

## APPENDIX A: COUNTRY REPORTS

### Austria

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	< 7,3 mio. €	< 3,65 mio. €	50
<b>Medium-sized company</b>	< 29,2 mio. €	< 14,6 mio. €	250

\*Austrian Institute for SME Research

#### **2. To which extent has Austria made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?** (The answers to these questions have been found in the attached Austria-answer document that was sent to us)

- **Publication of abridged balance sheet?** *Small companies:* Austria has made use of the Member State option not to publish the abridged balance sheet – but has made no exemption for publication *Medium sized companies:* Austria has made use of this Member State option both the possibility to abridge the balance sheet and to exempt publication
- **Publication of profit and loss account?** Austria has made use of this Member State option fully for both small and medium sized companies.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* Austria has made use of this Member State option concerning 29(2), 34(2), 40(2), 42. No exemption has been granted concerning 15(3), 15(4), 18, 21 *Medium sized companies:* Austria has made use of this Member State option.
- **Preparation and publication of annual report?** Austria has not made use of this Member State option accounting both for small and medium sized companies.

#### **3. Does Austria make use of the option to exempt small companies from statutory audit?** Austria has made use of this Member State option fully. The audit exemption conditions are met if a company qualifies as small;

#### **4. Would an increase in the threshold levels affect the levels used in the Austria?**

Austria has always followed the recommendations of the EU on the threshold levels

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

No risks foreseen

#### **6. What are the numbers of bankruptcies in Austria (2004) within small and medium sized companies?** 6 318 in total (not only SME)

## APPENDIX A: COUNTRY REPORTS

[http://www.myksv.at/ksv\\_edit/KSV/de/03\\_news/05\\_statistiken/01\\_insolvenz/ITF1/XML/Von\\_nun\\_an\\_geht-%238217s\\_bergab\\_\\_mit\\_den\\_Pleiten\\_.html](http://www.myksv.at/ksv_edit/KSV/de/03_news/05_statistiken/01_insolvenz/ITF1/XML/Von_nun_an_geht-%238217s_bergab__mit_den_Pleiten_.html)

## APPENDIX A: COUNTRY REPORTS

### **Czech Republic**

#### **1. What thresholds are being applied to define small and medium sized companies?**

The Czech Republic does not apply general definitions for small and medium sized companies. The thresholds applied relate to specific regulatory issues. Companies that are smaller than the first thresholds level are exempt from statutory audit. Companies that are smaller than the second threshold are not required to consolidate their financial accounts.

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company/first level</b>	2 667 000 EURO	1 333 000 EURO	50
<b>Medium-sized company/second level</b>	23 333 000 EURO	11 667 000 EURO	250

#### **2. To which extent has Czech Republic made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

Companies smaller than level 1 are allowed preparing abridged balance sheets, profit and loss accounts and notes on the accounts. However, all commercial registered companies have to publish annual reports, the reports might present abridged financial statements but publication is still mandatory. Joint Stock companies are exceptions. Independent of size they are always required to prepare and publish full financial statements.

The only alleviation justified beneath the second threshold is no obligation to preparing consolidated financial statements.

#### **3. Does the Czech Republic make use of the option to exempt small companies from statutory audit?**

See questions 1

#### **4. Would an increase in the threshold levels affect the levels used in the Czech Republic?**

The Czech Republic has not yet developed an opinion in this matter. They want to go forward with analysis before they express their view, and can therefore at this not say much about how they will respond to increased threshold levels. However, given the structure of the enterprise population in Czech Republic, an increase would most likely be inappropriate. Czech Republic is currently applying lower thresholds compared to the Commission. Applying the threshold stated in the Directive means that almost no Czech companies would fall under full accounting regulation, since most enterprises in Czech Republic are small. The structure of the enterprise

## APPENDIX A: COUNTRY REPORTS

population is very different compared to old Member States. The vast majority of companies are SMEs, according to EU standards.

