



**COUNCIL OF
THE EUROPEAN UNION**

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ADDENDUM TO THE "I/A" ITEM NOTE

from : General Secretariat of the Council

to : COREPER / COUNCIL

Subject : Proposal for a Regulation of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (**first reading**)

- Adoption of the legislative act (**LA + S**)

= Statements

COMMON GUIDELINES

Consultation deadline for Croatia: 19.6.2013

Statement by Bulgaria

The Republic of Bulgaria supports the objectives of the proposal for new Accounting Directive:

1. The reduction of administrative burden/simplification targeting mainly small companies;
2. To increase of the clarity and comparability of the financial statements;
3. The protection of essential user needs aiming at retaining necessary accounting information for users;

4. The increased transparency on payments made to governments by the extractive industry and loggers of primary forests.

The Republic of Bulgaria supports in principle the Proposal for full harmonisation of the categories small, medium-sized and large undertakings and groups within the European Union.

The Republic of Bulgaria could not support the final text of the proposal for a new Accounting Directive (8328/13), as the proposed thresholds for "small undertakings" and "small groups of undertakings" regulated in Article 3, paragraphs 1 and 4 of the proposal are very high for Bulgaria.

The Republic of Bulgaria could support a proposal for decreasing of the thresholds for the above-mentioned categories, namely:

Small undertakings and small groups of undertakings are undertakings which on their balance sheet dates do not exceed the limits of two of the three following criteria:

- Balance sheet total: EUR 2 500 000 (the final proposal being EUR 4 000 000);
- Net turnover: EUR 5 000 000 (the final proposal being EUR 8 000 000);
- Average number of employees during the financial year: 50.

The request for decreasing the thresholds is consistent with the actual economic situation in the Bulgaria, the analyses of officially published financial statements of the operating undertakings and analysis of statistical data and the information submitted to the revenue authorities of the National Revenue Agency. From the existing in 2011 366 000 undertakings, only 5 292 (including 756 - large undertakings and 4 536 - medium-sized undertakings) would fall into the categories medium-sized and large undertakings according to the indicators proposed. The relative share of the medium-sized and large undertakings to all operating undertakings will be 1.45 %. The remaining 98.55 % will fall into the category "small undertakings".

The Republic of Bulgaria considers that such categorisation of the undertakings would not achieve two of the key objectives set out in the Proposal for a directive, namely protection of essential user needs aiming at retaining necessary accounting information for users and reduction of administrative burden/simplification targeting mainly small companies.

Approximately 99 % of all undertakings operating in the country will have to apply a regime of limited disclosure of information on financial and property status. The regime of limited disclosure could not provide the necessary information for certain categories of users of financial accounting information – revenue authorities of the NRA, credit institutions, investors, shareholders, etc. Small undertakings will have to provide additional accounting information to the above-mentioned users, which in practice will not result in reduction of the administrative burdens as expected from the implementation of the regime of limited disclosure.

On the grounds of the above, the Republic of Bulgaria votes "abstention" on the Proposal for a directive of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Statement by Estonia

Estonia decidedly supports key objectives of the proposal, including:

- (1) reduction of administrative burden for small companies;
- (2) increased clarity and comparability of financial statements and
- (3) protection of users of financial statements by retaining necessary accounting information.

Therefore, we are all the more disappointed having to express our strong opposition to the final version of the directive, which in our case would seriously damage those very objectives it professes to seek.

In order to cut administrative burden shouldered by small companies, the directive forbids Member States to require anything but most limited information in their financial statements - to the extent that calls conformity to the principle of true and fair view into question. This is a significant problem for a number Member States, including Estonia, where SMEs account for approximately half of all economic activity. Resulting reduction in transparency of economic environment shall undoubtedly undermine trust and create problems raising capital. That reduction of administrative burden thus gained would be more than offset by increase in other kinds of reporting duties, solvency problems, bankruptcies and litigations is a view shared also by Estonian business community. We believe that principle of true and fair view needs to take primacy over any other consideration and that reduction of administrative burden must not happen at the expense of clarity and best accounting practices but through streamlining reporting processes and integration of public databases.

Approach chosen in the directive is especially counterproductive to us. While Estonia has striven to foster accounting framework closely based on international financial reporting standards (IFRS) and its sister-standard, IFRS for SMEs, we have in parallel also paid great attention to easing administrative burden through innovation and elimination of duplicate submissions. We have developed a one-stop web portal to, *inter alia*, prepare and submit electronic annual accounts, providing both tax and statistics related information, which has been recognized as the world's best e-government solution of the last decade by *United Nations World Summit on the Information Society* and very positively received by our companies.

Scrapping this well-functioning system in favor of abstaining from collecting relevant financial information altogether or collecting the same info several times via different channels would represent a step backwards with regards to every purported objective of the directive as well as a deviation from what are internationally considered best practices. The latter is a concern that goes further than the problems faced by Estonia, having troubling implications for long-term success of entire Union.

Statement by Portugal

Since the start of the negotiations, Portugal has been warning about the negative impact of this legislative proposal, which proposes maximum harmonisation for small entities.

While our support for the principle of reducing administrative costs for small entities is not in question, the introduction of a harmonised concept of a small entity introducing a threshold under which 95 % of Portuguese undertakings fall, together with the impossibility of Member States demanding additional documents except for the purposes of tax information, is clearly ill-adapted to our real economic situation. In addition, these exemptions may jeopardise the transparency, security and credibility of undertakings' financial statements for all users.

Transposition of this text into national law will inevitably entail alteration of the standardised national accounting system adopted in 2010 with the aim of bringing national accounting standards into line with the various International Accounting Standards, thereby ensuring consistency between the accounting principles and concepts of undertakings in Portugal. The IT platform for the provision of information by undertakings will also have to be altered.

Portugal consequently regrets that the alternative solutions that it proposed during the negotiations for greater flexibility in the provision of information by small entities have not been taken into consideration in this text.
