



# **Reactions on the Commission Proposals for Reducing Administrative Burdens (not only) for SMEs in the EU**

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## *Outline of this presentation*

- **Nature and Sources of Administrative Burdens**
- **EU (Commission) plans to *measure* and *principles* to *reduce* “Administrative Burdens”**
- **EU (Commission) identification of *priority areas* and *proposals* to *reduce* “Administrative Burdens”**
- **EU (Commission) *proposals* to *reduce* “Administrative Burdens” and FEE positions**
- **Final Considerations**

## *Nature of the “Administrative Burdens”*

**Information that would not be collected by businesses without legal provisions. Examples familiar to accounting practitioners:**

- **Company legislation (f.e.: businesses incorporation, merger & acquisition, capital maintenance, corporate governance, internal control)**
- **Tax legislation (f.e.: VAT, Income taxes, registration tax)**
- **Employee security and working environment**
- **Banking regulations (f.e. Basel II)**
- **Financial accounting regulations (f.e. bookkeeping regulations)**
- **Financial reporting (f.e. financial reporting regulations and standards and financial reporting publication)**
- **Auditing and assurance services (f.e. statutory audits or assurances)**



## *Nature of the “Administrative Burdens” (cont’d)*

**Information that would not be collected by businesses without legal provisions. Examples familiar to other practitioners:**

- **Statistics**
- **Food safety**
- **Fisheries**
- **Agruculture**
- **Environment**

## Sources of “Administrative Burdens” in the EU

- **International legislation**
- **European legislation**
  - **Regulations (do not need transposition)**
  - **Directives (do need transposition)**
- **National legislation**

## EU (Commission) plans to *measure* and *principles* to *reduce* “Administrative Burdens”

- Scope of measurement
  - EC regulations and directives
  - **EC regulations, directives and national implementing measures**
  - Costs of requirements originating from all sources
- Principles for reducing
  - Reduce the frequency of reporting requirements
  - Review for info that are requested several times
  - Require electronic and web-based reporting where possible
  - **Introduce thresholds and limitations for SMEs**
  - **Introduce a *risk-based* approach for info requirements on a *sector-basis***
  - Eliminate info requirements related to modified laws



## EU (Commission) identification of *priority areas* and *proposals to reduce* “Administrative Burdens”

- **Priority areas of intervention**
  - **European company law**
  - **European accounting**
  - **European auditing**
  
- **Proposals for reducing IO originating from company law**
  - **Option 1: Placing the focus on cross-border problems, f.e possible repealing of (or part of)**
    - **rules on domestic merger and division (Third and Sixth D.)**
    - **rules on the capital of public limited companies or capital maintenance (Second D.)**
    - **rules on single member private limited liability companies (Twelfth D.)**
  - **Option 2: More *principle based*, less detailed regulation. Consists of leave more room for action to Member States**
  - **Additional simplification measures**

EU (Commission) identification of *priority areas* and *proposals to reduce* “Administrative Burdens” (cont’d)

- **Proposals for reducing IO of SMEs originating from European *accounting* and *auditing regulation* (4th, 7th and 8th D.)**
  - Introduction of micro-entities
  - Thresholds for SMEs and their transpassing
  - Relieve from publication requirements for *small entities*
  - Extension of exemptions for medium sized entities without particular external user
  - Simplification for all companies



## EU (Commission) *proposals to reduce* “Administrative Burdens” and FEE positions

- **Introduction of micro entities**
  - Less than 10 employees
  - Balance sheet total below €500,000
  - Turnover below €1,000,000
  
- **FEE position. Contrary. Reasons**
  - Increase complexity in the regulatory system
  - Deliver a wrong message about the importance of a sound financial reporting system
  - Impair possible externalities
  - Impair the accountability of such entities even when they are incorporated as limited liability companies

## EU (Commission) *proposals to reduce* “Administrative Burdens” and FEE positions (cont’d)

- **Thresholds for SMEs and their transpassing**
  - Extend the period for moving companies between categories (from 2 years to 5 up and from 2 years to 1 down)
- **FEE position. Contrary. Reasons**
  - No reason for such change
  - Too much time for a company to upgrade in category
  - Too little time for a company to downgrade in category (f.e. after one exceptional bad year it takes five consecutive good years to return to the original level)

## EU (Commission) *proposals to reduce* “Administrative Burdens” and FEE positions (cont’d)

- **Relieve from publication requirements for *small entities***
  - Exempt *small entities* from *publication* of financial reports
- **FEE position. Contrary. Reasons**
  - The *publication* of accounts does not constitute a burden itself
  - The measure would transfer the burden to stakeholders
  - The measure would impair transparency



## EU (Commission) *proposals to reduce* “Administrative Burdens” and FEE positions (cont’d)

- **Extension of exemptions for medium sized entities without particular external user**
  - Exemption would entail *auditing* and would be based on a risk based approach
- **FEE position. Contrary. Reasons**
  - The measure would relate to 2% (in number) of all companies
  - Who will monitor the risk assessment?
  - Differences may arise among Member States

## EU (Commission) *proposals to reduce* “Administrative Burdens” and FEE positions (cont’d)

- **Simplification for all companies**
  - Article 57 exemption mandatory for SEs
  - Relationship IAS regulation and 7th D.
  - Disclosure for deferred taxation
  
- **FEE position. Contrary. Reasons**
  - Reporting and auditing questions are mixed up. Further investigation is needed
  - Question the benefits of pushing listed companies towards national GAAPs instead of IFRS
  - If deferred taxation is accounted for it is not burdensome to disclose it

## Final Considerations

- **Share FEE position**
- **Other concerns**
  - **Risks related to money laundering and other illegal activities**
  - **Administrative Burdens remain in their place because there are other sources that would not be touched by any European directive simplification measure**
    - **Financial Reporting is a minor part of the whole process of financial accounting and double entry bookkeeping processes that will remain in place in most cases for many reasons: taxation, member states regulations and banking regulations (Basel II) are the most important ones**
    - **Disclosure for deferred taxation**
- **The whole political climate and expectations for the future**