**5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

## APPENDIX A: COUNTRY REPORTS

### Denmark

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	7 800 000 EURO	3 900 000 EURO	not more than 50
<b>Medium-sized company</b>	32 00 000 EURO	16 000 000 EURO	not more than 250

#### **2. To which extent has Denmark made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** Denmark has not made use of the options in article 47 (2a) and 47 (3a) in 4th Directive on abridged balance sheet. And has furthermore not made use of the option to relief small companies from publication.
- **Publication of profit and loss account?** Denmark has not made use of the option in article 47, and small companies can therefore omit to publicize profit and loss account. *Medium sized companies:* Denmark has omitted medium sized companies from article 47 (b) in the 4th. Directive. The Danish decision for using the options on omitting is very restrictive.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* Denmark has to some extent made use of this Member State option. The exemption of abridged notes on the accounts concerns following: article 43 (1), (5), (6), (8), (9 only the second part) and (12). Furthermore they can omit article 15 (3) (a - information regarding financial fixed assets.), (18, only the last part), (21, only the last part), 29 (2), 30, 40 (2) and the second paragraph to article 42.
- **Preparation and publication of annual report?** *Small companies* shall prepare and publicizes an annual report. They can however omit to give information concerning the annual report hence article 46 (2) (b), (c), (e) and (f) and article 46 (1) (b). Denmark has not made use of the option in article 47, and small companies can therefore omit to publicize an annual report and a accounting signature.

#### **3. Does Denmark make use of the option to exempt small companies from statutory audit?**

No small companies are not omitted from statutory audit hence to Danish law (article 51 (2) in the 4th. Directive). At the moment Denmark is however working on a proposal to a new bill, in which the statutory audit can be omitted totally for very small companies. (The definition of very small companies is: Balance sheet total under 1½

## APPENDIX A: COUNTRY REPORTS

mio. kr./(EUR 0,20 mio.), a net turnover of 3 mio. kr./(EUR 0,40 mio.) and number of employees not more than 12. Holding companies are not included in this omitting.

### **4. Would an increase in the threshold levels affect the levels used in the Denmark?**

Denmark has so fare made fully use of the thresholds in the 4th Directive, and would therefore probably consider increasing the thresholds as well.

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

In Denmark there has so fare not been conducted an analyse to shed light on this question. They are awaiting the consequence report from the Commission!

## APPENDIX A: COUNTRY REPORTS

### Estonia

#### **1. What thresholds are being applied to define small and medium sized companies?**

In the context of 4th directive (accounting and auditing) the difference between SME-s and larger firms could be distinguished on a basis of the auditing obligation – otherwise the difference is not clearly identified. The thresholds for the distinction are in that case significantly lower than in 4th directive.

According to Estonian Accounting act the annual report of a company must be audited if at the balance sheet date of the accounting year the company exceeds the limits of at least two of the three following criteria (note that these thresholds were changes January 1 2005):

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Obligation to audit (from 2005)</b>	639 116 EURO	3199 558 EURO	10
<b>Obligation to audit (before 2005)</b>	383 470 EURO	191 735 EURO	5

#### **2. To which extent has Estonia made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

The Estonian Accounting Act establishes for all companies that use the Estonian GAAP one balance sheet scheme as well as schemes for profit and loss accounts and the obligatory notes, without making any clear distinction between large and small companies. All companies in Estonia are registered in the Commercial Register and they are obliged to submit their annual reports to the Register, where it is publicly available.

#### **3. Does Estonia make use of the option to exempt small companies from statutory audit?**

Yes. According to Estonian Accounting act the annual report of a company must be audited if at the balance sheet date of the accounting year the company exceeds the limits of at least two of the three criterias specified in question 1. Below these thresholds the auditing of accounts is not obligatory (if not provided otherwise by the law). However the Estonian Business Code also prescribes that the annual accounts of all public limited companies must be audited, thus the exemption does not concern the public limited companies.

#### **4. Would an increase in the threshold levels affect the levels used in the Estonia?**

No. The thresholds in Estonia are already now significantly lower than in 4th directive.

## APPENDIX A: COUNTRY REPORTS

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

The significant increase in thresholds for the exemption of companies from auditing requirement could be accompanied with the slight risk of lower quality of the annual accounts of companies additionally exempted from the auditing – provided that these companies do not choose to audit their annual accounts voluntarily.

## APPENDIX A: COUNTRY REPORTS

### **Finland**

#### **1. What thresholds are being applied to define small and medium sized companies?**

The Finnish Accounting Act (Finnish: Kirjanpitolaki, KPL) knows only the thresholds for small companies, which are identical with the 4th Directive's Article 11.

Until last year, Finland also used medium thresholds for consolidating purposes (7th Directive Article 6) only. However, in practice the relief was ostensible for limited companies, because if they want to pay dividends the Finnish Company act requires them to prepare consolidated accounts. In 2004 the consolidation threshold was lowered to the small company threshold value.

