



*"The voice of crafts and SMEs in Europe"*

## Parliament's ok to accounting exemptions a step back for the internal market

*MEPs cannot claim that they have done something for SMEs today – it's quite the opposite, says UEAPME*

Brussels, 10 March 2010 – UEAPME, the European craft and SME employers' organisation, criticised today the European Parliament for giving the green light to a deceptive proposal on accounting exemptions, which is unlikely to live up to its claimed cost reduction potential but will decrease transparency and create an uneven playing field between businesses operating in different Member States. Further to MEPs' vote, Member States could exempt micro-companies with limited liability status from having to draw up and publish annual accounts. According to UEAPME and contrary to some claims, this will not generate a net cost reduction since micro-entities will have to keep filing accounts anyway for national administrations, banks, suppliers and customers. Moreover, red tape will be displaced rather than reduced, as MEPs allowed Member States to add further unspecified obligations to exempted micro-companies. UEAPME therefore recommended simplifying the existing harmonised accounting rules as a more viable alternative and called on the Council to reject the current proposal.

*"No one questions that red tape must be reduced and accounting requirements must be simplified, but today's vote is a step back in both respects. Contrary to what the Parliament claims, the proposal as approved will not cut red tape or produce savings for micro-companies. Conversely, it will generate new constraints for them, both in countries where the exemption will be used and elsewhere. This is not better regulation. Despite the efforts of many MEPs, the Parliament failed to nip this proposal in the bud today",* said Secretary General **Andrea Benassi**.

First of all, there is no evidence that this proposal will lead to a net cost reduction and reduce red tape. The impact assessment accompanying the text was put together in a hurry, greatly exaggerates the potential savings and is based on wrong data and incorrect assumptions, explained Mr Benassi. The information now drawn from accounts will have to be collected through other means, which will most probably eat up any possible savings – an aspect neglected in the study.

Secondly, micro-companies will continue to need financial information, for example to have access to finance and to public procurement at local, national and European level, to get information about potential business relationships and competitors as well as in their relations towards suppliers and clients, insurers, leasing companies, and banks. An exact and correct overview of the financial situation of a company is also crucial in business transfers and for filing tax returns. Such information will be harder or impossible to find if the Parliament's resolution is approved by the Council.

Thirdly, the proposal will create an uneven playing field in the internal market by creating additional barriers to cross-border business. For instance, it will be impossible for a micro-entity doing cross-border trade to check the solvability of a potential trading partner. To add insult to injury, Member States will be "free to add further obligations" to exempted micro-companies further to today's vote. *"This is a very peculiar way to cut red tape indeed",* commented Mr Benassi.

Finally, UEAPME stressed once again the need for harmonised and simplified accounting rules as a better alternative. A harmonised accounting framework is essential to the single market and more national regulation could enhance fragmentation and exclude micro enterprises from the internal market, thus hampering growth and job creation.

*"The European Parliament should defend the single market and act in the common European interest. Regrettably, this was not the case today. Many MEPs simply assumed that annual accounts are no more than a disposable burden for micro-companies and decided to throw the baby out with the bath's water by allowing exemptions. The Council should scrap this proposal and lead Europe to simplify the existing rules for all companies instead",* concluded Mr Benassi.

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**EDITORS' NOTES:** UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 82 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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