

PRESS RELEASE

Company law, accounting and auditing: Commission's simplification approach might jeopardise the Single Market, say European SMEs and accountants

Brussels, 15 November 2007 (for immediate release). Some recent suggestions made by the European Commission on simplification in the areas of company law, accounting and auditing are based on wrong assumptions and could actually worsen the business environment for European companies, warned representative organisations for European crafts, SMEs and the accountancy profession. While agreeing that simplifying legislation and reducing useless and excessive administrative requirements is vital for the European economy, FEE and UEAPME and its member EFAA urged the European Commission with a letter today to re-think its approach to make it deliver the expected results. Senior representatives from the three organisations called on the EC to promote, not demote the Single Market, and stressed the need for an objective survey of users' needs and thorough, scientific and neutral impact assessments before proposals are made.

FEE, UEAPME and EFAA reached a series of common conclusions based on the analysis and experience of entrepreneurs and accountants on the ground that should contribute to informing the Commission's consultation. The three organisations refuted for instance the Commission's proposal to allow Member States to exempt micro-companies from the 4th Company Law Directive that serves as the harmonised basis for establishing and publishing business accounts. Assimilating accounting to an administrative burden is contrary to business reality, wrote FEE, UEAPME and EFAA: on the contrary, robust accounting is essential to business management and growth, to the proper functioning of markets and to the development of a sound and sustainable economy.

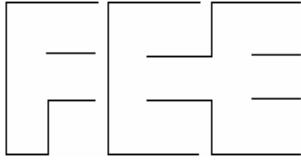
Olivier Boutellis-Taft, FEE CEO, commented: *"Accounting rules are management tools, not administrative burdens. A European framework for company law and accounting is essential to ensure sustainable growth of SMEs and enable small entrepreneurs to seize the opportunities of a Single Market. As Guardian of the European public interest, the Commission should preserve and enhance a Single Market for all."*

FEE, UEAPME and EFAA expressed concerns regarding the quality and independence of certain impact assessments, and stressed that robust methodology and data were essential and that both costs and benefits should be taken into account. For instance, the consequences of a reduction of accounting requirements have not been evaluated by the Commission; the impact on e.g. transparency and comparability, access to finance or bankruptcy should be further studied. When assessing the impact of the withdrawal of parts of the Acquis, the long term impact on entrepreneurs' behaviour and skills set should be taken into account.

UEAPME Director for Enterprise Policy and External Relations Luc Hendrickx said: *"Thorough, scientific and neutral impact assessment studies are a precondition which was not respected by the EC in this case. Exempting smaller businesses would prevent them from providing information to purchasers, suppliers, clients, banks and tax authorities, thereby increasing red tape instead of reducing it – a conclusion that an impact assessment could have easily anticipated. The current Commission proposal should be put on hold until a serious analysis on its effects is carried out."*

"There is a need to understand clearly, once for all, who the users of the SMEs financial statements are and what their precise needs are. Otherwise the simplification process will just be a sterile political exercise instead of a practical tool to promote SMEs' growth. EFAA strongly recommends this step to the Commission in the light of the Think Small First approach", added Federico Diomeda, President of EFAA.

In the daily experience of entrepreneurs and accountants, however, the large majority of administrative burdens, and the most cumbersome, originates from the Member States. The thought leadership of the Commission can be an important driver to achieve tangible results,



possibly through a soft law approach to encourage Member States to simplify their regulatory environment, reduce administrative burdens and disseminate best practices. In addition, the Commission should stand up for the Single Market and ensure that excessive national requirements do not exclude SMEs from the benefits of the Single Market.

Finally, FEE, UEAPME and EFAA put forward a series of priority for action on areas which, after proper ex-ante evaluation, have the potential to deliver tangible results:

- Reducing multiple filings and useless redundant reporting requirements (only-once one-stop-shop approach) and implementing simple e-government solutions;
- Investigating the many opportunities for simplification of requirements in the areas of incorporation of new companies, tax reporting (corporate and indirect tax, as well as local taxes), employment law, environmental regulation, health and safety legislation and statistical reporting;
- Ensuring legal certainty and stability, as constant regulatory or administrative change is perceived as a significant burden;
- Analysing in more details the potential to reduce certain notes to the financial statements taking into account the benefits of transparency and the interests of all stakeholders.

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Notes to the editor: the joint FEE/UEAPME/EFAA comments to the European Commission can be found online at http://www.fee.be/publications/default.asp?library_ref=4&content_ref=755.

The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. FEE's membership consists of 44 professional institutes of accountants from 32 countries. FEE member bodies are present in all 25 member states of the European Union and three member countries of EFTA. FEE member bodies represent more than 500,000 accountants in Europe.

UEAPME is the employers' organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

EFAA, the European Federation of Accountants and Auditors for small and medium-sized enterprises, is an umbrella organisation for national accountants and auditors' organisations whose individual members provide professional services primarily to SMEs. EFAA has 13 members throughout Europe representing over 250,000 accountants and auditors.

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