#### **2. To which extent has Finland made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies*: Preparation and publication of abridged balance sheet is possible for small companies (see Q1).
- **Publication of profit and loss account?** Even small companies have to publish their profit and loss accounts. There is, however, one deviation from the threshold values which is called informally abridged p & l statement and which is based on 4 th. Dir. Article 27(a). In this case, the following thresholds are applied: balance sheet 1,7 M€, net turnover 3,4 M€ and personnel 25.
- **Preparation and publication of abridged notes on the accounts?** Preparation and publication of abridged notes on the accounts is allowable for small companies
- **Preparation and publication of annual report?** Preparation and publication of annual report is mandatory for listed and non-small companies. If annual report is prepared voluntarily, the content requirement is lighter (no financial or non-financial indicators).

#### **3. Does Finland make use of the option to exempt small companies from statutory audit?**

All limited companies must have statutory audit, but the smallest ones can use layman auditors. This may be changed next year, when Auditing Act will be reviewed.

#### **4. Would an increase in the threshold levels affect the levels used in the Finland?**

Probably yes, because threshold limits have been customarily raised to the Directive maximum. This will apply to small company thresholds, because Finland is not planning to reinstate the medium threshold in KPL.

## APPENDIX A: COUNTRY REPORTS

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Finland estimates the risk level is at this moment quite low, because it is hard to state that any strongly relevant information will be omitted for SMEs accounts. Of course the situation would be different if for example the information requirement in notes will be radically lowered.

## APPENDIX A: COUNTRY REPORTS

### France

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	7 300 000 EURO	3 650 000 EURO	not more than 50
<b>Medium-sized company</b>	29 200 000 EURO	14 600 000 EURO	not more than 250

#### **2. To which extent has France made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies*: France has made use of the Member State option but with lower thresholds. *Medium sized companies*: France has not made use of this Member State option.
- **Publication of profit and loss account?** France has made use of this Member State option fully for small companies but has not made use of it for medium sized companies.
- **Preparation and publication of abridged notes on the accounts?** *Small companies*: France has made use of this Member State option fully. *Medium sized companies*:
- **Preparation and publication of annual report?** *Small companies* and *Medium sized companies*: France has not made use of this Member State option.

#### **3. Does France make use of the option to exempt small companies from statutory audit?**

Yes France has made use of this Member State option fully. No certain categories are exempted.

#### **4. Would an increase in the threshold levels affect the levels used in the France?**

They would consider it, but it would depend of the risks as a consequence to the altered thresholds. First of all they would do studies to determine the effects and risk also taking into account the global reflection such as competitiveness etc. of altering the thresholds.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

## APPENDIX A: COUNTRY REPORTS

Lower would imply that the transparency of the economy in general would be more blurred. As a consequence of this it would be much more difficult to check up on small companies and the security would therefore be reduced. As a lack of transparency the information to creditors will be more difficult to access.

## APPENDIX A: COUNTRY REPORTS

### Germany

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	<8 030 000 EURO	<4 015 000 EURO	not more than 50
<b>Medium-sized company</b>	<32 120 000 EURO	<16 060 000 EURO	not more than 250

<http://dejure.org/gesetze/HGB/267.html>

#### **2. To which extent has Germany made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?** (The answers to these questions have been found in the attached Germany-answer document that was sent to us)

- **Publication of abridged balance sheet?** *Small companies:* Germany has made use of the Member State option to draw up abridged balance sheets omitting some of the separate disclosures required by Articles 9 and 10. This includes Article 15(3)(a) and Article 15(4) *Medium sized companies:* Germany has made use of this Member State option.
- **Publication of profit and loss account?** Germany has made use of this Member State option fully for both small and medium sized companies.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* Germany has made use of this Member State option fully. *Medium sized companies:* Germany has made use of this Member State option.
- **Preparation and publication of annual report?** Germany has not made use of this Member State option accounting both for small and medium sized companies.

#### **3. Does Germany make use of the option to exempt small companies from statutory audit?**

Germany has made use of this Member State option fully. The audit exemption conditions are met if a company qualifies as small.

#### **4. Would an increase in the threshold levels affect the levels used in the Germany?**

The German thresholds are currently 10% above the EU thresholds, i.e. an increase below 10% would not lead to changes in Germany. No information is available if Germany would change thresholds if the EU went beyond 10%

## APPENDIX A: COUNTRY REPORTS

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

There is no risk envisaged by the German interview partner since all the exemptions can be followed voluntarily anyways.

