



# **Accountants and Simplification for SMEs The European initiative**

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## Preliminary remarks

- SME in their day-to-day activities face administrative burden and costs
- Most of it is caused by national legislation
- Good accounting is a necessary component of successful business and EU-wide system should be promoted



## The European initiative on simplification

- At the European Council in March 2007, the EU and the Member states committed to reduce administrative burden and costs by 25% by 2012
- Accounting and auditing rules have been defined as priority areas within this initiative
- In July 2007, the European Commission issued a communication on simplifying accounting and auditing and launched a consultation on its proposed measures
- 3 possible areas of action were identified:
  - ✓ Company law
  - ✓ Accounting
  - ✓ Auditing
- A particular focus on accounting and auditing for SMEs (Annex 4 of the communication)



## General comments on simplification for SMEs

- Although the simplification initiative is very welcome, the Commission's approach is too political and is not based on market realities and do not take into consideration the needs of the users
- **in accounting**
  - Although the EC emphasizes in the progress made in harmonising accounting and auditing rules, EFAA believes it is far from being completed
  - How are the modernisation process of the accounting directives and the application of a common set of standards in auditing and the simplification initiative linked?
  - Find a balance / equation between harmonisation and simplification
  - In this field, the proposed IFRS for SMEs ED is not the answer



## ➤ in auditing

- Main concern is the endorsement of the ISAs that are very likely to increase administrative burden for SMEs and SMPs (Clarity project)
- The Think small first approach is left far behind
- The EC should focus on providing proper guidance and education and training



## More specific comments on the proposed measures to simplify accounting and auditing for SMEs

- Introduction of a micro-entities category
- Trespassing thresholds for SMEs
- Relief from publication for small entities
- Extension of exemptions for companies without particular external user



## Tentative conclusions

- Reducing multiple filings and useless redundant reporting requirements
- Ensuring legal certainty and stability, as constant regulatory or administrative change is perceived as a significant burden
- Analysing and providing weighted solutions with regards to the future implementation of ISAs and their applicability to SMEs
- Further to the accounting and auditing areas, progress in the field of taxation is also an essential component of simplification  
→ the "VAT package" recently approved by the European Council and promoting the implementation of a "One-Stop-Shop" is a good example of concrete simplification for businesses