

Simplified business environment for companies in the areas of company law, accounting and auditing

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PURPOSE: to present the Commission's views on a simplified business environment for companies in the areas of company law, accounting and auditing and trigger a discussion involving Member States, the European Parliament and stakeholders in order to identify the measures best suited to make European companies fit for the Internal Market and more competitive globally.

BACKGROUND: reducing administrative burdens is important in boosting Europe's economy, especially concerning SMEs. The Commission has outlined the way to achieve this by adopting an updated simplification programme, complemented by an Action Programme (see [INI/2006/2279](#)), which emphasise the need to generate tangible economic benefits. European company law, accounting and auditing have been identified as priority areas within this initiative.

CONTENT: the harmonisation of company law, accounting and auditing at European level was central to achieving the common market. However, globalisation, technological advances and an evolving legal environment call for a review of existing EU directives to assess their continued relevance.

There are essentially two options on how to proceed for certain company law directives that address mainly domestic situations:

- to address the question whether today all existing directives are still needed or whether the EU acquis in the area of company law should be reduced to those legal acts specifically dealing with cross-border problems;
- or, to focus only on concrete, individual simplification measures in order to help EU companies.

With regard to the rest of the company law acquis that addresses specific cross-border problems, as well as to the areas of accounting and auditing, individual simplification measures seem to be the right response. In accounting and auditing, the focus should be on reducing the particularly high administrative costs for SMEs, whereas all companies should benefit from simplification measures in the field of company law.

Company law: a rigid, harmonised European framework might sometimes appear to be more of an impediment to innovation than a benefit for the Internal Market, while the competitiveness of companies also depends on the level of the administrative costs related directly or indirectly to their activity. Harmonisation does have positive effects concerning the clarity of the relation between two or more national legal systems, legal certainty and transparency but the situation may be different for directives such as the Third, the Sixth, the Second and the Twelfth Company law Directives as they focus on mainly domestic situations and do not aim at solving specific cross-border problems. In all these cases, the Commission considers that repealing the EU rules and increasing flexibility by leaving it to Member States to determine the conditions in the relevant areas would be a viable option. The total repeal of the directives might seem to be too far reaching to some. In this case, at least parts of the Third, the Sixth and probably also the Second Company law Directives should be simplified. Detailed proposals are contained in Annex 2.

Further steps are needed, in addition to the measures above, to simplify other parts of the company law acquis. This mainly concerns the First and the Eleventh Company law Directives on publishing information, which do not exploit all possibilities that today's technology offers. Proposals to this end are contained in Annex 3.

Accounting and auditing:with the Fourth, the Seventh and the Eighth Directives, harmonised accounting and auditing requirements have significantly raised the quality of financial reporting and auditing in the EU. However, the existing requirements entail administrative work which companies, notably SMEs, criticise as being unnecessarily burdensome. The Commission has identified a number of measures that could lead to tangible simplification for SMEs, including exempting "micro entities" from the application of the accounting directives, extending the transition period for SMEs crossing the thresholds from two to five years, and making it possible for certain medium-sized entities to use exemptions currently available only for small entities. Details on the measures proposed in this section can be found in Annex 4.

Next steps:in the follow-up to this communication and on the basis of the responses received, the Commission will prepare full and comprehensive impact assessments. Subject to the outcome of these impact assessments, the Commission intends to submit legislative proposals in the areas covered by this communication early in 2008.