## APPENDIX A: COUNTRY REPORTS

### Greece

#### **1. What thresholds are being applied to define small and medium sized companies?**

The Greek company law does not provide any exemptions for medium sized companies, only for small companies. The thresholds provided by the Greek legislation are as follows:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	< 3 000 000 EURO	< 1 500 000 EURO	50

#### **2. To which extent has Greece made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies:* Small companies may prepare abridged balance sheets.
- **Publication of profit and loss account?** *Small companies:* Small companies may prepare abridged profit and loss accounts.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* Small companies may prepare abridged notes on the accounts.
- **Preparation and publication of annual report?** *Small companies:* Small companies may prepare summarized annual reports.

#### **3. Does Greece make use of the option to exempt small companies from statutory audit?**

No.

#### **4. Would an increase in the threshold levels affect the levels used in the Greece?**

Any significant increase in the thresholds will practically exempt a significant number of Greek companies from providing adequate financial information.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Yes, the risk of jeopardizing the adequacy of the financial information published by a significant number of companies is considered high.

## APPENDIX A: COUNTRY REPORTS

### Hungary

#### **1. What thresholds are being applied to define small and medium sized companies?**

Hungary defines only one category for accounting exemptions (so there is no separate "small" and "medium" sized companies) as follows:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Limit for accounting exemptions</b>	4 000 000 EURO	2 000 000 EURO	50

In Hungary companies may prepare "abridged annual accounts" if, on the balance sheet date in two consecutive years, two of the above mentioned three size-related criteria do not exceed the indicated limits.

#### **2. To which extent has Hungary made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

In our understanding the question is more relevant in the case of Directive 2003/38/EC that is why we give the answers in relation to Directive 2003/38/EC and not to Directive 2003/51/EC.

- **Publication of abridged balance sheet?** Companies who do not exceed two of the three criteria in question 1 may publish an abridged balance sheet, according to article 11 of Directive 78/660/EEC.
- **Publication of profit and loss account?** Companies who do not exceed two of the three criteria in question 1 may publish an abridged balance sheet, according according to article 27 of Directive 78/660/EEC.
- **Preparation and publication of abridged notes on the accounts?** Companies who do not exceed two of the three criteria in question 1 may prepare and publish abridged notes on the accounts, according to article 44 of Directive 78/660/EEC.
- **Preparation and publication of annual report?** When a company prepares abridged annual accounts, it does not need to prepare (and publish) annual report, according to article 46.3. of Directive 78/660/EEC. The size limits for preparing abridged annual accounts are lower than those given in Directive 2003/38/EC, thus the Directive did not affect directly the Hungarian exemptions.

#### **3. Does Hungary make use of the option to exempt small companies from statutory audit?**

Apart from some exemptions, companies, which have an annual net turnover not exceeding EUR 200.000 do not need to have their abridged annual accounts (or annual accounts) audited by a statutory auditor

## APPENDIX A: COUNTRY REPORTS

### **4. Would an increase in the threshold levels affect the levels used in the Hungary?**

No, because the size limits for preparing abridged annual accounts and for the exemption from the statutory audit are lower than those given in the Fourth Company Law Directive.

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

If the lowering is achieved by the increasing of the size limits in the Fourth Company Law Directive, there is no risk in it for Hungary. If the lowering is achieved by the technical modification of the accounting requirements set by the Directive, the possible risks can be assessed on an item-by-item basis, in general it is not possible to estimate the risks.

## APPENDIX A: COUNTRY REPORTS

### Ireland

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	< 3 810 000 EURO	< 1 900 000 EURO	50
<b>Medium-sized company</b>	< 15 240 000 EURO	< 7 620 000 EURO	50

#### **2. To which extent has Ireland made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** If a private company meets the threshold as a small or medium company it can choose to file its full Accounts (which must be presented to its members at the AGM) or instead file abridged Accounts. Abridged Accounts, if filed, are then available to the public.
- **Publication of profit and loss account?** Full Accounts must include a Profit and Loss Account. If a private company meets the threshold as a Medium sized company and if it chooses to file an abridged set of Accounts, a Profit and Loss Account must be filed.
- **Preparation and publication of abridged notes on the accounts?** If a private company meets the threshold of small or medium and filed abridged Accounts Notes to the Accounts are required to be filed.
- **Preparation and publication of annual report?** Full Accounts must be presented to the members at the AGM unless the private company meets the criteria to avail of audit exemption. If a private company is over the threshold as a Small or Medium company or is under the threshold and chooses not to avail of filing abridged Accounts it must file full Accounts.

