



## LATEST ACCOUNTING NEWS

### A. The new Luxembourg Standard Chart of Accounts (PCN 2020)

#### New law

PCN 2020 - The Standard Chart of Accounts (SCA) was published on 23 September 2019 in the Official Journal of Luxembourg in a [Grand Ducal Regulation](#) dated 12 September 2019.

#### Who is affected?

Every commercial company which is obliged to keep accounting books and draw up and deposit annual accounts has to follow the standard chart of accounts as determined by the above mentioned Grand Ducal Regulation. The new PCN 2020 supersedes the PCN 2009 and is applicable for financial years beginning on or after 1 January 2020.

#### What will change?

- The new PCN 2020 primary objective is to modernize the old PCN 2009 through a grooming of the financial account classification. The Grand Ducal Regulation aims to better adapt the content of the standard chart of accounts to the needs of preparers of annual accounts.
- The Grand Ducal Regulation introduces a mandatory differentiation between account assignment items and umbrella accounts to facilitate the reading of the annual accounts.
- The Grand Ducal Regulation introduces the use of a mapping table for the automatic generation of the balance sheet and profit and loss account (as from 4 January 2021).
- A communication channel has been put in place via an email address ([pcn@cnc.lu](mailto:pcn@cnc.lu)) which allows companies to share their challenges and experiences which they might face in implementing the new PCN 2020.

#### What will not change?

- Companies are allowed to continue to use an internal chart of accounts for their bookkeeping and to carryforward their account balances to the new PCN 2020.
- The financial account classification still remains a list of accounts without any user guidance.

#### How to implement the new PCN 2020?

- Companies will have to identify in their current chart of accounts the accounts which will be impacted by the new PCN 2020
- The account classification -account assignment items and umbrella accounts -will have to be validated
- The mapping table between the standard chart of accounts (PCN 2020) and the balance sheet and profit and loss account will have to be validated /adapted to the Company's needs.

## B. Other Accounting News

The Commission des Normes Comptables » (CNC) has published during 2019 the following three Questions and Answers (Q&A) in regard of accounting topics for commercial companies:

### Questions / Answers on the offsetting of “contracts in progress” and “payments on account on work and contracts in progress” in the balance sheet (Q&A CNC 19/016)

Offsetting of assets and liabilities or expenses and income is in general not permitted under LuxGAAP. However, as an exception to the general principle it is allowed (accounting policy choice) to set-off amounts of “contracts in progress” in the caption “D.I. Stocks” with “Payments on account on work and contracts in progress” in caption “C. Creditors” in the balance sheet but not at the standard chart of accounts level.

Companies who choose to apply the exception have to fulfill the following conditions:

- perform an evaluation of each contract individually
- disclose in the notes to the annual accounts the accounting principle applied, the valuation method used and the gross amounts (i.e. without set-off)
- ensure the accounting policy is applied consistently from one year to another and allows comparability

### Questions / Answers on the filing deadline to be respected for statutory consolidated accounts as per Art. 1770-1 of the law (Q&A CNC 19/017)

The CNC has clarified that statutory consolidated accounts must be filed within one month after their approval by the Annual General Meeting and at the latest 7 months after financial year-end.

### Questions / Answers on the categorization of entities: interpretation of the size criteria (Q&A CNC 19/019)

The CNC has analyzed the size criteria which determine if and when a company is classified as either small, medium or large size. A company is classified in the following categories if it exceeds 2 out of the three criteria below in two consecutive years:

Size Criteria	Annual Accounts		
	Small	Medium	Large
Total Assets	< EUR 4.4m	< EUR 20m	>= EUR 20m
Net Turnover	< EUR 8.8m	< EUR 40m	>= EUR 40m
Average number of full-time staff employed	< 50	< 250	>= 250

This classification has a significant impact since it determines the format of the annual accounts to be used, the content of the notes to the annual accounts, the obligation to file or not a profit and loss account, to establish a management report and also the legal requirement to have the annual accounts audited by a Réviseur d’Entreprises Agréé.

**A. In the case of existing companies**

The change comes into effect in the third year, i.e.

Year	N-1	N	N+1	N+2	N+3	N+4	N+5
Exceeding of at least 2 of the 3 criteria	no	yes	yes	Yes	no	no	no
Classification to be retained	small	small	small	medium	medium	medium	small

**B. In the case of a newly incorporated company**

Year of incorporation	N	N
Exceeding of at least 2 of the 3 criteria (*)	Yes	no
Classification to be retained	large or medium-size	small

(\*) The management of the Company has to prepare forecasts to determine - in good faith - if the Company will or will not exceed 2 of the 3 criteria. If the first financial year has less than 12 months (stub-period), an extrapolation of the net turnover by using the ratio  $X/12$ , X being the number of months of the first financial year has to be made.

[Q&A CNC 19/016 Compensation comptable des commandes en cours et des acomptes reçus sur commandes](#)

[Q&A CNC 19/017 Délai de dépôt au RCS de comptes consolidés établis à des fins légales](#)

[Q&A CNC 19/019 Catégorisation des entreprises : interprétation du critère de répétition visé à l'article 36 LRCS](#)

[Règlement grand-ducal du 12 septembre 2019 déterminant le contenu du plan comptable normalisé visé à l'article 12 du Code de commerce.](#)

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