

Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Directive	2009/0035(COD) Procedure completed
Company law: annual accounts of micro-entities	
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		02/09/2009
		PPE LEHNE Klaus-Heiner	
	Former committee responsible		
	JURI Legal Affairs		02/09/2009
		PPE LEHNE Klaus-Heiner	
Council of the European Union	Former committee for opinion		
	ECON Economic and Monetary Affairs		21/07/2009
		ALDE STERCKX Dirk	
	ECON Economic and Monetary Affairs		
Council of the European Union	Council configuration	Meeting	Date
	Economic and Financial Affairs ECOFIN	3148	21/02/2012
	Competitiveness (Internal Market, Industry, Research and Space)	3094	30/05/2011
	Competitiveness (Internal Market, Industry, Research and Space)	2963	24/09/2009
European Commission	Commission DG Financial Stability, Financial Services and Capital Markets Union	Commissioner BARNIER Michel	

Key events			
26/02/2009	Legislative proposal published	COM(2009)0083	Summary
09/03/2009	Committee referral announced in Parliament, 1st reading		

24/09/2009	Debate in Council	2963	Summary
19/10/2009	Committee referral announced in Parliament, 1st reading		
28/01/2010	Vote in committee, 1st reading		Summary
03/02/2010	Committee report tabled for plenary, 1st reading	A7-0011/2010	
08/03/2010	Debate in Parliament		
10/03/2010	Results of vote in Parliament		
10/03/2010	Decision by Parliament, 1st reading	T7-0052/2010	Summary
12/09/2011	Council position published	10765/1/2011	Summary
13/10/2011	Committee referral announced in Parliament, 2nd reading		
22/11/2011	Vote in committee, 2nd reading		
23/11/2011	Committee recommendation tabled for plenary, 2nd reading	A7-0393/2011	Summary
13/12/2011	Decision by Parliament, 2nd reading	T7-0563/2011	Summary
21/02/2012	Act approved by Council, 2nd reading		
14/03/2012	Final act signed		
14/03/2012	End of procedure in Parliament		
21/03/2012	Final act published in Official Journal		

Technical information

Procedure reference	2009/0035(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	Treaty on the Functioning of the EU TFEU 050-p1; Treaty on the Functioning of the EU TFEU 294-p7-ac
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	JURI/7/06165

Documentation gateway

Legislative proposal	COM(2009)0083	26/02/2009	EC	Summary
Document attached to the procedure	SEC(2009)0206	26/02/2009	EC	
Document attached to the procedure	SEC(2009)0207	26/02/2009	EC	
Committee draft report	PE421.432	20/03/2009	EP	
Economic and Social Committee: opinion, report	CES1192/2009	15/07/2009	ESC	

Amendments tabled in committee		PE429.641	13/10/2009	EP	
Committee opinion	ECON	PE428.154	20/10/2009	EP	
Amendments tabled in committee		PE430.367	21/10/2009	EP	
Committee report tabled for plenary, 1st reading/single reading		A7-0011/2010	03/02/2010	EP	
Text adopted by Parliament, 1st reading/single reading		T7-0052/2010	10/03/2010	EP	Summary
Commission response to text adopted in plenary		SP(2010)2013	15/04/2010	EC	
Council statement on its position		13133/2011	05/09/2011	CSL	
Council position		10765/1/2011	12/09/2011	CSL	Summary
Commission communication on Council's position		COM(2011)0589	23/09/2011	EC	Summary
Committee draft report		PE473.823	18/11/2011	EP	
Committee recommendation tabled for plenary, 2nd reading		A7-0393/2011	23/11/2011	EP	Summary
Text adopted by Parliament, 2nd reading		T7-0563/2011	13/12/2011	EP	Summary
Commission opinion on Parliament's position at 2nd reading		COM(2012)0001	11/01/2012	EC	Summary
Draft final act		00079/2011/LEX	14/03/2012	CSL	

Additional information

National parliaments	IPEX
European Commission	EUR-Lex

Final act

[Directive 2012/6](#)
[OJ L 081 21.03.2012, p. 0003](#) Summary

Company law: annual accounts of micro-entities

PURPOSE: to amend the 4th Company Law Directive (Directive 78/660/EEC) to simplify the business environment and particularly the financial reporting requirements for micro-entities in order to enhance their competitiveness and release their growth potential.

