

Procedure file

Basic information		
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Simplified business environment for companies in the areas of company law, accounting and auditing		
Subject		
3.45.01 Company law		
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		03/10/2007
		PPE-DE LEHNE Klaus-Heiner	
	Committee for opinion	Rapporteur for opinion	Appointed
	ECON Economic and Monetary Affairs (Associated committee)		25/09/2007
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
	ITRE Industry, Research and Energy	The committee decided not to give an opinion.	
European Commission	Commission DG Financial Stability, Financial Services and Capital Markets Union	Commissioner MCCREEVY Charlie	

Key events			
10/07/2007	Non-legislative basic document published	COM(2007)0394	Summary
29/11/2007	Committee referral announced in Parliament		
29/11/2007	Referral to associated committees announced in Parliament		
27/03/2008	Vote in committee		Summary
02/04/2008	Committee report tabled for plenary	A6-0101/2008	
21/05/2008	Results of vote in Parliament		
21/05/2008	Decision by Parliament	T6-0220/2008	Summary
21/05/2008	End of procedure in Parliament		

Technical information	
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Committee dossier	JURI/6/54835

Documentation gateway					
Non-legislative basic document		COM(2007)0394	10/07/2007	EC	Summary
Committee draft report		PE398.420	27/11/2007	EP	
Amendments tabled in committee		PE400.664	06/02/2008	EP	
Committee opinion	ECON	PE400.482	28/02/2008	EP	
Committee report tabled for plenary, single reading		A6-0101/2008	02/04/2008	EP	
Text adopted by Parliament, single reading		T6-0220/2008	21/05/2008	EP	Summary
Commission response to text adopted in plenary		SP(2008)3593/2	12/06/2008	EC	
Commission response to text adopted in plenary		SP(2008)4116	17/07/2008	EC	

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

PURPOSE: to present the Commission's views on a simplified business environment for companies in the areas of company law, accounting and auditing and trigger a discussion involving Member States, the European Parliament and stakeholders in order to identify the measures best suited to make European companies fit for the Internal Market and more competitive globally.

BACKGROUND: reducing administrative burdens is important in boosting Europe's economy, especially concerning SMEs. The Commission has outlined the way to achieve this by adopting an updated simplification programme, complemented by an Action Programme (see [INI/2006/2279](#)), which emphasise the need to generate tangible economic benefits. European company law, accounting and auditing have been identified as priority areas within this initiative.

CONTENT: the harmonisation of company law, accounting and auditing at European level was central to achieving the common market. However, globalisation, technological advances and an evolving legal environment call for a review of existing EU directives to assess their continued relevance.

There are essentially two options on how to proceed for certain company law directives that address mainly domestic situations:

- to address the question whether today all existing directives are still needed or whether the EU acquis in the area of company law should be reduced to those legal acts specifically dealing with cross-border problems;
- or, to focus only on concrete, individual simplification measures in order to help EU companies.

With regard to the rest of the company law acquis that addresses specific cross-border problems, as well as to the areas of accounting and auditing, individual simplification measures seem to be the right response. In accounting and auditing, the focus should be on reducing the particularly high administrative costs for SMEs, whereas all companies should benefit from simplification measures in the field of company law.

Company law: a rigid, harmonised European framework might sometimes appear to be more of an impediment to innovation than a benefit for the Internal Market, while the competitiveness of companies also depends on the level of the administrative costs related directly or indirectly to their activity. Harmonisation does have positive effects concerning the clarity of the relation between two or more national legal systems, legal certainty and transparency but the situation may be different for directives such as the Third, the Sixth, the Second and the Twelfth Company law Directives as they focus on mainly domestic situations and do not aim at solving specific cross-border problems. In all these cases, the Commission considers that repealing the EU rules and increasing flexibility by leaving it to Member States to determine the conditions in the relevant areas would be a viable option. The total repeal of the directives might seem to be too far reaching to some. In this case, at least parts of the Third, the Sixth and probably also the Second Company law Directives should be simplified. Detailed proposals are contained in Annex 2.

