

How to solve the Dual Reporting Burden?

Reduction of the administrative burden by harmonization

Scheveningen, 7 September 2007

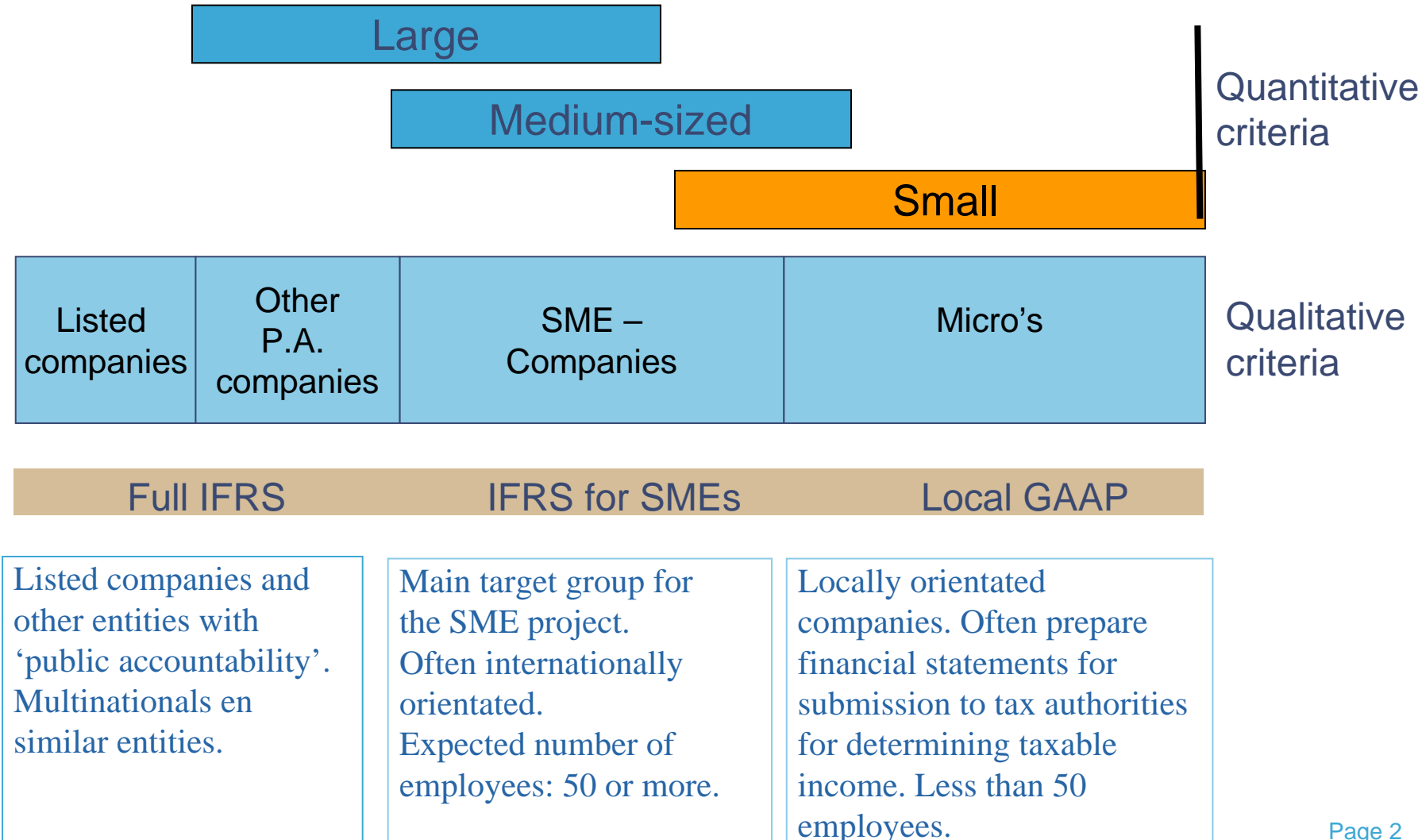
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Member of the:

- ✓ Joint EFRAG / FEE Working Group on Small and Medium-sized Entities
- ✓ IASB Working Group for Small and Medium-sized Entities
- ✓ Dutch Accounting Standards Board
- ✓ European Expert Group on micro entities

View on the future of financial reporting – a three layer approach



Current situation (1): two different starting points

Financial reporting rules (local GAAP) differ from the tax rules

Is it a problem that local GAAP is not similar to the tax rules?