#### **3. Does Ireland make use of the option to exempt small companies from statutory audit?**

The threshold governing a private company to avail of audit exemption is:

Turnover not exceeding	1 904 607 EURO
Balance sheet total not exceeding	1 500 000 EURO
Employees not exceeding	50

The above is in addition to other conditions that must be met in relation to audit exempt companies. Please note that the threshold is smaller than that for a *small* company.

#### **4. Would an increase in the threshold levels affect the levels used in the Ireland?**

## APPENDIX A: COUNTRY REPORTS

Unlikely. Ireland's threshold limits are currently well below the EU thresholds

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Unlikely.

## APPENDIX A: COUNTRY REPORTS

### Italy

#### **1. What thresholds are being applied to define small and medium sized companies?**

Italy has not started to apply the Commission's current levels yet, but applies the previous ones from the directive:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	6 250 000 EURO	3 125 000 EURO	50
<b>Medium-sized company</b>	25 000 000 EURO	12 500 000 EURO	250

#### **2. To which extent has Italy made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies:* Yes. *Medium sized companies:* No.
- **Publication of profit and loss account?** *Small companies:* Yes. *Medium sized companies:* No.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* Yes. *Medium sized companies:* No.
- **Preparation and publication of annual report?** *Small companies:* They can omit the management report given that they publish details to the notes on the accounts. Still they have to publish all financial statements (abridged or not), hence an annual report. *Medium sized companies:* No, but they have the option not to publish consolidated financial statements.

#### **3. Does Italy make use of the option to exempt small companies from statutory audit?**

No! No Italian companies are exempted from statutory audit.

#### **4. Would an increase in the threshold levels affect the levels used in Italy?**

Italy will from technical point of view on instruments for lowering administrative burdens apply the increased levels. At least for small companies in order to lower the burden they face. The actual outcome regarding the level of increase Italy is willing to apply will go through consultation and parliament.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

The major risk would be larger distance between listed companies and non-listed companies. This will create a group of elite companies. The risk is the distance might prevent smaller companies from entering the market and thereby will not raise capital in the most efficient way.

## APPENDIX A: COUNTRY REPORTS

## APPENDIX A: COUNTRY REPORTS

### Latvia

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are the following:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	288 000 EURO	144 000 EURO	25
<b>Medium-sized company</b>	3 470 000 EURO	1 440 000 EURO	250

#### **2. To which extent has Latvia made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies: Medium sized companies:*
- **Publication of profit and loss account?**
- **Preparation and publication of abridged notes on the accounts?**
- **Preparation and publication of annual report?**

#### **3. Does Latvia make use of the option to exempt small companies from statutory audit?**

#### **4. Would an increase in the threshold levels affect the levels used in the Latvia?**

Taking into account size of Latvian economy and average size of Latvian companies our thresholds are substantially lower than those in Directive so I do not believe that increase in directives will be followed by increase in Latvian laws.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

I do not believe that there could be some substantial risks but I can't also exclude that possibility.

## APPENDIX A: COUNTRY REPORTS

### Lithuania

#### **1. What thresholds are being applied to define small and medium sized companies?**

Article 24 of the Republic of Lithuania Law on Financial Accounts stipulates that companies which do not exceed in two consecutive financial years the limits of two of the three criteria mentioned below shall prepare short form of balance sheet:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Limit for short balance sheet</b>	2 027 340 EURO	1 448 100 EURO	10

#### **2. To which extent has Lithuania made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** Entities that satisfy the aforementioned criteria have an option to prepare an abridged balance sheet. Abridged balance sheets are publicly available.
- **Publication of profit and loss account?** Entities that satisfy the aforementioned criteria have an option to prepare an abridged profit and loss account. Abridged profit and loss accounts are also publicly available.
- **Preparation and publication of abridged notes on the accounts?** An option to prepare and public abridged notes on the accounts is not available. There are intentions to review the requirements of notes on the accounts and to allow entities to prepare abridged notes on annual accounts.
- **Preparation and publication of annual report?** All SMEs have to prepare and publish their annual reports. This provision is included in Article 58 of the Republic of Lithuania Law on Companies: "6. The annual accounts together with the report on the activities of the company and the auditor's conclusion (if audit is mandatory under this Law or the Statutes) must be submitted to the administrator of the Register of Legal Persons within 30 days after the Annual General Meeting".