PROPOSED ACT: Directive of the European Parliament and of the Council.

BACKGROUND: the European Council of 8th March 2007 underlined that reducing administrative burden is important for boosting the European economy, especially considering the potential benefits this can bring for SMEs. In this context, it called on the Commission to identify new "fast track" legislative proposals in order to reduce administrative burdens. Accounting and auditing have been identified as key areas for reducing administrative burden for European companies.

Furthermore, the [European Parliament](#) encourages the Commission to continue its activities with regard to the simplification of company law, accounting and auditing, in particular the 4th and 7th Company Law Directives, and explicitly [calls on the Commission](#) to come forward with a legislative proposal that allows Member States to exempt local and regional undertakings from the scope of the Accounting Directives.

The 4th Company Law Directive was adopted in 1978 in order to create a harmonised set of requirements for the external reporting of all limited liability companies in the EU.

IMPACT ASSESSMENT: the impact assessment covers six options:

- Option 0: No change to the Directives;
- Option 1: Encourage a full use of existing options in the Accounting Directives;
- Option 2: Obligatory exemption of micro entities from the scope of the Directives;

- Option 3: Member State option to exempt micro entities from the scope of the Directives;
- Option 4: Introduction of a simplified accounting regime for micro entities;
- Option 5: Amendments to the Accounting Directive without introducing the micro category.

The Commission considers that the option that provides the biggest burden reduction is Option 3 (option to exempt micro entities). This option can also be implemented within the shortest timeframe.

CONTENT: the Commission suggests establishing an option for Member States of removing the micro-entities from the scope of the 4th Company Law Directive and, by doing so, relieving them from the requirement to draw up annual accounts. Accordingly, the Commission proposes to add a new Article 1a to the 4th Company Law Directive extending the discretion of Member States to relieve the micro-entities from the scope of the 4th Company Law Directive.

According to that Article, Member States may provide for an exemption from the obligations under the Directive for companies which on their balance sheet dates do not exceed the limits of two of the three following criteria:

- balance sheet total: EUR 500 000;
- net turnover: EUR 1 000 000;
- average number of employees during the financial year: 10.

However, it needs to be recalled, that companies, including micro entities, keep records of sales and transactions for their own management purposes and for tax reporting. The Directive will enable Member States to align the financial reporting to such other reporting needs to avoid unnecessary administrative burden. Micro entities can on a voluntary basis still draw up annual accounts, have them audited and send them to the national register.

These changes should lead to reduced administrative burden while safeguarding adequate protection and information to stakeholders and enable alignment of the micro-entities' reporting requirements with the real needs of users and preparers.

BUDGETARY IMPLICATION: the proposal has no implication for the Community budget.

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In public deliberation, the Council held a policy debate on a draft directive aimed at simplifying the business environment, and particularly the financial reporting requirements, for micro-enterprises in order to enhance their competitiveness and release their growth potential.

The outcome of the debate provides political guidance for further work to be continued within the Council. The debate focused on two key issues:

- I. the significance of the proposed directive in a broader context of the simplification process of the 4th and 7th company law directives ("Accounting directives"), which was announced in the Commission's legislative work programme; and
- II. the optional nature of the proposal: Member States that wish to reduce administrative burdens on micro-entities caused by the requirement to draw up and publish annual accounts, would be allowed to exclude them from the scope of the 4th company law directive. However, some concerns have been raised that the optional nature of the proposal would result in de-harmonisation of rules at EU level in the field of accounting.

The European Parliament has not yet adopted its opinion on the proposal, which falls under the legislative codecision procedure.

Company law: annual accounts of micro-entities

The Committee on Legal Affairs adopted the report drawn up by Klaus-Heiner LEHNE (EPP, DE) on the proposal for a decision of the European Parliament and of the Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities. It recommended that the European Parliament's position at first reading under the ordinary legislative procedure (formerly known as the codecision procedure) should be to amend the Commission proposal as follows:

Article 1a paragraph 1 of Directive 78/660/EEC and the corresponding recital 6 should stipulate that micro-entities must still be subject to the obligation to keep records that show the company's business transactions and financial situation as a minimum standard to which Member States remain free to add further obligations.