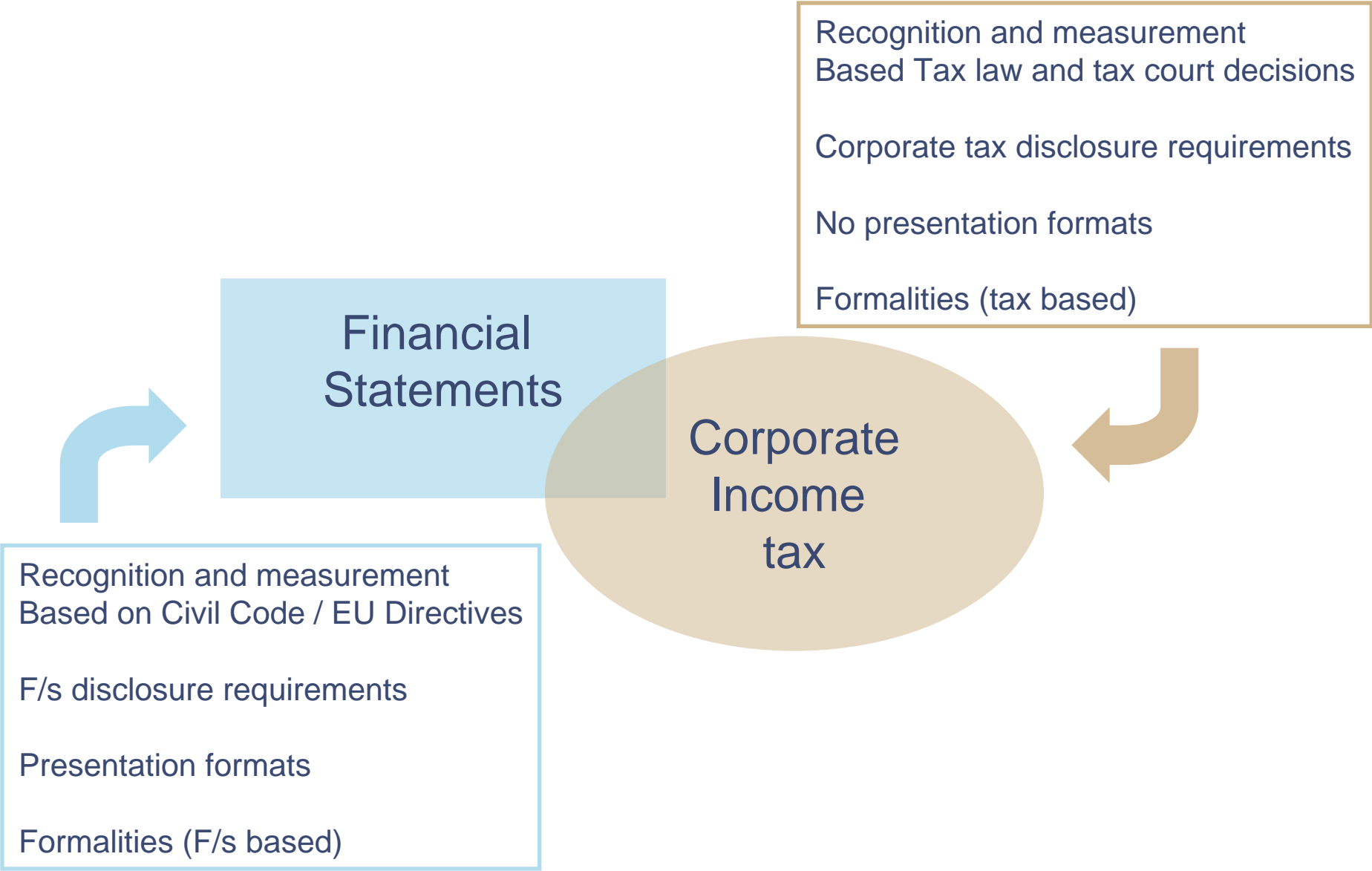
No, it is not for the **larger companies** as they have the resources and advisors to support them

Yes, it is for the **smaller companies** as they often do not understand why their tax profit differs from their accounting profit, and why their advisor sends them a high bill, consequently.

