**Ann\_Accts\_Micro\_Entities**

**ID:** 108 **Code:** COM(2009)83 **Type:** Directive **Proposal** **Date:** 29.3.10 **Current Status:** Finalised

**Title:** Proposal for a DIRECTIVE amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities (Text with EEA relevance)

**Identified Commission Official:** DG Market

**Objective:**

The objective was to simplify the financial reporting requirements (annual accounts) of certain small companies – ‘reduce the administrative burden’. This involved defining a sub category of SME as a micro-entity. The aim was to reduce what had come to be viewed as an excessive and unnecessary administrative burden on these smaller companies. The proposal attempts to align reporting standards for this subcategory of business to the actual requirements of those using the financial information, whilst providing stakeholders with sufficient protection.

**Background:**

The broader context for this proposal is the Simplification Rolling Programme of the Commission, which is itself part of the ‘Better Regulation Agenda’. More specifically, the proposal was initially conceived as part of a much larger review of accounting legislation, which was ultimately proposed in 2011. The main thrust of which is the simplification of accounting and auditing rules. However, as a result of the financial crisis the Commission was faced with calls for action to help small businesses, and brought forward part of what would later be proposed. Hence the scope of this proposal is fairly limited. It builds on the Commission’s 2008 publication for ‘A European Economic Recovery Plan’, which specifically pledged to ‘remove(ing) the requirement for micro-enterprises to prepare annual accounts’

The legal framework that the proposal amends is the 4th Company Law Directives. This accounting Directives (together with the 7th) require micro entities to conform to the same stringent reporting standards as large companies.

**Consultation:**

From Dec 2006 discussions were held in the Accounting Regulatory Committee (ARC), leading to a Commission publication in July 2007. The ensuing public consultation was apparently broadly supportive the plan to define micro-entities and exclude them from certain accounting requirements.

In addition a ‘High Level Group of Independent Stakeholders on Administrative Burdens’, stated that a number of existing accounting requirements are unnecessary [http://ec.europa.eu/enterprise/admin-burdens-reduction/docs/080710\_hlg\_op\_comp\_law\_final.pdf]

The Commission states that the majority of replies to its public consultation were in favour of exempting micro entities from accounting directive requirements (4th CLD). Those against were mainly accountants and auditors.

**Issues:**

1. Whether micro-entities should be exempt or not, from certain accounting requirements
2. Whether micro-entity exemption from the accounting directive is obligatory or in the ‘gift’ of each member state

**Frames:**

1. Good for Business
2. Economic recovery
3. Reducing ‘red tape’