



## **Summary of the Joint Workshop on Simplification organised by UEAPME - EFAA and FEE**

- (1) On 1 October 2007, UEAPME - EFAA<sup>1</sup> and FEE<sup>2</sup> organised an informal workshop during which senior members of both organisations had the opportunity to discuss the European Commission's simplification initiative, and in particular the *Communication on a simplified business environment for companies in the area of company law accounting and auditing* of 10 July 2007.
- (2) The key points of agreement reached during this workshop are summarised below. Although these points cannot be considered a formal position of UEAPME - EFAA and/or FEE and are simply reflecting the conclusions reached by the individual participants to this workshop, these views may contribute to informing the Commission's consultation and work on the simplification.

### **The Commission simplification strategy in company law is inappropriate**

- (3) It goes without saying that all participants agree on the vital need to simplify the regulatory environment for business and in particular to reduce administrative burdens which have become unsustainable, especially for SMEs. However, if there is **strong support for the general objectives** of the Commission, there are **strong reservations on the approach** taken in the area of company law accounting and auditing.
- (4) It was felt that, on the ground, the objectives of the company law Acquis are still valid and it was feared that they are being ignored by the Commission's current approach. **The simplification of the company law Acquis should not be at the expenses of citizens and users of the Single Market.**

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1 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. EFAA is a member of UEAPME.

2 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.

- (5) In the experience of all participants, the large majority of **administrative burdens originate and operate at Member States' level**. Therefore the logic of giving back to Member States in this field was questioned. The role of the Commission should be to continue to defend the European common interest by developing the Single Market. This is particularly important for SMEs who are not in a position to exploit differences in Member States' regulatory systems; therefore participants concluded that regulatory competition is not a viable policy option for SMEs. **The Commission should promote, not demote, the Single Market.**
- (6) All participants felt that the Commission's **approach was too political and not based on market realities and the true needs of users**. Such an initiative should build on an objective survey of users' needs and an objective impact assessment.
- (7) Stakeholders can provide practical feedback and indicate directions, but **it is the duty of the Commission to carry out thorough, scientific and neutral impact assessments**. Participants expressed concerns regarding the quality and independence of certain impact assessments.
- (8) The participants 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.
- (9) All participants agreed that assimilating accounting to an administrative burden was contrary to business reality and a dangerously misleading assumption: **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**. A harmonised accounting framework was felt essential to the Single Market. Concerns were expressed that **more national regulation will enhance fragmentation and exclude SMEs from the Single Market** thus impeding growth and job creation.
- (10) Several Member States have put in place a specific status for "micro-enterprises" for instance applicable to self-employed and individual entrepreneurs. However in the context of the 4<sup>th</sup> and 7<sup>th</sup> Directives which apply to limited liability companies, participants felt that a status for micro-entities related to a full exemption was inappropriate as **the status of limited liability company entails a number of obligations to ensure market transparency and reliability which is for the benefit of all market players and society at large**. Furthermore, entrepreneurs may always opt for other legal forms and avoid these obligations.
- (11) Participants highlighted the need to **ensure consistency between policy objectives** and regretted that the Commission did not try to have a more holistic approach and a longer term strategic vision. Similarly, when looking at the company law Acquis, it seems that only the viewpoint of the business manager is being considered, while, in reality, all business managers are also in a position of buyer, supplier, borrower, lender etc. **The interests of all stakeholders should be considered.**

## **Other areas should be considered to achieve fruitful simplification**

- (12) The participants were of the view that most administrative burdens fall outside of EU competences. However 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.
- (13) The participants concluded that Commission's resources should be redirected and concentrated on areas which, after proper ex-ante evaluation, have the potential to deliver tangible results. Based on participants' experience, the following should be considered:
- 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.