Financial Reporting Framework
Dutch Civil Code + D.A.S.
“True and fair view” (user needs)
Recognition and measurement
merely based on IFRS
Legal reserves, formalities
Specific disclosure requirements

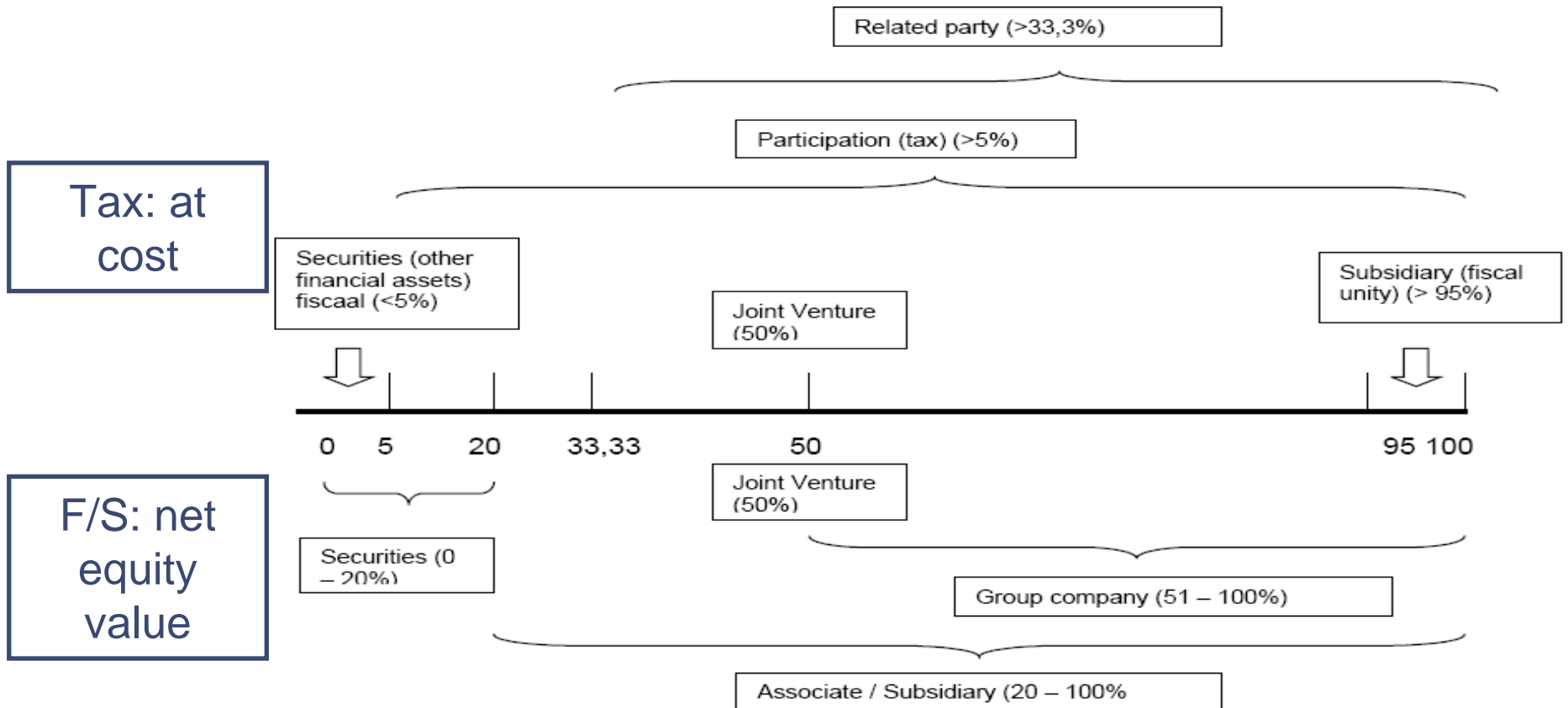
Tax regulations
Corporate tax law + court decisions
Taxable amount / political influence
Recognition and measurement
based on tax principles (cost)
Tax regime formalities
Tax disclosure requirements