#### **3. Does Lithuania make use of the option to exempt small companies from statutory audit?**

Audit of financial accounts of a private limited liability company is compulsory if two of the three criteria are exceeded:

- |                                |                 |
|--------------------------------|-----------------|
| 1) Annual turnover             | EUR 2 ,896, 200 |
| 2) Balance sheet total/assets  | EUR 1, 448 ,100 |
| 3) Average number of employees | 50              |

#### **4. Would an increase in the threshold levels affect the levels used in the Lithuania?**

According to status quo in Lithuania, the major part of entities according to the thresholds set in the Fourth Company Law Directive are SMEs. Therefore, there is no intention to increase thresholds used to determine SME, as the information of annual

## APPENDIX A: COUNTRY REPORTS

accounts is necessary for statistical purposes. In other case, the information necessary for statistics would not be available.

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

According to status quo in Lithuania, as well as according to the thresholds set in the Fourth Company Law Directive, the major part of entities are SMEs. The thresholds used in Article 11 of the Fourth Company Law Directive are about three times as large as the thresholds used in national legislation. Thus, lowering the accounting requirements for SMEs in the Fourth Company Law Directive from Lithuanian perspective is not relevant.

## APPENDIX A: COUNTRY REPORTS

### Luxemburg

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	< 6 250 000 EURO	< 3 125 000 EURO	50
<b>Medium-sized company</b>	< 12 500 00 EURO	< 25 000 000 EURO	250

All thresholds will be raised to EU level as soon as possible. The decision has been made. It is just not implemented, yet.

#### **2. To which extent has Luxembourg made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies*: Luxembourg has made use of the Member State option not to publish the abridged balance sheet *Medium sized companies*: Luxembourg has made use of this Member State option both the possibility to abridge the balance sheet and to exempt publication
- **Publication of profit and loss account?** *No answer, yet*
- **Preparation and publication of abridged notes on the accounts?** *Small companies*: Luxembourg has made use of this Member State option *Medium sized companies*: Luxembourg has made use of this Member State option.
- **Preparation and publication of annual report?** Luxembourg has made use of this Member State option accounting both for small and medium sized companies.

#### **3. Does Luxembourg make use of the option to exempt small companies from statutory audit?**

Luxemburg has made use of this Member State option fully.

#### **4. Would an increase in the threshold levels affect the levels used in Luxembourg?**

Yes, since it is Luxembourg's position to follow closely the commission's recommendations in this area

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

No.

## APPENDIX A: COUNTRY REPORTS

### **Netherlands**

#### **1. What thresholds are being applied to define small and medium sized companies?**

The Netherlands are applying the exact same levels as stated in the 4<sup>th</sup> Company Directive, i.e. as the European Commission.

#### **2. To which extent has Netherlands made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

The Netherlands make maximum use of all the options given by the 4<sup>th</sup> and 7<sup>th</sup>. They are keen on having the lowest administrative burden possible and therefore alleviate their SMEs from as many regulatory burdens as they can within the limits of EU-regulations.

#### **3. Does Netherlands make use of the option to exempt small companies from statutory audit?**

The Netherlands also make use of this option fully. All companies that can be classified as small, in accordance to the applied threshold levels, are relieved from the obligation of statutory audit.

#### **4. Would an increase in the threshold levels affect the levels used in the Netherlands?**

The Netherlands will in that case increase the levels they apply. The increase will correspond to the change made by the EU. The background to this policy is that the Netherlands have specifically asked the Commission to increase the levels. They view higher levels as a key way of limiting the administrative burdens for companies. The Netherlands are actively working to lower administrative burdens as much as possible. Their suggestion to the Commission was a 25 percent increase in the threshold levels. Hence, the Commission has quite some room for increases before Netherlands will stop applying them.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

The Netherlands thinks that biggest risk is associated with fewer companies being obliged to prepare and publish audit report. No requirements of audit report means that there is no check of the accounts. Other than that they believe that in general the positive aspect outweigh the negative involved with risks.

