

Company law: annual financial statements, consolidated financial statements and related reports of certain types of undertakings

2011/0308(COD) - 26/06/2013 - Final act

PURPOSE : revision and simplification of accounting rules applicable to EU companies.

LEGISLATIVE ACT : Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC

CONTENT : the Directive concerns **the review of the accounting rules applicable to EU companies** and aims to: (i) increase the clarity and comparability of financial statements; (ii) reduce administrative burdens and to simplify accounting rules, particularly for small and medium-sized enterprises; and (iii) enhance transparency on payments made to governments by the extractive industry and loggers of primary forest.

The simplification and transparency of the accounting requirements for EU companies is one of the priority actions of the [Single Market Act](#) for growth and job creation. It is also part of the EU's "socially responsible business" strategy.

The main points are as follows:

Categories of undertakings and groups: the new Directive defines and differentiates between small, medium and large enterprises as well as micro-enterprises on the basis of their balance sheet total, net turnover and average number of employees during the financial year:

- **micro-undertakings** are defined as undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 350 000; (b) net turnover: EUR 700 000; (c) average number of employees during the financial year: 10;
- **small undertakings** are undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 4 000 000; (b) net turnover: EUR 8 000 000; (c) average number of employees during the financial year: 50. Member States may define thresholds exceeding these, but not exceeding EUR 6000000 for the balance sheet total and EUR 12000000 for the net turnover;
- **medium-sized undertakings** are defined as those which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 20000000; (b) net turnover: EUR 40000000; (c) average number of employees during the financial year: 250;
- **large groups** shall be groups consisting of parent and subsidiary undertakings to be included in a consolidation and which, on a consolidated basis, exceed the limits of at least two of the three

following criteria on the balance sheet date of the parent undertaking: (a) balance sheet total: EUR 20000000; (b) net turnover: EUR 40000000; (c) average number of employees during the financial year: 250.

Where a parent undertaking is not preparing consolidated financial statements for the group, Member States may take steps they deem necessary to require that such an undertaking be classified as a larger undertaking by determining its size and resulting category on a consolidated or aggregated basis.

Presentation of balance sheet: to allow users of financial statements to better compare the financial position of undertakings within the Union, Member States shall require **the use of one or other of the layouts for the balance sheet set out in Annexes III and IV**. If a Member State prescribes both layouts, it shall permit undertakings to choose which of the prescribed layouts to adopt.

The information presented in the balance sheet and in the profit and loss account should be supplemented by notes to the financial statements. This information is listed in the Directive.

Management report: the management report and the consolidated management report are important elements of financial reporting. A fair review of the development of the business and of its position must be provided, in a manner consistent with the size and complexity of the business. The information should not be restricted to the financial aspects of the undertaking's business, and there should be an analysis of environmental and social aspects of the business necessary for an understanding of the undertaking's development, performance or position.

Exemptions for micro-enterprises: on 18 December 2008 the European Parliament adopted a [resolution on accounting requirements](#) as regards small and medium-sized companies, particularly micro-entities, stating that the Accounting Directives are often very burdensome for small and medium-sized companies, and in particular for micro-entities.

The Directive provides that **micro-entities will be exempt from certain obligations** that may impose on them an unnecessarily onerous administrative burden. However, micro-entities should still be subject to any national obligation to keep records showing their business transactions and financial position.

In concrete terms, Member States are permitted to exempt micro and small entities from a general publication requirement, provided that: (i) balance sheet information is duly filed, in accordance with national law, with at least one designated competent authority and that (ii) the information is transmitted to the business register, so that a copy should be obtainable upon application.

Reports on payments made to governments: the Directive provides that large undertakings and public-interest entities which are **active in the extractive industry or logging of primary forests** shall disclose payments made to governments in the countries in which they operate if **the total amount of payments exceeds EUR 100 000 per year**. Such undertakings normally operate in countries rich in natural resources, in particular minerals, oil, natural gas as well as primary forests.

Payments made by undertakings active in the extractive industry or the logging of primary forests may be declared at the entity level rather than the project level. Payments and activities may not be artificially split or aggregated to avoid the application of this Directive.

ENTRY INTO FORCE : 19/07/2013.

TRANSPOSITION : 20/07/2015.

DELEGATED ACTS : the Commission may adopt delegated acts in order to take account of future changes to the laws of the Member States and to Union legislation concerning company types. The power

to adopt delegated acts shall be conferred on the Commission for an **indeterminate period** of time from the date of entry into force of the Directive. A delegated act shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act (this may be extended by two months). If Parliament or Council object to the act, the latter shall not come into force.