Accountancy Europe.

AUDIT EXEMPTION THRESHOLDS IN EUROPE

Short- and long-term development in 32 European countries

Survey results

FACTS.

AUDIT & ASSURANCE
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HIGHLIGHTS

Following the 2013 Accounting Directive, small European Union (EU) companies are no longer required to have a statutory audit. However, the EU legislation allows Member States to impose an audit on their small companies based on their specific circumstances.

This publication follows up on our 2016 Factsheet and presents the current audit exemption thresholds in Europe and how several countries amended them over the last few years. In addition, we present how the thresholds changed over the last 15 years.

Our survey results show that 5 European countries lowered their audit exemption thresholds while 4 countries increased them between 2016 and 2021. Overall, there was no clear upward or downward trend in the development of the thresholds in this period.

In the longer-term, however, we noted a clear increase in the thresholds in the majority of European countries. On average, countries' thresholds for balance sheet and net turnover tripled between 2006 and 2021. More specifically, 23 countries increased the threshold for their balance sheet amount and 22 countries increased the threshold for the net turnover in this period. We also found diverging national policies and views on auditing smaller entities.

INTRODUCTION

This publication follows up on our 2016 publication[1] and presents the currently applicable[2] audit exemption thresholds in 32 European countries. Since 2016, several countries have amended their legislation on the thresholds. This paper provides an overview of the main changes.

We also look at the long-term development of audit exemption thresholds in Europe and present how the thresholds changed over the last 15 years, i.e. since 2006.

The data for this publication were provided by Accountancy Europe's Member Bodies. It includes 27 EU Member States, Iceland, Norway, Switzerland, Turkey and United Kingdom – referred to as 'European countries' hereafter.

EU APPROACH TO AUDIT THRESHOLDS

BEFORE THE 2013 ACCOUNTING DIRECTIVE

Up to the introduction of the latest Accounting Directive[3] in 2013, there had always been an EU requirement to have a statutory audit of 'small undertakings'. However, Member States had been allowed to exempt all or part of their small companies, as defined locally, from a statutory audit, but within the confines of the EU legislation. This was known as the 'opt-out' Member State option.

CURRENT SITUATION: THE 2013 ACCOUNTING DIRECTIVE

Nowadays, following the transposition of the 2013 Accounting Directive, companies defined as small undertakings are no longer required to have a statutory audit based on the EU legislation. Recital 43 of the 2013 Accounting Directive clarifies that this is the intention.

The 2013 Accounting Directive requires audit of the following categories of companies:

- public interest entities (PIEs)

  Broadly, PIEs are entities traded on a regulated market, credit and insurance institutions and other entities specifically designated as such by Member States.[4]
- medium-sized and large undertakings

Nevertheless, Member States can impose an audit on all or part of their small undertakings, also referred to as the 'opt-in' regime. This decision to opt-in is usually driven by the conditions of these small companies and the needs of the users of their accounts. Indeed, the size of a country's economy as well as the size of its individual entities might be taken into consideration. The need for certainty to banks, suppliers, shareholders, employees and especially tax authorities might play a role in this decision too. The decision to require audit of small companies might also come as a measure aiming to decrease the risk of economic crime and business insolvency.[5]

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[1] *Audit exemption thresholds in Europe* (2016); available at https://www.accountancyeurope.eu/publications/1605-audit-exemption-thresholds/

[2] Please note that we update information on countries' thresholds in this publication when we become aware of any changes in national laws. For thresholds not in EUR, we use the exchange rate applicable at the time of obtaining the data or as set in national legislation, if applicable

[3] *Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings*; available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0034

[4] For information on the definition of a public interest entity per country, refer to our publication *Definition of public interest entities in Europe* (2017); available at https://www.accountancyeurope.eu/publications/definition-public-interest-entities-europe/

[5] For more details, refer to our publication *Rediscovering the value of SME audit* (2018); available at https://www.accountancyeurope.eu/publications/rediscovering-value-sme-audit/

EU AUDIT EXEMPTION THRESHOLDS

The 2013 Accounting Directive defines small undertakings as those which, on their balance sheet date for 2 consecutive years, do not exceed the limits of at least 2 of the 3 following criteria:

a) balance sheet total: EUR 4.000.000
b) net turnover: EUR 8.000.000
c) average number of employees during the financial year: 50

It should, however, be noted that Member States are permitted to increase the thresholds for a) and b) to a level not exceeding:

a) balance sheet total: EUR 6.000.000
b) net turnover: EUR 12.000.000

In addition, they are allowed to increase or decrease the EUR thresholds by up to 5% to allow conversion into a national currency at a round sum amount.