Current situation (1): more differences than similarities

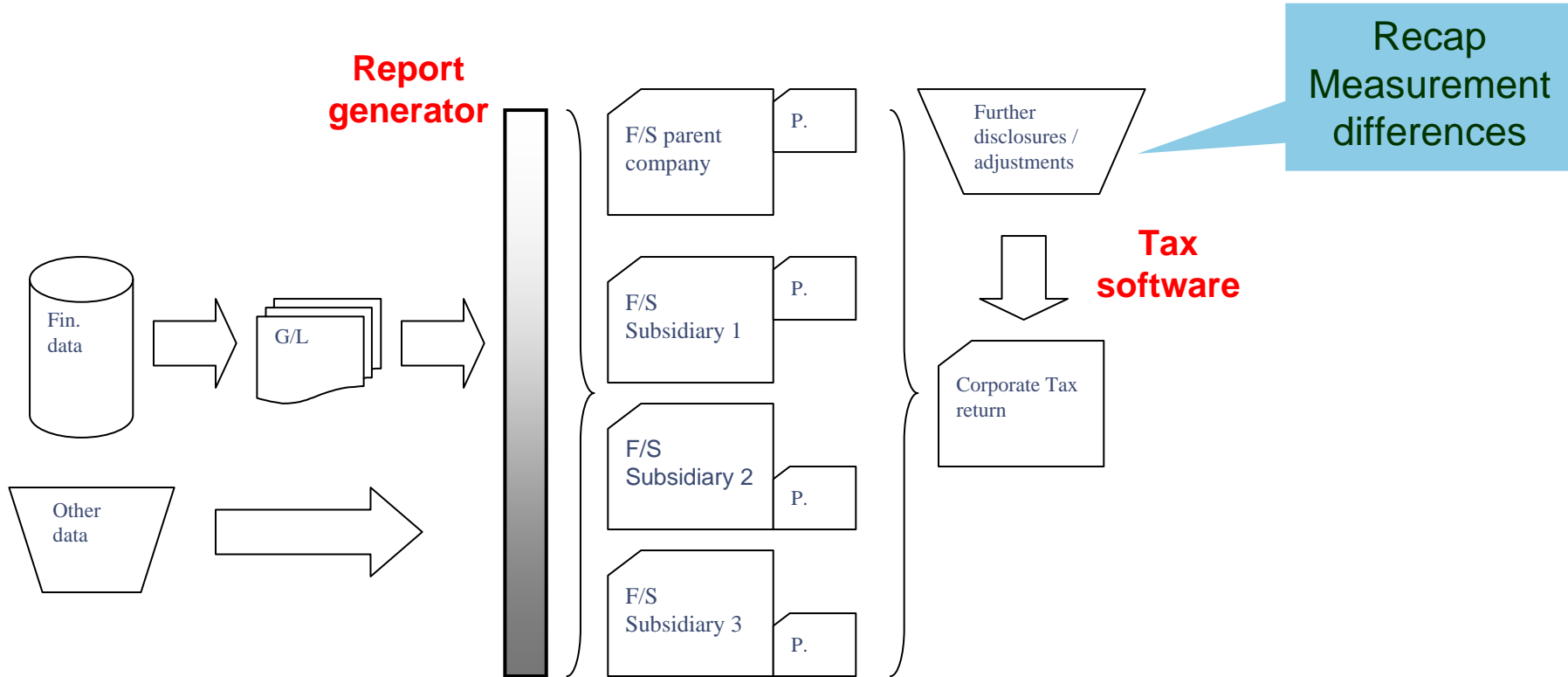


What about associates and subsidiaries?

This slide was meant to confuse you!



How does this work out in practice?



