Basic information

2008/0084(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Directive	Procedure completed
Disclosure requirements for medium-sized companies and obligation to draw up consolidated accounts **Subject** 3.45.01 Company law 3.45.02 Small and medium-sized enterprises (SME), craft industries 3.45.03 Financial management of undertakings, business loans, accounting 3.45.08 Business environment, reduction of the administrative burdens	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
JURI Legal Affairs	VAN DEN BURG Ieke (PSE)	25/06/2008

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	VIGENIN Kristian (PSE)	20/05/2008

Council of the European Union

Council configuration	Meetings	Date
Education, Youth, Culture and Sport	2941	2009-05-11

European Commission

Commission DG	Commissioner
Financial Stability, Financial Services and Capital Markets Union	MCCREEVY Charlie

Key events

Date	Event	Reference	Summary
17/04/2008	Legislative proposal published	COM(2008)0195	Summary
20/05/2008	Committee referral announced in Parliament, 1st reading		
17/11/2008	Vote in committee, 1st reading		Summary
27/11/2008	Committee report tabled for plenary, 1st reading	A6-0462/2008	
18/12/2008	Decision by Parliament, 1st reading	T6-0631/2008	Summary

18/12/2008	Results of vote in Parliament		
18/12/2008	Debate in Parliament		
11/05/2009	Act adopted by Council after Parliament's 1st reading		
18/06/2009	Final act signed		
18/06/2009	End of procedure in Parliament		
26/06/2009	Final act published in Official Journal		

Technical information

Procedure reference	2008/0084(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	EC Treaty (after Amsterdam) EC 044-p1
Stage reached in procedure	Procedure completed
Committee dossier	JURI/6/62017

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE412.044	09/09/2008	
Amendments tabled in committee		PE414.028	08/10/2008	
Committee opinion	ECON	PE412.235	16/10/2008	
Committee report tabled for plenary, 1st reading/single reading		A6-0462/2008	27/11/2008	
Text adopted by Parliament, 1st reading/single reading		T6-0631/2008	18/12/2008	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	03748/2008/LEX	18/06/2009	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2008)0195	17/04/2008	Summary
Document attached to the procedure	SEC(2008)0466	17/04/2008	

Document attached to the procedure	SEC(2008)0467	17/04/2008	
Commission response to text adopted in plenary	SP(2009)402	29/01/2009	

Additional information		
Source	**Document**	**Date**
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act	
Directive 2009/0049 OJ L 164 26.06.2009, p. 0042	Summary

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

2008/0084(COD) - 17/04/2008 - Legislative proposal

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 of the European Parliament and of the Council.

BACKGROUND: at its meeting of 8 and 9 March 2007, the European Council agreed that the administrative burden on companies should be reduced by 25% by 2012 in order to improve the competitiveness of companies in the EU. Accounting and auditing have been identified as key areas for reducing administrative burden for European companies.

The 4th Company Law Directive (78/660/EEC) was adopted in order to create a harmonised set of requirements for the external reporting of all limited liability companies in the EU. In 1983, the **7th Company Law Directive** (83/349/EEC) was adopted and added a common set of requirements for consolidated financial statements. During the past 25 years the Accounting Directives have been modified several times. Through the adoption of the Regulation (EC) No 1606/2002 on the application of international accounting standards (IAS Regulation) listed companies (and those with listed debt) have to present IFRS accounts, and are consequently relieved from most of the requirements in the 4th and 7th Directives. These Directives however still form the basis for SME accounting in the EU. Directive 83/349/EEC requires a parent company to prepare consolidated accounts even if the only subsidiary or all of the subsidiaries as a whole are not material. As a consequence these companies are scoped in the IAS Regulation and therefore have to prepare their consolidated financial statements in accordance with IFRS. This consequence of the particular Article in Directive 83/349/EEC is considered to be excessive where a parent company has only immaterial subsidiaries.

The objective of the amendment to the 4th Company Law Directive is therefore to simplify financial reporting for small and medium-sized companies (SMEs) and relieve SMEs from financial reporting burden in a short term perspective. The objective of the amendment to the 7th Company Law Directive is to clarify the interaction between consolidation rules in this Directive and in the International Financial Reporting Standards.

CONTENT: the proposed measures form part of the second fast track package and the general programme for the reduction of administrative burden for companies by 25% by 2012 (see also COD/2008/0083):

Removal of disclosure requirement for formation expenses: formation expenses are different types of costs related to the creation of a company. For example, registration fees or legal assistance costs. These can under some circumstances be treated as an asset in the balance sheet. If this is the case, the 4th Company Law Directive requires that these “formation expenses” be explained in the notes to the accounts. Small companies can be exempted from this disclosure requirement in accordance with the Directive. The Commission suggests extending the scope of these exemptions to also include medium-sized companies.

Removal of disclosure requirements for breakdown of turnover into activity and geographical markets for SMEs: the 4th Company Law Directive requires that a breakdown of turnover into activity and geographical markets is disclosed. This is required for all companies, but small companies can

be excluded in accordance with the same Directive. The Commission suggests extending the scope of these exemptions also to include medium-sized companies.

Amendment to the 7th Company Law Directive in order to clarify the relationship of its consolidation rules with the rules of International Financial Reporting Standards: the relationship between the IAS Regulation and the 7th Company Law Directive is not clear in cases where parent companies have no material subsidiaries. The problematic issue is whether such a parent company would fall under the IAS Regulation – and therefore have to prepare IFRS accounts – or not. The Commission considers it excessive to require the preparation of consolidated accounts in the situation where a parent company has only immaterial subsidiaries. It therefore proposes to exempt any parent undertaking governed by its national law from the obligation to draw up consolidated accounts and a consolidated annual report if this parent undertaking has only subsidiary undertakings considered as not material, both individually or as a whole.

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

2008/0084(COD) - 18/12/2008 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 581 votes to 11 with 1 abstentions, a legislative resolution amending the proposal for a directive 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 obligation to draw up consolidated accounts. The report had been tabled for consideration in plenary by Ieke **VAN DEN BURG** (PES, NL) on behalf of the Committee on Legal Affairs.

The amendments were the result of a compromise between the Council and the Parliament. The main amendments - adopted under the 1st reading of the codecision procedure - were as follows:

- as regards the amendment of the 7th Directive (Directive 83/349/EEC) on consolidated accounts, MEPs stress that a parent undertaking should be exempt from the obligation to draw up consolidated accounts and a consolidated annual report if that parent undertaking has only subsidiary undertakings considered as not material, both individually and as a whole. Although this statutory obligation should be lifted, a parent undertaking could still draw up consolidated accounts and a consolidated annual report on its own initiative;

- as regards Directive 78/660/EEC, Parliament amended Article 45(2) regarding the omission of certain disclosure requirements by companies fulfilling specified criteria.

- the date of transposition must be 31 December 2010 at the latest.

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.