SHORT-TERM DEVELOPMENT OF COUNTRIES' AUDIT THRESHOLDS

FINDINGS: WHAT HAS CHANGED BETWEEN 2016 AND 2021?

Below, we look at the changes to audit exemption thresholds as compared to our May 2016 publication[6]. The main findings are the 4 following:

5 COUNTRIES – CYPRUS, ESTONIA, ITALY, ROMANIA AND TURKEY – HAVE LOWERED THEIR AUDIT EXEMPTION THRESHOLDS

Cyprus has abolished all audit exemption thresholds, making audit mandatory for all companies as of 16 September 2016. Until that date, the Companies Law in Cyprus exempted small companies from the audit requirement. However, since the Cyprus tax laws require audited financial statements regardless of the size, the exemption had in fact not been used by companies. The abolition of the audit exemption thresholds was made to eliminate the discrepancies between the Cypriot laws without any actual change in practice.

Cyprus	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	0	0	0
Previous thresholds	3.400.000	7.000.000	50

Estonia has lowered the threshold for the number of employees.

Estonia	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	2.000.000	4.000.000	50
Previous thresholds	2.000.000	4.000.000	60

[6] *Audit Exemption Thresholds in Europe* (2016); available at https://www.accountancyeurope.eu/publications/1605-audit-exemption-thresholds/

Italy has lowered all 3 thresholds.

Italy[7]	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	4.000.000	4.000.000	20
Previous thresholds	4.400.000	8.800.000	50

Romania has lowered the threshold for balance sheet total as well as for net turnover.

Romania[8]	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	3.350.000	6.650.000	50
Previous thresholds	3.650.000	7.300.000	50

Turkey has lowered all 3 thresholds. Note that Turkey was not amongst the analysed countries in our 2016 survey. The table below presents the last revision of the thresholds in Turkey which took place in 2018.

Turkey[9]	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	4.070.000	8.140.000	175
Previous thresholds	6.250.000	12.500.000	200

4 MEMBER STATES – DENMARK, FRANCE, IRELAND AND SLOVAKIA – HAVE INCREASED THEIR AUDIT EXEMPTION THRESHOLDS

Denmark has increased the threshold for balance sheet total as well as for net turnover to the maximum allowed amounts.

Denmark	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	6.000.000	12.000.000	50
Previous thresholds	4.837.000	9.674.000	50

[7] New Insolvency Law approved by the Council of Ministers on 10 January 2019 significantly lowered the thresholds in Italy. These thresholds were adjusted by another law from June 2019 which set the currently applicable thresholds

[8] In January 2018, as per Order 470/2018, the thresholds in Romania were published in RON and maintained as such. They were reconfirmed in RON as per Order of Ministry of Finance 10/2019. Consequently, due to exchange devaluation RON/EUR the thresholds presented here appear to be lower in EUR (than at the time of adoption of the thresholds in 2018). For conversion purposes the average official exchange rate of year 2020 published by the National Bank of Romania was used

[9] The thresholds did not change since 2018, however, there has been a depreciation of Turkish Lira against Euro. Therefore, the change in thresholds in EUR terms since 2018 is just a matter of exchange rate fluctuation

France has increased the thresholds for balance sheet total and net turnover.

France[10]	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds[11]	4.000.000	8.000.000	50
Previous thresholds (SASs[12])	1.000.000	2.000.000	20
Previous thresholds (SARLs[13] & SNCs[14])	1.550.000	3.100.000	50
Previous thresholds (SAs[15])	0	0	0

Ireland has increased the threshold for balance sheet total as well as for net turnover to the maximum allowed amounts.

Ireland	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	6.000.000	12.000.000	50
Previous thresholds	4.400.000	8.800.000	50

Slovakia has doubled the thresholds for balance sheet total and net turnover.