Financial statements processing

Tax processing

February – May / December

June – December

Objective: more similarities than differences

Target



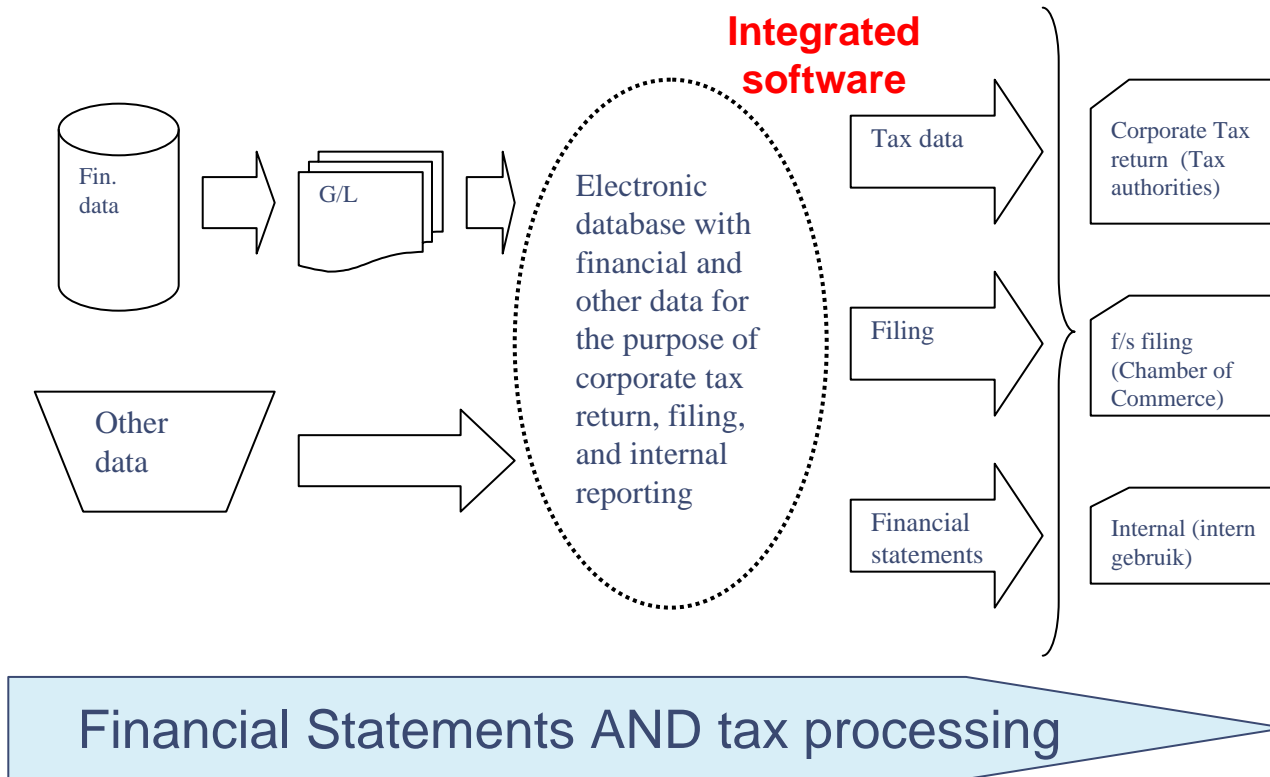
How to achieve this?

Adjustment of the Dutch Civil Code: the tax principles on recognition and measurement shall be permitted as another appropriate reporting system

Less disclosure requirements, both for the financial statements as well as for the corporate tax return (many exemptions for small companies)

Technical solutions such as XBRL and electronic document forwarding

How will this work out in practice?



February – July

Benefits:

1. Integrated software
2. No need for a reconciliation
3. Only one department
4. Duration / speed

Summary and conclusions

- ✓ Main topic: tax reporting should be allowed for financial statements
- ✓ this will reduce a part of the current administrative burden (in coherence with other tools and actions)
- ✓ tax reporting c.s. will have significant consequences for the processing of f/s and corporate tax returns (and thus for the accountancy firms concerned)
- ✓ Chances for software vendors and training centres
- ✓ relevant European development: introduction of micro entities (new category) – even further simplifications?