

AUDIT REQUIREMENTS IN THE NETHERLANDS

This article provides an overview of Title 9 Book 2 of the Netherlands Civil Code (*NCC*) with respect to the audit requirements in the Netherlands.

1. Which companies require audit?

Medium-sized and large companies: An audit of the financial statements is required to be conducted by a registered auditor or authorised accounting consultant.

Micro and small companies: Audit not required

2. What determines the size of a company? (*articles 395a, 396, 397 and 398 NCC*)

Companies are classified by size using three criteria:

- total assets as recorded in the balance sheet (*historical cost basis*);
- net turnover;
- average number of employees.

For a parent company, the value of total assets and net turnover for this purpose are those of its group (i.e. on a consolidated basis).

3. How are companies classified?

Companies are classified into four categories (refer *Guide on Consolidation and Audit Exemption*):

- large;
- medium-sized;
- small; or
- micro.

4. Which companies are exempt from consolidation?

A. Consolidation requirement for group head and intermediate holding company (406 NCC)

Group Head

Consolidated Financial Statements (CFS) to include data of the parent company, the subsidiaries, and other companies over which it has control or performs the central management.

Intermediate Holding Company

An intermediate holding company with at least one other company in its part of the group over which it has control or for which it performs central management is obliged to consolidate.

B. Consolidation exemptions (407 and 408 NCC)

The following group companies are not required to be consolidated:

- whose total significance is immaterial to the group as a whole;
- whose financial data can only be obtained at disproportional cost or with great delay;
- which are only held for disposal.

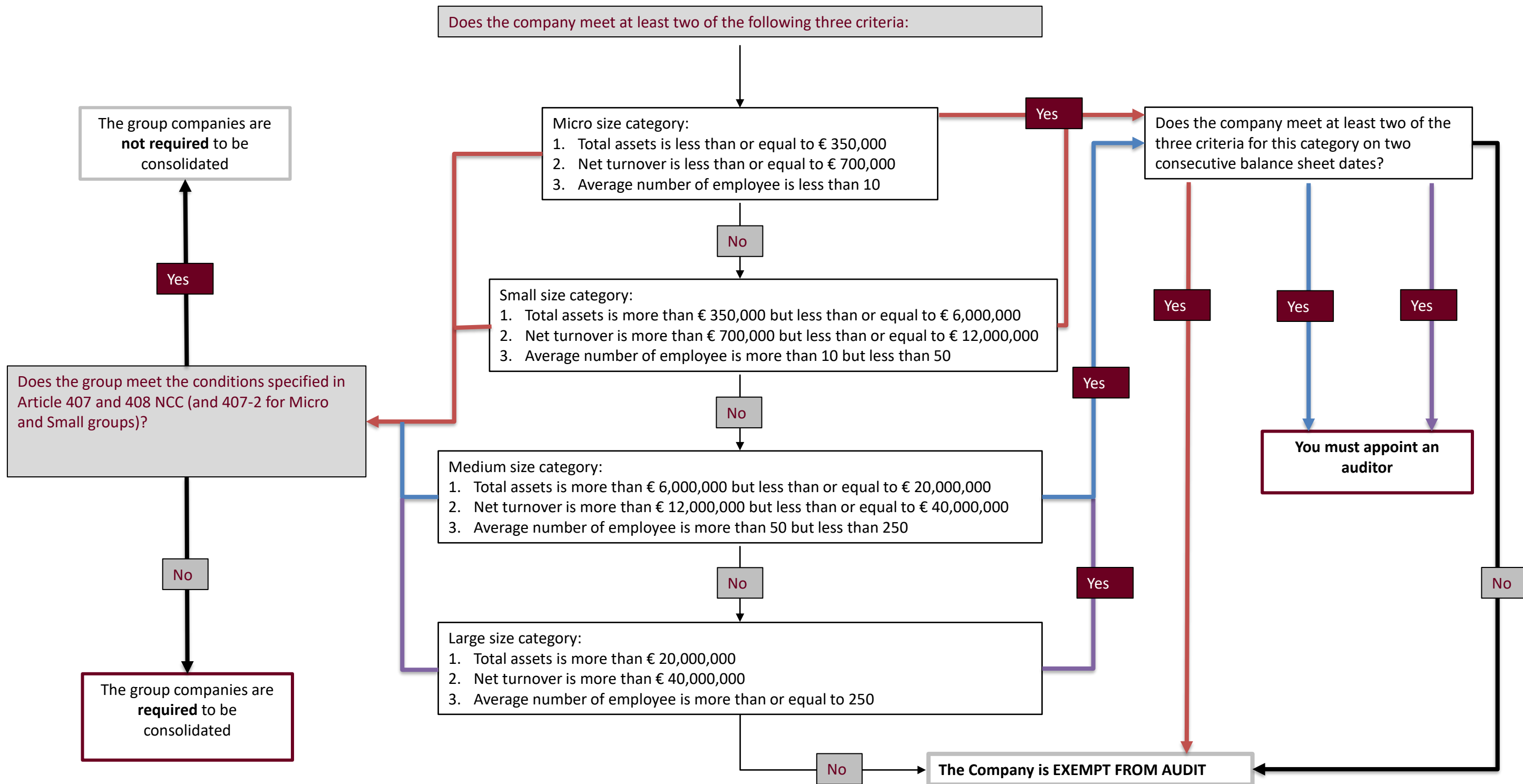
Additionally, per Article 407-2 NCC, micro and small groups are not required to be consolidated if the following conditions are met:

- if none of the companies to be included into the consolidation is a Public Interest Entities (OOBs) as referred to in Article 398-7 NCC;
- if no notices of objections have been lodged against the fact that a consolidation will not be carried out, within six months after the commencement of the financial year, by the general meeting.

Article 408 NCC provides an exemption to intermediate holding companies from preparation of consolidated financial statements if the financial data that would be required to be consolidated by the intermediate holding company, has been integrally included in the consolidated financial statements of a larger group of companies. If such exemption is exercised, the consolidated financial statements of the holding company (which include the data of the intermediate holding company).

For financial years starting on or after 1 January 2016, the criteria as given in the chart are applicable:

GUIDE ON CONSOLIDATION AND AUDIT EXEMPTION



Legend	
	Micro/Small
	Medium
	Large
	Common

Note:

1. If a Company meets at least two of the three criteria of the **Large** category on the current balance sheet date **and** meets at least two of the three criteria of the **Medium** category on the previous balance sheet date, the Company **must appoint an auditor**.
2. For a parent company, the value of total assets and net turnover are the consolidated values i.e. its own (stand-alone) values plus those of its group companies. The average number of employees also include the average employees of group companies.



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