Slovakia	Balance sheet (EUR)	Net turnover (EUR)	No. of employees
New thresholds	2.000.000	4.000.000	30
Previous thresholds	1.000.000	2.000.000	30

5 EUROPEAN COUNTRIES WITH MAXIMUM THRESHOLDS

With Denmark and Ireland having increased their thresholds, there are now 5 European countries (Denmark, Germany, Ireland, the Netherlands and the United Kingdom) that adopted the maximum allowed thresholds.

NO CLEAR TREND IN THE DEVELOPMENT OF THE THRESHOLDS BETWEEN 2016 AND 2021

We did not note a clear upward or downward trend between 2016 and 2021. However, we highlight that in this timeframe, several countries have decided to lower their audit exemption thresholds which is in contrast with the previous developments (see our 2016 publication) and long-term trend.

[10] A new law (loi Pacte) was voted in France on April 11, 2019 and promulgated on May 22, 2019 and it led to raising the statutory audit thresholds for all companies

[11] With the new thresholds, the legal form of a company (e.g. SAS, SARL, SNC etc.) does not play a role anymore and the new thresholds apply to companies of all legal forms

[12] The abbreviation stands for Sociétés par actions simplifies, i.e. limited liability company by shares

[13] The abbreviation stands for Sociétés à responsabilité limitée, i.e. limited liability company

[14] The abbreviation stands for Sociétés en nom collectif, i.e. general partnership

[15] The abbreviation stands for Sociétés anonymes, i.e. limited company

CURRENTLY APPLICABLE AUDIT EXEMPTION THRESHOLDS

In the below Table 1, we provide an overview of the current audit exemption thresholds applicable in 32 European countries.

Table 1 - Audit exemption thresholds in 27 EU Member States, Iceland, Norway, Switzerland, Turkey and United Kingdom in 2021[16]

Country	Balance sheet total (EUR)	Net turnover (EUR)	Number of employees
Austria	5.000.000	10.000.000	50
Belgium[17]	4.500.000	9.000.000	50
Bulgaria	1.000.000	2.000.000	50
Croatia	2.000.000	4.000.000	25
Cyprus[18]	0	0	0
Czech Republic	1.500.000	3.000.000	50
Denmark a[19]	537.000	1.075.000	12
Denmark b[20]	6.000.000	12.000.000	50
Estonia a[21]	800.000	1.600.000	24
Estonia b[22]	2.000.000	4.000.000	50
Finland	100.000	200.000	3
France[23]	4.000.000	8.000.000	50
Germany	6.000.000	12.000.000	50
Greece	4.000.000	8.000.000	50
Hungary[24]	Not applicable	833.333	50
Iceland	1.400.000	2.800.000	50
Ireland	6.000.000	12.000.000	50
Italy[25]	4.000.000	4.000.000	20
Latvia	800.000	1.600.000	50
Lithuania	1.800.000	3.500.000	50
Luxembourg	4.400.000	8.800.000	50

[16] Data obtained from Member bodies of Accountancy Europe. Figures in currencies other than EUR were converted to EUR at the time when the data were obtained

[17] Thresholds are determined on a consolidated basis for groups, which leads to mandatory statutory audit for smaller entities in the group although individually they fall under the thresholds

[18] There are considerations in Cyprus to introduce an option to opt for a review engagement under ISRE 2400 in lieu of an audit for very small companies

[19] Above these thresholds, there is a choice between extended review or audit

[20] Above these thresholds, statutory audit is mandatory

[21] Thresholds applicable for statutory review

[22] Thresholds applicable for statutory audit

[23] Only the companies that are above 2 of the 3 thresholds are now subject to statutory audit. There are 2 exceptions to that rule: 1) A company which is the head of a group where the group is above 2 of the 3 current thresholds is subject to statutory audit even though the group does not prepare consolidated financial statements; 2) The significant subsidiaries of such groups which are above 2 of the 3 following thresholds (EUR 2.000.000 for balance sheet, EUR 4.000.000 for turnover and 25 employees) are also subject to statutory audit

[24] The thresholds did not change since 2018, however there has been a depreciation of Hungarian Forint against the Euro. Therefore, the change in thresholds in EUR terms since 2018 is just a matter of exchange rate fluctuation. The threshold for net turnover in HUF is 300.000.000

[25] For non-PIEs, the Insolvency Law defines that the audit is mandatory after an entity has exceeded 1 of the 3 thresholds as per the Table 1 for 2 consecutive years. The audit is not mandatory when an entity has not exceeded any of the 3 thresholds for 3 consecutive years

