I. INTRODUCTION

The Rapporteur, Mr Klaus-Heiner LEHNE (EPP, Germany), presented a report consisting of 5 amendments (amendments 1-5) to the proposal for 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. In addition, Dirk Sterckx (ALDE, Belgium) and other MEPs tabled 2 amendments (amendments 6-7).
II. DEBATE

The Rapporteur, Klaus-Heiner LEHNE (EPP, Germany) opened the debate:

- recalling that the object of this Proposal for a Directive was supported by the European Parliament for years, since it aimed at reducing administrative burden for micro entities, meaning locally active, for an amount of nearly 6.3 billion EUR.
- stated that the Internal Market perspective should only be contemplated for crossborder trade.

Commissioner Michel BARNIER:

- recalled that this Commission Proposal was an answer to the European Parliament Resolution of 18 December 2008 on accounting requirements as regards small and medium-sized companies, particularly micro-entities which called on the exemption of micro entities from the scope of the 4th and 7th Company Law Directives;
- recalled that the European Economic and Social Committee supported this Commission initiative;
- claimed for the adoption of this Proposal as soon as possible, and not within the context of a global revision;
- recalled that this Proposal gave Member States an option to proceed with this simplification, while not removing all accounting requirements for those micro-entities;
- concluded that the European Parliament should adopt the LEHNE Report.

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Speaking on behalf of the Committee on Economic and Monetary Affairs, Dirk STERCKX (ALDE, Belgium):

- agreed with the Commission on the need for less administrative burden on small and medium businesses;
- called the Commission to provide for an impact assessment of the Proposal going beyond the sole 6,3 EUR Billion saving.

Speaking on behalf of the EPP Group, Tadeusz ZWIEFKA (EPP, Poland):

- recalled that the first year was decisive for the survival of micro-entities, since 30% disappeared;
- recalled that micro-entities were family based businesses which implied there was no need for such accounting reporting.

Speaking on behalf of the S&D Group, Françoise CASTEX (S&D, France):

- stated that the S&D Group was critical towards this Proposal which could backfire when its beneficiaries would enter into negotiations with banks, financing entities, tax and administrative authorities, since the accounting rules will them be imposed on micro-entities, and the cost would be superior to that of having regular daily accounting records;
- added that in addition to the cost, micro-entities will then be facing accounting rules they are not familiar with;
- claimed that a simplification of accounting rules was needed, but within the context of a global revision, including the revision of the 4th and 7th Company Law Directives which the Commission had promised for 2010.
Speaking on behalf of the ALDE Group, Alexandra THEIN (ALDE, Germany):

- stated that this Proposal would help micro-entities not to have to apply accounting standards designed for large companies, with the subsequent need to hire tax advisors, legal experts and auditors depending on the Member State concerned;
- recalled that this Proposal gave Member States an option to proceed with this simplification, while not removing all accounting requirements for those micro-entities;
- called on the house to approve the LEHNE Report.

Under Rule 149(8) William (the Earl of) Dartmouth (EFD, UK) asked Françoise CASTEX (S&D, France) if she agreed that S&D position was equivalent to an opposition to the Proposal. In her answer, Françoise CASTEX (S&D, France) claimed that her political group position aimed at improving the situation for micro-entities, which was not the case with this Commission Proposal.

Speaking on behalf of the ECR Group, Kay SWINBURNE (ECR, UK) recalled that in the ECON Committee, the ECR Group voted in favour of the rejection of the Proposal as proposed by the Rapporteur for ECON (Dirk STERCKX) and claimed that, in the current economical context this Proposal should nevertheless be supported however little the benefits would be.

Speaking on behalf of the GUE/NGL Group, Cornelis de JONG (GUE/NGL, Netherlands) recalled that administrative formalities were a challenge for micro-entities, and that exempting them from excessive accounting standards would be a positive measure.

Speaking on behalf of the EFD Group, William (the Earl of) Dartmouth (EFD, UK) recalled that micro-entities were the only hope for young unemployed and supported the LEHNE Report.
Diogo FEIO (EPP, Portugal) stated that the LEHNE Report was an essential step not only in the current economical context but also in terms of simplification for small businesses.

Evelyn REGNER (S&D, Austria) stated that the purpose of the LEHNE Report was good, and that her group would support it, even though it could be addressed within the framework of the revision of the 4\textsuperscript{th} Company Law Directive.

Jaroslav Paška (EFD, Slovakia) stressed the difference between Europe, China and Asia from the administrative and taxes point of view, which should lead to eliminate cumbersome situations.

Othmar KARAS (EPP, Austria) stressed that if there was no general agreement on the LEHNE Report it was because there were serious questions such as the compatibility with the Basel II Convention.

Marianne THYSSEN (EPP, Belgium) claimed its support for simplification for small businesses, but stressed that this should not lead to introducing new obligations, and stated that it could not support the LEHNE Report but rather the STERCKX Report and the global revision of the 4\textsuperscript{th} and 7\textsuperscript{th} Company Law Directives.

Hella RANNER (EPP, Austria) stressed that simplification should be achieved completely and accurately, while being careful not to invent new rules.

