

Company law: annual accounts of micro-entities

2009/0035(COD) - 23/09/2011 - Commission communication on Council's position

Even though it amends the Commission proposal to a considerable extent, especially on the definition of micro-entities, it maintains the thrust of the Commission proposal to offer the ability to the Member

States to exempt micro-entities from a considerable number of burdensome accounting obligations at EU level.

Whilst the Commission proposal was to allow for a full exemption, the Council position would restrict this to a pre-defined number of areas that would still allow for significant progress towards simplification.

The Commission therefore considers that it can endorse the Council position.

It should be recalled that the Council's position adopted by qualified majority maintains notably a requirement for micro-entities to draw up accounts under EU legislation.

The follow-up of amendments introduced by the European Parliament amendments:

- amendment to introduce requiring micro-entities to still be subject to the obligation to keep accounting records that show the company's business transactions and financial situation:
- amendments to highlight that Member States should have the free choice of exempting micro-entities or not, taking particular account of the situation at national level regarding the number of businesses covered by the thresholds laid down in the Directive.

The Council position supported the approach of having a separate category of micro-entity company, but it proposed a new definition that would **reduce the size thresholds for the balance sheet total and net turnover** respectively to **EUR 250 000 and EUR 500 000**.

The Commission estimates that with these lower thresholds, the simplification measures in the Council position would reach around 15% fewer companies than the Commission proposal would.

The Council proposed that the Member States should not have the ability to provide for an outright exemption from EU accounting requirements for micro-entities, but instead proposed a **number of simplifications that the Member States could adopt**.

Compared to the Commission proposal, the Council position would nevertheless continue to impose a certain number of accounting obligations at EU level, including for instance general valuation rules, mandatory layouts for the balance sheet and profit and loss account, as well as minimum transparency requirements.

Having regard to the opinion of the European Parliament at first reading, the Commission undertakes to facilitate the inter-institutional negotiation to reach an acceptable compromise for both legislators.