Country	Balance sheet total (EUR)	Net turnover (EUR)	Number of employees
Malta[26]	46.600	93.000	2
Netherlands	6.000.000	12.000.000	50
Norway[27]	2.500.000	625.000	10
Poland[28]	2.500.000	5.000.000	50
Portugal[29]	1.500.000	3.000.000	50
Romania[30]	3.350.000	6.650.000	50
Slovakia	2.000.000	4.000.000	30
Slovenia	4.000.000	8.000.000	50
Spain	2.850.000	5.700.000	50
Sweden	150.000	300.000	3
Switzerland[31]	18.203.000	36.405.000	250
Turkey[32]	4.070.000	8.140.000	175
United Kingdom[33]	6.541.000	13.082.000	50

DIVERGING SHORT-TERM DEVELOPMENT OF THRESHOLDS IN EUROPEAN COUNTRIES

In certain European countries – namely Sweden and Italy, the benefits associated with audit of smaller entities[34] have recently become a prominent driver of favouring mandatory audit of smaller entities. At the same time, there are countries like Denmark moving in the opposite direction, i.e. exempting smaller entities from audit by increasing the thresholds. Below, we explain the reasons behind the development of the thresholds in these 3 countries.

SWEDEN DECIDED NOT TO RAISE ITS AUDIT EXEMPTION THRESHOLDS

In 2010, Sweden abolished a regulatory requirement for audit of all small limited liability companies with the aim to decrease the administrative and financial burden on these companies. In December 2017, the Swedish National Audit Office (NAO)[35], an independent body of the Swedish Parliament, published a report *Abolition of*

[26] No audit exemption threshold for tax purposes
[27] Limited-liability companies exempt from statutory audit if all 3 limits are not exceeded
[28] Exemption does not apply if an entity prepares its financial statements under IFRS
[29] No audit exemption threshold for SAs (sociedades anónimas)
[30] The thresholds in Romanian Leus are RON 16.000.000 for balance sheet and 32.000.000 for net turnover
[31] The thresholds in Swiss Francs are CHF 20.000.000 for balance sheet and CHF 40.000.000 for turnover. Entities that do not exceed 2 of the 3 threshold criteria in 2 consecutive years are subject to a statutory limited examination (negative assurance or review engagement). Shareholders of entities with no more than 10 employees can decide to opt out of any audit or review obligation
[32] The thresholds in Turkish Liras are TRY 35.000.000 for balance sheet and 70.000.000 for net turnover.
Note that in Turkey, audit is mandatory also for other entities such as those subject to the Banking Regulation, certain public entities, those that qualify as public institutions and other dedicated entities. For these entities (apart from banks which are always subject to audit), different (lower) sets of thresholds apply than those in Table 1
[33] The thresholds in British Pounds (£5.100.000 for balance sheet and £10.200.000 for turnover) were converted to EUR using an exchange rate set in the original legislation transposing the 2013 EU Accounting Directive
[34] For more details refer to Accountancy Europe's publication *Rediscovering the value of SME audit* (2018); available at https://www.accountancyeurope.eu/publications/rediscovering-value-sme-audit/
[35] The Swedish National Audit Office is an independent agency charged with the audit of government institutions and the oversight of the state finances through financial and performance-based audits of state agencies, state-owned companies and the Government of Sweden. It operates directly under the Swedish Parliament (Riksdag) and is independent of political or other stakeholder interests. More information is available at https://www.riksrevisionen.se/en/Start/About-us/

audit obligation for small limited companies – a reform where costs outweigh benefits[36] that put this abolition into question.

The report demonstrates through an impact assessment that audit of small entities is valuable to both these entities and the public good. Specifically, exempting them from audit increases a number of risks to the economy. The Swedish report has in particular highlighted an increased risk of accounting errors, tax evasion and economic crime.

Based on these findings, in the context of recent discussions on raising the thresholds in Sweden, it was decided to keep the thresholds as they were, i.e. not to exempt more companies from the audit requirement.

ITALY DECIDED TO LOWER ITS AUDIT EXEMPTION THRESHOLDS

In parallel, Italy has significantly lowered the audit exemption thresholds as part of their recent business insolvency reform[37]. It was driven by the recognition that smaller companies not subject to any audit or control system had been the first ones to become insolvent. It was also acknowledged that a certain level of controls and early-warning mechanisms could be useful to avoid business failure. See the new Italian thresholds in Table 1 above.