Arturs Krišjānis KARIŅŠ (EPP, Latvia) stressed both the paper of micro-entities in solving the current economic crisis and the contribution of the LEHNE Report in helping the Commission to reduce administrative burden.

Lara COMI (EPP, Italy) stressed that the simplification of accounting procedures should be the best example of cutting red tape.
Monika HOHLMEIER (EPP, Germany) claimed its support for the LEHNE Report as a first step.

Jean-Paul GAUZÈS (EPP, France) emphasized the need both for adopting the LEHNE Report and preparing the global revision of the 4th and 7th Company Law Directives.

Seán KELLY (EPP, Ireland) welcomed the fact that the LEHNE Report would represent a saving of an amount of nearly 6.5 billion EUR.

Georgios PAPANIKOLAOU (EPP, Greece) stressed that the LEHNE Report would reduce administrative burden on small businesses, but that when put in practice it could serve other means.

Zigmantas BALČYTIS (S&D, Lithuania) stressed that the exemption for micro-entities to produce annual accounts was a very good thing.

Commissioner Michel BARNIER:
- emphasized that the LEHNE Report potentially targets 5 million businesses in the European Union, but contrary to what was said did not aim at suppressing annual accounts;
- stressed that an agreement with the Council should be found.

The Rapporteur, Klaus-Heiner LEHNE (EPP, Germany) closed the debate by recalling that the Report presented minimum rules not removing all accounting requirements for micro-entities and hence pleaded for an agreement as soon as possible since micro-entities did not need 4th and 7th Company Law Directives.
III. VOTE

The parliament adopted 6 amendments when it voted in plenary on Wednesday 10 March (amendments 1-5 and the first part of Amendment 7).

The text of the amendments adopted and the European Parliament's legislative resolution are annexed to this note.
Annual accounts of certain types of companies as regards micro-entities

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to the European Parliament and the Council (COM(2009)0083),
– having regard to Article 251(2) and Article 44(1) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0074/2009),
– having regard to the Communication from the Commission to the European Parliament and the Council entitled "Consequences of the entry into force of the Treaty of Lisbon for ongoing interinstitutional decision-making procedures" (COM(2009)0665),
– having regard to Article 294(3) and Article 50(1) of the Treaty on the Functioning of the EU,
– having regard to the opinion of the European Economic and Social Committee of 15 July 2009¹,
– having regard to Rule 55 of its Rules of Procedure,
– having regard to the report of the Committee on Legal Affairs and the opinion of the Committee on Economic and Monetary Affairs (A7-0011/2010),

1. Adopts the position at first reading hereinafter set out;
2. Calls for a general revision of the 4th and 7th Company Law Directives in 2010;
3. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
4. Instructs its President to forward its position to the Council, to the Commission and to the national parliaments.

Amendment 1

Proposal for a directive – amending act
Recital 6

Text proposed by the Commission

(6) Micro-entities are however often subject to the same reporting rules as larger companies. Those rules put a burden on them which is not in proportion to their size and is therefore disproportionate for the smallest enterprises as compared to the larger enterprises. Therefore it should be possible to exempt micro-entities from the obligation to draw up annual accounts, even if such accounts provide an input for statistical information.

Amendment

(6) Micro-entities are however often subject to the same reporting rules as larger companies. Those rules put a burden on them which is not in proportion to their size and is therefore disproportionate for the smallest enterprises as compared to the larger enterprises. Therefore it should be possible to exempt micro-entities from the obligation to draw up annual accounts, even if such accounts provide an input for statistical information. However, micro-entities must still be subject to the obligation to keep records showing the company’s business transactions and financial situation as a minimum standard to which Member States remain free to add further obligations.

Amendment 2

Proposal for a directive – amending act
Recital 8 a (new)

Text proposed by the Commission

(8a) 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 take into account the differing impact of these values when implementing this Directive at national level.

Amendment

(8a) 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 take into account the differing impact of these values when implementing this Directive at national level.
Proposal for a directive – amending act
Recital 8 b (new)

Text proposed by the Commission

(8b) 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.

Amendment 4

Proposal for a directive – amending act
Article 1
Directive 78/660/EEC

Article 1 a – paragraph 1 – introductory wording

Text proposed by the Commission

1. Member States may provide for an exemption from the obligations under this Directive for companies which on their balance sheet dates do not exceed the limits of two of the three following criteria:

Amendment

1. Whilst maintaining the obligation to keep records showing the company's business transactions and financial situation, Member States may provide for an exemption from the obligations under this Directive for companies which on their balance sheet dates do not exceed the limits of two of the three following criteria:

Amendment 5

Proposal for a directive – amending act
Article 2 – paragraph 1 – subparagraph 1

Text proposed by the Commission

1. 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 the option provided for in Article 1a of Directive 78/660/EEC. They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions

Amendment

1. 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 the option provided for in Article 1a of Directive 78/660/EEC, taking account in particular of the situation at national level regarding the number of businesses covered under the threshold values laid
and this Directive. *down in that Article.* They shall forthwith communicate to the Commission the text of those provisions and a correlation table between those provisions and this Directive.