Furthermore, it should be stressed that Member States should have the free choice of exempting micro-entities or not, taking into account in particular of the situation at national level regarding the number of businesses covered under the threshold values laid down in the Directive.

Company law: annual accounts of micro-entities

The European Parliament adopted by 618 votes to 17, with 5 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities.

The European Parliament set out its position at first reading under the ordinary legislative procedure (formerly known as the codecision procedure). The amendments amend the Commission's proposal as follows:

- Members consider that micro-entities must still be subject to the obligation to keep records that show the company's business transactions and financial situation as a minimum standard to which Member States remain free to add further obligations;
- given that the threshold values set in this Directive will apply to numbers of businesses which will vary greatly from one Member State to another, and given that the activities of micro-entities have no bearing on cross-border trade or the functioning of the internal

market, the Member States should have the freedom to decide whether or not to exempt micro-entities, taking into account, in particular, the situation at national level with respect to the number of businesses covered under the threshold values laid down in the directive;

- a new recital stresses that whilst it is imperative to ensure transparency also for micro-entities, in order to ensure that they are open and have access to the financial markets, Member States should take into account the specific conditions and needs of their own market when implementing Directive 78/660/EEC.

Company law: annual accounts of micro-entities

The Council broadly agrees with the spirit of the European Parliament's amendments and took extensive account of them when drawing up its position at first reading. Furthermore, in order to specify the principles set out in the European Parliament's position, the Council included a number of detailed provisions in view of facilitating the transposition and applicability of the Directive in the Member States.

Parliament expressed broad support for the Commission proposal and adopted five amendments to it. Parliament's main amendments included in the Council's position at first reading are the following:

a) Maintenance of the obligation to keep records showing the company's business transactions and financial situation: the Council fully supports the European Parliament's view that Member States should remain obliged to maintain a certain level of accounting obligations in order to help micro-entities to structure their finances and provide information for national authorities and, if necessary, for financial institutions.

The Council maintains a certain level of accounting obligations by modifying the concept of the Commission proposal. It introduces a variety of optional exemptions from parts of the 4th Company Law Directive instead of a complete exemption of micro-entities from the scope of the Directive. As a result Member States:

- will be free to allow their micro-entities to draw up a very simplified balance sheet and profit and loss account with almost no disclosures;
- will also have the option of replacing the current publication regime by a simple obligation for micro-entities to file the balance sheet information with one competent authority designated by the Member State concerned. If the designated competent authority is not the business register, the information will have to be transmitted to that register by the competent authority.

The conceptual change introduced by the Council aims at making clear which are the specific obligations under the 4th Company Law Directive maintained for micro-entities.

b) Member States' discretion in the implementation of the Directive: Parliament had emphasised that: (i) as the size criteria for the definition of micro-entities will lead to significant differences among Member States as regards the number of enterprises considered as micro-entities and (ii) as micro-entities usually have no cross-border activity and thus no impact on the functioning of the internal market, harmonisation by means of this Directive would not be justified.

The Council fully agrees with the European Parliament that any harmonisation is excluded from the scope of this Directive and Member States should transpose it in the way that they consider most appropriate for their national situations.

The Council also introduced additional changes: included in the Council's position at first reading

- consequences of the Lisbon Treaty: the Council's position at first reading refers to the Treaty on the Functioning of the European Union, and in particular Article 50(1) thereof and to the ordinary legislative procedure;
- the definition of micro-entities: the European Parliament's position at first reading follows the Commission's proposal as regards the following definition of micro-entities. The Council's position at first reading lowered two of the size criteria (balance sheet total: EUR 250 000; net turnover: EUR 500 000) in order to avoid the situation where the vast majority of companies would be covered by the category of micro-entities;
- transposition: a reference to correlation tables has been included in the recitals and the one in the operative provisions has been deleted.

The Council looks forward to constructive discussions with the European Parliament at second reading with a view to the early adoption of the Directive.

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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.

Company law: annual accounts of micro-entities

The Committee on Legal Affairs adopted a recommendation for second reading contained in the report drafted by Klaus-Heiner LEHNE (EPP, DE) on the Council position at first reading with a view to the adoption of a directive of the European Parliament and of the Council amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities.