DENMARK DECIDED TO INCREASE ITS AUDIT EXEMPTION THRESHOLDS

Since our 2016 publication on audit thresholds[38], Denmark has increased the threshold for balance sheet total as well as for net turnover to the maximum allowed amounts. However, it is important to note that Denmark has another set of thresholds in place (see Table 1 above) which are much lower and above which entities have a choice between extended review or audit.

Interestingly, in Denmark, there is currently a political discussion about going back to lower audit thresholds. It was sparked in early 2018 by a series of stories in the media about fraud in companies that had not been audited, in combination with the Swedish report on negative effects of lowering the thresholds.

[36] A summary of the report in English and a full report in Swedish are available at https://www.riksrevisionen.se/en/audit-reports/audit-reports/2017/abolition-of-audit-obligation-for-small-limited-companies---a-reform-where-costs-outweigh-benefits.html

[37] The new law on business insolvency was approved by the Council of Ministers on 10 January 2019. The thresholds were adjusted again by law from June 2019 which set the currently applicable thresholds

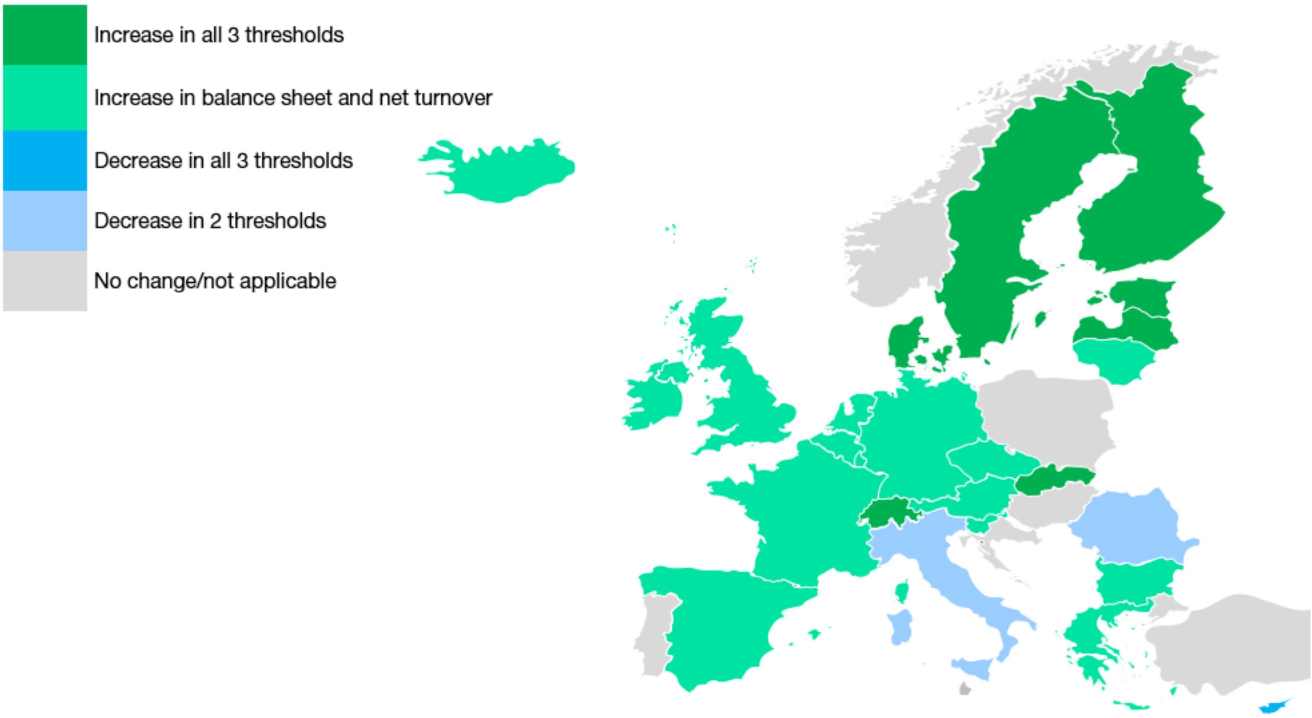
[38] *Audit Exemption Thresholds in Europe* (2016); available at https://www.accountancyeurope.eu/publications/1605-audit-exemption-thresholds/

LONG-TERM DEVELOPMENT OF COUNTRIES' AUDIT THRESHOLDS

FINDINGS: WHAT HAS CHANGED BETWEEN 2006 AND 2021?

