

Brussels, 15 December 2005

Financial reporting: Commission welcomes Parliament's support for strengthened accounting rules and easing burdens on small companies

The European Commission has welcomed the European Parliament's vote on 15 December 2005 to approve the proposal for a Directive amending the European Union's Accounting Directives. The amendments will bring improved disclosure by obliging listed EU companies to provide annually a corporate governance statement and providing more insight into the use of off-balance sheet arrangements and unusual transactions with related parties, such as the spouse of a board member. In addition, thresholds defining small and medium sized companies will be increased by 20%, which will help to reduce those companies' financial reporting burdens.

Internal Market and Services Commissioner Charlie McCreevy said: "This is good news. The approach followed by the European Parliament is totally in line with what I intend to achieve with Better Regulation. We improve disclosure for the most complex listed and unlisted companies and at the same time allow Member States much more scope for reducing burdens on small and medium sized companies. Empowering investors to better understand complex accounting techniques by large companies and freeing small companies from red tape will spur on economic growth."

The amendment of the Accounting Directives establishes collective responsibility of board members at EU level; improves transparency about unusual related parties' transactions and off-balance sheet arrangements; and introduces an obligation for listed EU-companies to annually provide a corporate governance statement.

The amendments to the Accounting Directives will also allow Member States to remove inconsistencies between IAS 39, the renowned international accounting standard on fair value measurement, and the Accounting Directives. This is in line with the recently adopted Commission Regulation of 15 November 2005 1864/2005 ([IP/05/1423](#)) with regard to listed companies.

Thresholds (balance sheet total and net turn over) defining small and medium sized limited liability companies will be increased by 20%. This is relevant only for the Accounting Directives and not for the Commission Recommendation defining micro, small and medium sized enterprises or Community legislation associated with the Recommendation.

Member States decide for themselves whether they want to use the possibilities offered by the Directive to alleviate accounting regulatory burdens on companies. Nevertheless, with this increase the Commission and the European Parliament provide a unique opportunity for Member States.

Changes in thresholds:

Small companies	From (Euro)	To (Euro)
Balance sheet total	3.650.000,00	4.400.000,00
Net turn over	7.300.000,00	8.800.000,00
Medium sized companies	From (Euro)	To (Euro)
Balance sheet total	14,600,000,00	17.300.000,00
Net turn over	29,200,000,00	35.000.000,00