Disclosure requirements for medium-sized companies and obligation to draw up consolidated accounts

2008/0084(COD) - 18/06/2009 - Final act

PURPOSE: to amend Council Directives 78/660/EEC and 83/349/EEC in order to ease the administrative burden linked to certain disclosure requirements for medium-sized companies and obligation to draw up consolidated accounts.

PROPOSED ACT: Directive 2009/49/EC of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards certain disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts.

CONTENT: following a first reading agreement reached with the European Parliament, the Council adopted a directive aimed at simplifying rules as regards certain disclosure requirements for medium-sized companies and the obligation to draw up consolidated accounts.

At its meeting of 8 and 9 March 2007, the European Council agreed that the administrative burden on companies should be reduced in order to improve the competitiveness of companies in the EU.

The Commission's communication of 10 July 2007 on a simplified business environment for EU companies in the areas of accounting and auditing identified amendments to be made to the abovementioned directives, which form the basis for SMEs' accounting in the Community.

The directive amends directive 78/660/EEC ("Fourth company law directive") on the annual accounts of certain types of companies and directive 83/349/EEC ("Seventh company law directive") on consolidated accounts, with a view to relieving the reporting burden imposed on small and medium-sized companies (SMEs).

More specifically, the Directive stipulates that:

Article 34(2) of Directive 78/660/EEC requires that, where formation expenses can be treated as an asset in the balance sheet, those expenses be explained in the notes to the accounts. Small companies can be exempted from that disclosure requirement in accordance with Article 44(2) of that Directive. In order to reduce unnecessary administrative burdens, **it should also be possible to exempt medium-sized companies from that disclosure requirement**.

Moreover, Directive 83/349/EEC requires a parent undertaking to prepare consolidated accounts even if the only subsidiary or all of the subsidiaries as a whole are not material for the purposes of Article 16(3) of that Directive. As a consequence, those undertakings fall under Regulation (EC) No 1606/2002 and therefore have to prepare consolidated financial statements in accordance with IFRS. That requirement is considered to be burdensome where a parent undertaking has only immaterial subsidiaries.

Therefore, **a parent undertaking should be exempted from the obligation to draw up consolidated accounts and a consolidated annual report if it has only subsidiary undertakings considered as not being material, both individually and as a whole**. Although that statutory obligation should be lifted, a parent undertaking should remain able to draw up consolidated accounts and a consolidated annual report on its own initiative.

ENTRY INTO FORCE: 16/07/2009.

TRANSPOSITION: 01/01/2011.