

## Standard Chart of Accounts

Grand-ducal regulation released on June 10, 2009,  
published on June 22, 2009

The law dated December 19, 2002 (“the Accounting law”) prescribed the use of a detailed chart of accounts, and updated the “Code de Commerce” accordingly, although the publication of this chart of accounts was left for a future Grand-Ducal Regulation (“GDR”).

The release of the long awaited chart of accounts is a major step in the on-going modernisation of the financial reporting and of the accounting rules in Luxembourg which began in 2002. In the near future, it should result in the creation of a “Centrale des Bilans” in Luxembourg.

In addition, the Luxembourg authorities have decided to use the “Plan Comptable Normalisé” or “PCN” as a working tool as part of their policy to reduce administrative burdens faced by Luxembourg companies.

### Implementation of the PCN

#### Scope and objectives of the new regulation

The PCN must be used by the entities and persons (referred to hereafter as “enterprises”) subject to the Accounting law for the production and the filing of their annual accounts, as outlined here below:

- Commercial companies<sup>1</sup>;
- European Economic Interest Groupings and the Economic Interest Groupings;
- Branches and seats of activity established in Luxembourg for individuals who are considered as business persons, foreign law undertakings (comparable to Luxembourg commercial companies) and European Economic Interest Groupings which are established abroad;
- Individuals considered as business persons<sup>2</sup>.

Although this GDR states that the enterprises will need to use the PCN, enterprises may keep their existing chart of accounts instead of the PCN for their daily bookkeeping, as long as they file their balance of accounts under the PCN format, together with their annual accounts (as provided for under article 75 of the Accounting law). The balance of accounts under the PCN format will only be accessible to Luxembourg administrations.

For the time being, the derogation procedure provided for by article 27 is expected to represent the only possible source of exemption, available on a case-by-case basis<sup>3</sup>. As regards the use of IFRS, the GDR’s legal preamble outlines that enterprises which are already publishing their statutory annual accounts under IFRS based on a derogation of article 27, should also be exempt from filing their balance of accounts under the PCN format.

<sup>1</sup> Companies having the legal form of “Société Anonyme”, “Société Européenne”, “Société à Responsabilité Limitée”, “Société Coopérative”, “Société en commandite par Actions”, “Société en Nom Collectif” or “Société en Commandite Simple”. The two latter mentioned types of companies benefit from an exemption when their accounting turnover does not exceed EUR 100 000. In addition, as per article 13 of the Code de Commerce, the following companies are exempt from using the PCN: banks, insurance and reinsurance companies and holdings known as “Sociétés de Participation Financière” (as defined by article CNC1-1 from February 2009)

<sup>2</sup> The individuals who are business persons benefit from the exemption mentioned in note 1.

<sup>3</sup> The exemption from publishing part or all of the annual accounts based on articles 70 or 71 of the Accounting law will not trigger an exemption from filing the balance of accounts under the PCN format.

This individual exemption should be short-lived due to the upcoming optional use of IFRS for the preparation of statutory annual accounts<sup>4</sup>.

It is not known yet if the enterprises that will elect for the application of IFRS based on the future amended version of the Accounting Law will be exempt or not from filing their balance of accounts in compliance with article 75 of the Accounting law. If they are not exempt, the Legislator may have to produce a PCN version adapted to the IFRS.

The balance of accounts filed under the PCN format will also serve as a reporting tool for the Luxembourg administrations (especially the STATEC and the tax authorities) and the companies or individuals will therefore be either exempt from completing some current forms or allowed to use an abridged version of existing forms, thus reducing the administrative burden.

Companies exempted from filing their balance of accounts will remain subject to complete the full set of currently existing forms.

## Content of the standard chart of accounts

The PCN format is broadly similar to the charts of accounts which has been in use in France or Belgium for many years: the structure is composed of 5 classes of items for the balance sheet and 2 classes of items for the profit and loss accounts. It is important to note that the Luxembourg regulation does not preclude a description of the accounts' content and functioning, such guidance being left to the local accounting practices and adapted to the specific operations of each business.

For the same reason, the PCN does not include references to the layout of the balance sheet and of the profit and loss account items (i.e. articles 34 and 46 of the Accounting law), but their respective structure and nomenclature are related. Moreover, the PCN has been designed taking into consideration the necessary improvements to the current layout of the annual accounts, which are expected to be included in the final version of the draft law n° 5976, which further amends the Accounting law.

## Date of enforcement

For companies, the GDR will be effective as from the first accounting year beginning after December 31, 2010; and for the individual business persons, as from the calendar year 2011. In other words, the first filings of the balance of accounts under the PCN format will take place in 2012.

**The PCN will be a major step in modernising of accounting for the majority of Luxembourg enterprises.**

**PricewaterhouseCoopers can assist you in implementing the PCN by providing technical advice. Our company can also deliver training courses and provide assistance for the production of efficient financial reporting tools.**

<sup>4</sup> The draft law n° 5976, dated January 9, 2009, includes a new article 72bis in the Accounting law, which gives the option to use IFRS in place of the European 4th directive standard. It is currently difficult to estimate when this law will be voted (late 2009 or 2010) and enforced (2010 or 2011?).

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