the balance sheet. Up to and including the 2025 edition, DAS 254 'Debt' stipulated that if a recovery period has been agreed with the lender at the balance sheet date – and immediate collection of the debt is therefore not possible – the debt is classified as non-current, provided the recovery period runs for at least 12 months after the balance sheet date. In practice, the requirement of a 'recovery period' proved to lead to ambiguity. For example, it was unclear how this requirement should be interpreted in the situation where the lender provided a 'waiver' for the breach as at the balance sheet date, but expressly reserved the right to still claim the debt in the event of a breach at the next measurement point (e.g. at the end of the first quarter). Although the breach is remedied as at the balance sheet date, a recovery period of at least 12 months after that date appears to be missing.

In the 2026 annual edition the DASB has clarified that, as at the balance sheet date, two situations may arise (DAS 254.307):

1. The lender waives its right to demand repayment of the loan as a result of the breach as at the balance sheet date (often by providing a 'waiver'). In that case, the debt remains classified as non-current because the breach has been cured as at the balance sheet date and the contractual terms of the debt are reinstated as if a breach never occurred. As a result, the debt essentially reacquired the nature of a long-term debt.
2. As a result of the breach as at the balance sheet date, there is no direct demand for repayment by the lender, provided that the legal entity works to improve its financial position during an agreed recovery period. Calling the debt in this situation is merely suspended and conditioned on additional agreements. If the legal entity has not shown sufficient improvement by the end of the recovery period, the debt can still be called *based on the breach as at the balance sheet date*. The breach and thereby the legal position of the legal entity as at the balance sheet date have not been cured. Only when the recovery period ends at least 12 months after the balance sheet date is there a long-term debt, because during this period the debt cannot be called (DAS 254.303).

#### Recovery period

What exactly is meant by a 'recovery period', a term adopted by the DASB from IFRS ('period of grace', IAS 1.75), is not known. Since both standard setters stipulate that only a recovery period of at least 12 months after the balance sheet date affects the classification of debt in the balance sheet, the definition of the recovery period does not necessarily seem relevant. The determining factor is whether the legal entity, as debtor, has the right to defer calling in the debt for a period of at least 12 months after the balance sheet date.

## Share-based payment exemption

Until year-end 2025, share-based payments initiated and/or settled by a person or entity outside the legal entity's consolidation scope are exempt, meaning that DAS 275 'Share-based payments' does not need to be applied to such arrangements. This means that if a parent company initiates an employee benefit scheme for staff of its subsidiary, such as stock options as part of the acquisition of this subsidiary, the subsidiary does not have to account for this transaction in its own financial statements. The subsidiary may implement the arrangement itself, for example by issuing its own shares to staff. The DASB believes that the legal entity settling the share-based payment should account for the transaction in accordance with DAS 275, even if the arrangement is initiated by a party outside the consolidation scope. For this reason, in annual edition 2026, the DASB made an amendment to the exemption so that the exemption (included in DAS 275.103a) may only be applied to share-based payments settled by a party outside the consolidation scope of the legal entity with effect from financial year 2026.

The effect of this change is that legal entities that, up to and including the 2025 financial statements, applied the exemption to schemes that, although initiated by a party outside the scope of consolidation, are settled by the legal entity itself, will have to account for a change in accounting policy with effect from the 2026 financial year. In doing so, the general principles of DAS 140 'Changes in accounting policies' apply, so that the relevant scheme is still accounted for retrospectively in accordance with DAS 275. The relevant DASB Statement (DASB Statement 2025-3a, available at [www.rjnet.nl](http://www.rjnet.nl)) shows that schemes that had already been settled by 1 January 2025 were excluded from this change in accounting policy.

### Undesirable side effect: action recommended

Due to this implicit 'transition provision' from the DASB Statement, there seems to be an unwanted side effect for schemes that, for the purposes of the amended exemption, are amended before the end of 2025. The purpose of this amendment to the scheme is to comply with the exemption applicable as of 1 January 2026, so that application of the exemption can be continued in the financial year 2026. As the change in accounting policy has retrospective effect from 1 January 2025 (as schemes settled before 1 January 2025 are excluded), the 2025

comparative figures in the 2026 financial statements could still include a one-off effect of this change in accounting policy. Despite the fact that the scheme meets the exemption in force at that time for both years (2025 and 2026). It is possible that the DASB will amend the transition provision to remove this side effect, so that relevant schemes are still exempted from the change in accounting policy. For arrangements that provide for settlement by the legal entity, it is therefore advisable to anticipate this possible change in transition provision. This can be done by agreeing before 31 December 2025 that the scheme will be settled by a party outside the consolidation scope of the legal entity.

## Changes in annual reporting for micro and small legal entities

The DASB issues a separate edition of the Dutch Accounting Standards for micro and small legal entities, covering issues and situations frequently encountered by this category of legal entities. If certain issues or situations are not covered by this specific edition, it has generally been common practice for micro and small legal entities to apply the accounting standards as set out in the DASB's edition for large and medium-sized legal entities.

Micro and small legal entities have the option of recognising benefits that involve conditionally granted rights, such as the jubilee payment, as an expense in the year of the benefit. As the vitality plan is also a benefit that involve conditionally granted rights, the provisions on vitality plans are not included in the DASB's edition for micro and small legal entities. Micro and small legal entities may choose to account for all vitality plans as if they were schemes without accrual of rights. These legal entities are of course allowed to voluntarily follow the principles of DAS 271 in respect of benefits that involve conditionally granted rights, so that expenses are attributed to the years in which the rights essentially accrue.

However, the other changes and clarifications included in this publication do apply (in full) to micro and small legal entities. For ease of reference, this publication only includes references to the DASB's edition for large and medium-sized entities.

## WANT MORE INFORMATION?

If you have any questions, please feel free to contact your accountant at BDO.

Although this publication has been prepared and put together with due care, its wording is broad and the information contained in it is general in nature only. This publication does not offer recommendations for concrete situations. Readers are explicitly discouraged from acting, not acting or making decisions based on the information contained in this publication without having consulted an expert. For an advice geared to your specific situation, please contact BDO Audit & Assurance B.V. or one of its advisers. BDO Audit & Assurance B.V., its affiliated parties and its advisers do not accept liability for any damages resulting from actions undertaken or not undertaken, or decisions made on the basis of the information contained in this publication.

BDO is a registered trademark owned by Stichting BDO, a foundation established under Dutch law, having its registered office in Amsterdam (The Netherlands).

In this publication 'BDO' is used to indicate the organisation which provides professional services in the field of accountancy, tax and advisory under the name 'BDO'.

BDO Audit & Assurance B.V. also acts under the (trade)names: BDO Audit & Assurance B.V., BDO Accountants, BDO IT Risk Assurance.

BDO Audit & Assurance B.V. is a member of BDO International Ltd, a UK company limited by guarantee, and forms part of the worldwide network of independent legal entities, each of which provides professional services under the name 'BDO'.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.