The committee recommends that the European Parliament's position at first reading, under the ordinary legislative procedure, should be to amend the Commission proposal as follows:

Exemptions: Members call on the Member States to provide for exemptions from certain obligations under this Directive in respect of companies which on their balance sheet dates do not exceed the limits of two of the three following criteria (micro-entities):

- balance sheet total: EUR 350 000 (EUR 250 000 according to the Council);
- net turnover: EUR 700 000 (EUR 500 000 according to the Council).

Report: not later than 5 years after entry into force, the Commission shall present a report on the situation of micro-entities taking account in particular of the situation at national level regarding the number of businesses covered under the size criteria and the reduction of administrative burdens resulting from the exemption of the publication requirement.

Company law: annual accounts of micro-entities

The European Parliament adopted a legislative resolution on the Council position at first reading with a view to the adoption of a directive of the European Parliament and of the Council amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities.

Parliament adopted its position at second reading under the ordinary legislative procedure. The amendments adopted in plenary are the result of an agreement negotiated between the European Parliament and the Council. They amend the Council position as follows:

Exemptions: in line with the Members' requests, Member States should provide for exemptions from certain obligations under this Directive in respect of companies which on their balance sheet dates do not exceed the limits of two of the three following criteria (micro-entities):

- balance sheet total: EUR 350 000;
- net turnover: EUR 700 000.

Report: not later than 5 years after entry into force, the Commission shall present a report on the situation of micro-entities taking account in particular of the situation at national level regarding the number of businesses covered under the size criteria and the reduction of administrative burdens resulting from the exemption of the publication requirement.

Company law: annual accounts of micro-entities

The Commission accepts the amendments voted by the European Parliament at second reading on the basis of a compromise obtained at a trilogue held on 9 November 2011.

The opinion of the European Parliament at second reading is a balanced compromise, making a limited number of amendments to the Council's position:

- in order to enable more micro-entities to potentially benefit from a simplified regime, an increase in the size criteria defining micro-entities is needed: this shall be defined as an entity comprising of no more than 10 employees, a maximum net turnover of 700 000 and/or a maximum total balance sheet of 350 000 (two of three criteria have to be matched);
- clarification of the reach of the exemption from publication requirements foreseen in the Council position. As a result, the balance sheet information of micro-entities filed with the public registers should be obtainable to stakeholders upon application, and micro-entities should no longer have to disclose that information by ways of publication in the national gazette nor other equally effective means;
- a comprehensive review clause invites the Commission, not later than 5 years after entry into force, to submit a report on the situation of micro-entities taking account in particular of the situation at national level regarding the number of businesses covered under the size criteria and the reduction of administrative burdens resulting from the exemption of the publication requirement;

- it removes, with the Commission's consent, the encouragement for the Member States to draw up correlation tables.

Company law: annual accounts of micro-entities

PURPOSE: to amend the 4th Company Law Directive (Directive 78/660/EEC) to simplify the business environment and particularly the financial reporting requirements for micro-entities in order to enhance their competitiveness and release their growth potential.

LEGISLATIVE ACT: Directive 2012/6/EU of the European Parliament and of the Council amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities.

CONTENT: the Council adopted a directive aimed at exempting very small companies from accounting and financial reporting obligations, following an agreement with the European Parliament at second reading.

The new provisions have the potential to significantly reduce the administrative burden for those companies not exceeding the limits of two of the following criteria:

- a balance sheet total of EUR 350 000,
- a net turnover of EUR 700 000 and
- an average of ten employees during the financial year.

The directive will allow Member States to exempt micro-enterprises from the publication of annual accounts. This optional exemption will be compatible with national obligations to keep records showing the company's business transactions and financial situation.

Report: not later than 10 April 2017 the Commission shall submit to the European Parliament, the Council and the European Economic and Social Committee a report on the situation of micro-entities taking account in particular of the situation at national level regarding the number of companies covered by the size criteria and the reduction of administrative burdens resulting from the exemption from the publication requirement.

ENTRY INTO FORCE: 10/04/2012.

TRANSPOSITION: Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive if and when they decide to make use of any option provided for in Article 1a of Directive 78/660/EEC, taking into account in particular the situation at national level regarding the number of companies covered by the size criteria laid down in paragraph 1 of that Article.