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# Bill of law (No. 8286) amending Luxembourg accounting law

**A bill of law (No. 8286) has been published on 28 July 2023 aiming at modernising Luxembourg accounting law and consolidating the accounting provisions into a single accounting law.**

## The main objectives of the draft bill 8286 are the following:

### Consolidation of the accounting provisions within a single law

The draft bill aims at consolidating within a single law the accounting provisions that are currently spread in particular throughout the Commercial Code, the law of 19 December 2002 on the trade and companies register, the accounting and annual accounts of companies as amended and the law of 10 August 1915 on commercial companies as amended.

### Adoption of the bottom-up and list based approaches

The draft bill aims at applying the bottom-up approach introduced by the Directive 2013/34/UE under which the "small entities" regime will constitute the common base applicable to all types of entities. For medium-sized and large entities and public interest entities additional obligations will be required.

In addition, in order to clarify the scope of the various accounting obligations, the draft bill provides for exhaustive lists of the types and categories of entities covered by such obligations.

### Introduction of the "micro-entity" category and increase of the thresholds for the "small entities"

The draft bill proposes the introduction of an optional regime applicable to "micro-entities" defined as the entities which do not exceed two of the three following criteria for two consecutive financial years:

- Total balance sheet: EUR 350,000;
- Net turnover: EUR 700,000; and
- Average number of employees during the year: 10.

The new accounting regime simplifies the accounting obligations of the "micro-entities" (e.g. exemption from notes to the annual accounts and management reports).

The draft bill explicitly excludes from the scope of this optional regime the holding entities, credit institutions and other entities subject to the supervision of the Luxembourg Supervising Authority (*Commission de Surveillance du Secteur Financier*), insurance companies and securitisation vehicles.

With regards "small entities" to, the draft bill proposes an increase of the thresholds as follows:

- Total balance sheet: EUR 6 million;
- Net turnover: EUR 12 million; and
- Average number of employees during the year: 50.

## Introduction of the "large holding entities" category and the audit requirement for such entities

The draft bill proposes the introduction of an optional regime applicable to "large holding entities" defined as the holding entities with a balance sheet total in excess of EUR 500 million.

The draft bill introduces an obligation for such entities to have their annual accounts audited.

## Extension of the scope of the accounting law

The draft bill aims at extending the accounting law to the following non-commercial entities:

- civil entities;
- agricultural associations;
- mutual insurance associations;
- pension savings associations;
- mutual funds; and
- temporary trading companies and joint ventures.

## Modernisation of the accounting regime applicable to dissolved entities and in liquidation

The draft bill aims at modernising the accounting regime applicable to dissolved entities and in liquidation in particular through:

- the clarification that the annual financial statements of a dissolved entity in liquidation shall not be approved by the general meeting but only presented to the general meeting and shall be filed with the Luxembourg Trade and Companies Register (R.C.S. Luxembourg) and published in the Luxembourg Electronic Official Gazette (RESA);
- the filing and publication of interim annual liquidation financial statements of the dissolved entity in liquidation at each closing of the financial year before the closing of the liquidation; and
- the confirmation of the obligation to establish financial statements at the closing of the liquidation.

## Abolition of the function of "*commissaire aux comptes*"

Under the draft bill, it is proposed to abolish the function of "*commissaire aux comptes*" on the basis of the absence of a framework defining the objectives and conditions of his mission, the risk of misunderstanding and confusion for foreign investors, which could damage Luxembourg's credibility and reputation.

**The legislative process on this draft bill is continuing.**

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