

# EU progresses towards insanity on small business account...

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I've [noted this](#):

*The EU Commission has today confirmed proposals which would exempt businesses from financial reporting rules, if they meet two of the following three criteria: a turnover less than €1 million, employ fewer than 10 people, hold a balance sheet total below €500,000.*

*In short, no more time and money spent preparing annual accounts.*

*The EU estimates this could save EU businesses a much needed £5.5 billion at a time when SMEs are being hard hit by the deteriorating economy.*

*Subject to approval by the Council of Ministers and the European Parliament, the amendment to the Fourth Council Directive (78/660/EEC - details as a [pdf here](#)) is likely to come into force during the first half of 2010.*

It will be down to individual member states to decide how/if they implement the change.

EU Internal Market and Services Commissioner, Charlie McCreevy, said:

*This is a real opportunity to make life easier for the EU's smallest companies. We intend to do whatever we can to encourage maximum take up of this exemption by our Member States.*

I call this progression towards insanity.

We want to reduce risk in the economy. So we say up to 50% of the economy need no longer produce accounts.

We want to reduce the cost of capital for small business. So we make it harder for anyone to assess the risk inherent in their business.

We want to increase tax compliance rates. So we say you don't need accounts for small business in a standard format that a tax authority can assess.

And of course we want to reduce the risk of fraud. So we take the obligation to file accounts away.

The EU says:

*The objective of this proposal of an amendment to the Directive 78/660/EEC on the annual accounts of certain types of companies (4th Company Law Directive)<sup>1</sup> is to simplify the business environment and particularly the financial reporting requirements for micro-entities in order to enhance their competitiveness and release their growth potential. The changes should lead to reduced administrative burden while safeguarding adequate protection and information to stakeholders and enable alignment of the micro-entities' reporting requirements with the real needs of users and preparers.*

And I say that is undiluted madness.

We are all stakeholders of limited liability entities - they have an obligation to us all. In that case they have to accept filing accounts as the price they pay for the benefit they get.

If they don't want the benefit then don't incorporate is my answer - but this proposal is plain straightforwardly mad - from the era of de-regulation that has brought us close to ruin already.

What we actually need are full accounts on line, to shorter deadlines and with audit reinstated. That is the right direction of travel at this moment. Nothing else will do.

Hat tip to [Dennis Howlett](#)