Further steps are needed, in addition to the measures above, to simplify other parts of the company law acquis. This mainly concerns the First and the Eleventh Company law Directives on publishing information, which do not exploit all possibilities that today's technology offers. Proposals to this end are contained in Annex 3.

Accounting and auditing:with the Fourth, the Seventh and the Eighth Directives, harmonised accounting and auditing requirements have significantly raised the quality of financial reporting and auditing in the EU. However, the existing requirements entail administrative work which companies, notably SMEs, criticise as being unnecessarily burdensome. The Commission has identified a number of measures that could lead to tangible simplification for SMEs, including exempting "micro entities" from the application of the accounting directives, extending the transition period for SMEs crossing the thresholds from two to five years, and making it possible for certain medium-sized entities to use exemptions currently available only for small entities. Details on the measures proposed in this section can be found in Annex 4.

Next steps:in the follow-up to this communication and on the basis of the responses received, the Commission will prepare full and comprehensive impact assessments. Subject to the outcome of these impact assessments, the Commission intends to submit legislative proposals in the areas covered by this communication early in 2008.

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

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.

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

The European Parliament adopted by 639 votes to 19, with 22 abstentions, a resolution 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 the subject.

The own-initiative report had been tabled for consideration in plenary by Klaus-Heiner LEHNE (EPP-ED, DE) on behalf of the Committee on Legal Affairs.

The Parliament welcomes the general objective of the Commission's communication, which aims to reduce the administrative burden for businesses in Europe. It recalls that the Commission's legislative proposals should be based on an impact assessment targeting, in particular, small and medium enterprises as well as micro entities. 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.

Option 1: MEPs reject the first option referred to in the Commission's communication, namely to address the question whether the Community acquis in the area of company law should be reduced to those legislative acts specifically dealing with cross-border situations. They are, however, not totally averse to repealing individual provisions which, from the stakeholders' point of view, are no longer necessary or of benefit to business, provided that such repeal is not contrary to the public interest.

Concerning implementation by Member States, the resolution notes that Member States often fail to make use of optional measures by which to reduce bureaucracy, thus not passing on to companies the opportunities for simplification offered by Community law. The Commission is called to encourage an exchange of good practices between Member States, while highlighting the effective impact of the various initiatives in the field of simplification. Moreover, MEPs propose that coordination be introduced between the Member States' tax authorities, in order to harmonise the information requests made to businesses, with the aim of simplification.

Option 2: in principle, MEPs prefer the second option referred to in the communication, namely that the legislator should focus on concrete, individual simplification measures. MEPs recall that, overall, the goal of simplifying administrative requirements must encourage SMEs to seize the opportunities offered by the internal market and to operate beyond its frontiers.

The resolution underlines that auditing of accounts and disclosure requirements for publicly traded companies are vital to the sound functioning of the internal market. In this respect, new technologies, such as electronic reporting formats should make it possible to meet disclosure requirements efficiently. However, 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 for those rules is 5 September 2008, MEPs call on Member States to apply the rules promptly.

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 defined in the communication for these micro entities be broadly maintained, and that transition periods for companies' reporting requirements exceeding those thresholds be extended as appropriate.

The Commission is urged to follow up on the call expressed by the Competitive Council in its conclusions of 22 to 23 November 2007 for the active promotion of an open exchange among Member States of best practices designed to streamline reporting requirements and for an increase in the use of electronic means of communication between undertakings and public administrations and among undertakings.

In addition, MEPs believe that it is necessary to review the Statute for the European Company to bring it 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. Finally, the Parliament recommends: i) the enforcement of the 'once-only' principle, so that undertakings do not have to provide the same information more than once or to more than one recipient; ii) the organisation of consultations in order to assess the necessity and feasibility of creating an accounting and audit services regulator.