

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

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The Committee on Legal Affairs adopted an own initiative report by Klaus-Heiner **LEHNE** (EPP-ED, DE) on a simplified business environment for companies in the areas of company law, accounting and auditing, in response to the European Commission's Communication on this issue.

MEPs welcome the Commission's general purpose of reducing the administrative burden for businesses in Europe. They believe that the Commission's legislative proposals should be based on an impact assessment, targeting, in particular, medium, small and micro enterprises. The interests of all stakeholders, including investors, owners, creditors and employees, as well as the principles of subsidiarity and proportionality, must be duly taken into account.

**On Option 1:** MEPs reject the first option referred to in the Communication, namely to address the question whether the EU acquis in the area of company law should be reduced to those legal acts specifically dealing with cross-border problems. However, they are not totally averse to the repeal of individual acts which are no longer necessary or of benefit to business, provided that such repeal is not contrary to the public interest.

The report stresses that the Member States often fail to make use of the optional bureaucracy-reduction measures - thus not passing on to companies the opportunities for simplification offered by Community law. The Commission is called upon to encourage an exchange of good practice between Member States, while highlighting the effective impact of the various initiatives in the field of simplification. Furthermore, MEPs propose that coordination be introduced between the Member States' tax authorities, so as to harmonise the information requests made to businesses in the interests of simplification.

**On Option 2:** MEPs prefer in principle the second option referred to in the Communication, namely that the legislator should focus on concrete, individual simplification measures. Any specific simplification measures may include consideration of the repeal of some individual requirements within Directives.

The report stresses that auditing of accounts and disclosure requirements for publicly traded companies are vital to the sound functioning of the internal market. Disclosure requirements should be reviewed on a case-by-case basis by means of concrete, individual simplification measures based on thorough impact assessments.

The 2006 amendments to EU-accounting rules require, inter alia, a corporate governance statement and improved disclosure of off-balance sheet arrangements by listed companies. Recalling that the transposition deadline of those rules is 5 September 2008, MEPs encourage Member States' early application of the rules.

MEPs also welcome the introduction of 'micro-entities', which are to be exempt from the accounting, auditing and disclosure requirement under European law. They suggest that the threshold values referred to in the Communication for categorisation as a micro-entity be appropriately raised and that transition periods for companies' reporting requirements should be appropriately extended.

The Commission is called upon to follow up on the call expressed by the Council in its Conclusions of 22-23 November 2007 for active promotion of an open exchange amongst Member States on best practices designed to streamline reporting requirements and for an increase in the use of electronic means in relationships between undertakings and public administrations and between undertakings.

Furthermore, the report stresses that the creation of a simplified business environment also implies the need to create a new legal framework for undertakings. It refers, in this context, to the Fourteenth Company Law Directive on the cross-border transfer of the registered office of limited companies, the right to choose between monistic and dualistic business forms, and the Commission's legislative proposal for a European private company expected by mid-2008.

Finally, MEPs see the need for a review of the Statute for the European Company to bring the latter more closely into line with the rest of Community law. They take the view that the establishment of a common consolidated corporate tax base (CCCTB) would render the European company statute more useful and effective.