Over the last 15 years, in the majority of the analysed countries, the thresholds increased (see all countries in green in the map below). More specifically, in most countries, the thresholds for balance sheet as well as net turnover amount increased while the thresholds for number of employees remained the same.

As an average change in European countries, the thresholds for balance sheet and net turnover increased by more than 200%, i.e. they tripled in the last 15 years.



We were able to draw the below detailed findings on 28 countries.[39] For more details on specific countries, refer to Table 2 below.

INCREASE IN THRESHOLDS FOR BALANCE SHEET IN MAJORITY OF COUNTRIES

Thresholds for balance sheet amount have:

- increased in 23 countries
- decreased in 2 countries
- remained the same in 3 countries

INCREASE IN THRESHOLDS FOR NET TURNOVER IN MAJORITY OF COUNTRIES

Thresholds for net turnover amount have:

- increased in 22 countries
- decreased in 3 countries
- remained the same in 4 countries

[39] For the remaining countries, the information on the thresholds is either not available or comparing the development of the thresholds over time is not applicable

UNCHANGED THRESHOLDS FOR NUMBER OF EMPLOYEES IN MAJORITY OF COUNTRIES

Thresholds for number of employees have:

- increased in 7 countries
- decreased in 2 countries
- remained the same in 19 countries

OVERVIEW OF CHANGES IN AUDIT EXEMPTION THRESHOLDS IN 32 EUROPEAN COUNTRIES

The table below gives a picture of how the audit exemption thresholds developed in European countries over the last 15 years. The table looks at the percentage change of the thresholds between 2006 and 2021

Table 2 – Evolution of audit exemption thresholds for balance sheet total, net turnover and the number of employees in 27 EU Member States, Iceland, Norway, Switzerland, Turkey and United Kingdom between 2006 and 2021[40]

	Balance sheet total			Net turnover			Number of employees		
Country	Threshold (EUR) 2006	Threshold (EUR) 2021	Change %	Threshold (EUR) 2006	Threshold (EUR) 2021	Change %	Threshold 2006	Threshold 2021	Change %
Austria	3.650.000	5.000.000	37% ⬆	7.300.000	10.000.000	37% ⬆	50	50	0%
Belgium	3.650.000	4.500.000	23% ⬆	7.300.000	9.000.000	23% ⬆	50	50	0%
Bulgaria	500.000	1.000.000	100% ⬆	1.000.000	2.000.000	100% ⬆	50	50	0%
Croatia	Not applicable	2.000.000	Not applicable	4.000.000[41]	4.000.000	0%	Not applicable	25	Not applicable
Cyprus	3.400.000	0	-100% ⬇	7.000.000	0	-100% ⬇	50	0	-100% ⬇
Czech Republic	1.350.000	1.500.000	11% ⬆	2.700.000	3.000.000	11% ⬆	50	50	0%
Denmark	200.000	6.000.000	2.900% ⬆	400.000	12.000.000	2900% ⬆	12	50	317% ⬆
Estonia	320.000	2.000.000	525% ⬆	640.000	4.000.000	525% ⬆	10	50	400% ⬆
Finland	0	100.000	Not applicable ⬆	0	200.000	Not applicable ⬆	0	3	Not applicable ⬆
France[42]	1.550.000	4.000.000	158% ⬆	3.100.000	8.000.000	158% ⬆	50	50	0%
Germany	4.015.000	6.000.000	49% ⬆	8.030.000	12.000.000	49% ⬆	50	50	0%
Greece	1.500.000	4.000.000	167% ⬆	3.000.000	8.000.000	167% ⬆	50	50	0%
Hungary[43]	Not applicable	Not applicable	Not applicable	Not applicable	833.333	Not applicable	Not applicable	50	Not applicable
Iceland	840.000	1.400.000	67% ⬆	1.680.000	2.800.000	67% ⬆	50	50	0%

[40] Data obtained from Member bodies of Accountancy Europe. Figures in currencies other than EUR were converted to EUR at the time when the data were obtained
[41] The threshold applied only to companies, while credit and financial institutions were subject to statutory audit regardless of this threshold
[42] Note that France used to have different thresholds for different types of companies (see table on page 7). For the purpose of the comparison in this table, we chose the highest 2006 thresholds to compare with the 2021 thresholds
[43] In 2006, the criterion was net income of EUR 200.000

Ireland	1.905.000	6.000.000	215%	1.500.000	12.000.000	700%	50	50	0%
Italy	3.125.000	4.000.000	28%	6.250.000	4.000.000	-36%	50	20	-60%
Latvia	140.000	800.000	471%	280.000	1.600.000	471%	25	50	100%
Lithuania	1.450.000	1.800.000	24%	2.900.000	3.500.000	21%	50	50	0%
Luxembourg	3.125.000	4.400.000	41%	6.250.000	8.800.000	41%	50	50	0%
Malta	46.600	46.600	0%	93.000	93.000	0%	2	2	0%
Netherlands	3.650.000	6.000.000	64%	7.300.000	12.000.000	64%	50	50	0%
Norway[44]	Not applicable	2.500.000	Not applicable	Not applicable	625.000	Not applicable	Not applicable	10	Not applicable
Poland	2.500.000	2.500.000	0%	5.000.000	5.000.000	0%	50	50	0%
Portugal	1.500.000	1.500.000	0%	3.000.000	3.000.000	0%	50	50	0%
Romania	3.650.000	3.350.000	-8%	7.300.000	6.650.000	-9%	50	50	0%
Slovakia	500.000	2.000.000	300%	1.000.000	4.000.000	300%	20	30	50%
Slovenia	3.650.000	4.000.000	10%	7.300.000	8.000.000	10%	50	50	0%
Spain	2.374.000	2.850.000	20%	4.748.000	5.700.000	20%	50	50	0%
Sweden	0	150.000	Not applicable	0	300.000	Not applicable	0	3	Not applicable
Switzerland	0	18.203.000	Not applicable	0	36.405.000	Not applicable	0	250	Not applicable
Turkey[45]	Not applicable	4.070.000	Not applicable	Not applicable	8.140.000	Not applicable	Not applicable	175	Not applicable
United Kingdom	4.100.000	6.541.000	60%	8.200.000	13.082.000	60%	50	50	0%

[44] In 2006, the criterion was net income of EUR 625.000
[45] The statutory audit thresholds were introduced in 2013

BEYOND MANDATORY AUDIT

In the context of audit exemption thresholds, it is important to highlight that small entities are the backbone of the European economy. Therefore, it is in the public interest to have high quality services that instil confidence and trust also in this part of the economy. Audit is among such services as auditors check if historical financial information is reliable, which is crucial for the functioning of the economy and its growth.

In countries where the thresholds have been increased, undertakings exempt from mandatory audit may make use of the services of professional accountants on a voluntary basis. It is therefore important that the profession demonstrates the relevance of audit and assurance services for small businesses, as for some of them the value of such services may not be immediately obvious. For this purpose, we highlighted in the discussion paper *Pursuing a strategic debate: The future of audit and assurance*[46] that it is key to understand and respond to the needs of stakeholders.

The profession should take this opportunity to promote a broad array of services meeting these needs as well as to develop new ones responding to new demands. In the case of SMEs, the focus should not only be on delivering what is prescribed by the legislator, but also on understanding and adapting services to the clients' needs.

CONCLUSION

We noted that 5 European countries lowered their audit exemption thresholds while 4 countries increased them between 2016 and 2021. Overall, there was no clear upward or downward trend in the development of the thresholds in this period.

In the long-term, on average, the thresholds for balance sheet and net turnover tripled. We noted a strong upward trend in most of the countries, i.e. 23 countries increased the threshold for the balance sheet amount and 22 countries increased the threshold for the net turnover over the last 15 years.

There are diverging national policies and views on audit of smaller entities. Given this backdrop, it is interesting to see countries with mature economies like Italy and Sweden undertaking an evidence-based assessment of the effectiveness of their previous reforms which exempted small entities from the audit requirement. Meanwhile, in countries where the audit exemption thresholds are high, small undertakings exempt from audit may nevertheless, on a voluntary basis, make use of audit and assurance services which respond to their needs.

[46] Available at https://www.accountancyeurope.eu/wp-content/uploads/1601_Future_of_audit_and_assurance-2.pdf

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