## APPENDIX A: COUNTRY REPORTS

### Portugal

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	7 300 000 EURO	3 650 000 EURO	not more than 50
<b>Medium-sized company</b>	29 200 000 EURO	14 600 000 EURO	not more than 250

#### **2. To which extent has Portugal made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

- **Publication of abridged balance sheet?** *Small companies*: Portugal has fully made use of the Member State option to draw up abridged balance sheets omitting some of the separate disclosures required by Articles 9 and 10. *Medium sized companies*: Portugal has made use of this Member State option.
- **Publication of profit and loss account?** Portugal has made use of this Member State option fully for both small and medium sized companies.
- **Preparation and publication of abridged notes on the accounts?** *Small companies*: Portugal has made use of this Member State option fully. *Medium sized companies*: Portugal has made use of this Member State option.
- **Preparation and publication of annual report?** Portugal has made use of this Member State option fully regarding both small and medium sized companies.

#### **3. Does Portugal make use of the option to exempt small companies from statutory audit?**

Yes Portugal has made use of this Member State option fully.

#### **4. Would an increase in the threshold levels affect the levels used in the Portugal?**

Portugal would not even consider increasing the thresholds they would do it right away. This is due to keeping Portugal's companies competitive. Even though it is an option Portugal does not look at it as such, because if they do not oblige to these thresholds it would mean that the Portuguese companies would have a set back compared to the other EU companies.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Portugal does not see any risks in that direction.

## APPENDIX A: COUNTRY REPORTS

### Sweden

#### **1. What thresholds are being applied to define small and medium sized companies?**

Sweden has no general limits as the commission. But according to legislation on auditing the following limits apply. Both threshold values must be met for two consecutive years.

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	Not relevant	2 460 000 EURO	10
<b>Medium-sized company</b>	Not relevant	3 690 000 EURO	200
<b>Proposal: Small company</b>	5 130 000 EURO	2 560 000 EURO	50

However, there is a proposal to change both the structure and level of the threshold values.

#### **2. To which extent has Sweden made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?**

Sweden does not make use of any of the options to alleviate accounting burdens. They are generally stricter than other member states.

#### **3. Does Sweden make use of the option to exempt small companies from statutory audit?**

No exemptions for limited companies.

#### **4. Would an increase in the threshold levels affect the levels used in the Sweden?**

Today Sweden has substantially lower threshold values and will probably increase them according to a current proposal (see question 1). Therefore it is not likely that Sweden would be affected at the moment.

#### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Sweden does not have an official standpoint regarding this issue. But two standpoints are discussed in Sweden.

- A large increase would mean that relatively large companies would be included where a high degree of insight is necessary. This may mean a larger risk.

## APPENDIX A: COUNTRY REPORTS

- Higher threshold values do not mean that all member states must follow. Therefore there may be large differences between member states which make comparisons difficult.

## APPENDIX A: COUNTRY REPORTS

### UK

#### **1. What thresholds are being applied to define small and medium sized companies?**

The current conditions are that a company should meet two out of the following three requirements:

	<b>Turnover</b>	<b>Balance sheet total</b>	<b>Number of employees</b>
<b>Small company</b>	< 8 070 000 EURO	< 4 040 000 EURO	not more than 50
<b>Medium-sized company</b>	< 32 860 000 EURO	< 16 430 000 EURO	not more than 250

<http://www.dti.gov.uk/cld/facts/thresholdsforsmallandmedium-sizedcompanies.htm>

#### **2. To which extent has UK made use of the options to alleviate accounting regulatory burdens on small and medium sized companies?** (The answers to these questions have been found in the attached UK-answer document that was sent to us)

- **Publication of abridged balance sheet?** *Small companies:* UK has not fully made use of the Member State option to draw up abridged balance sheets omitting some of the separate disclosures required by Articles 9 and 10. They have required the disclosure of some further sub-items in order to reflect users' needs. Regarding Article 15(3)(a), UK has not made use of this Member State option. Regarding Article 15(4), UK has not made use of this Member State option. *Medium sized companies:* UK has not made use of this Member State option.
- **Publication of profit and loss account?** UK has made use of this Member State option fully for both small and medium sized companies.
- **Preparation and publication of abridged notes on the accounts?** *Small companies:* UK has made use of this Member State option fully. *Medium sized companies:* UK has not made use of this Member State option, excepts as regards Article 43(1)(8).
- **Preparation and publication of annual report?** UK has made use of this Member State option fully regarding both small and medium sized companies.

#### **3. Does UK make use of the option to exempt small companies from statutory audit?**

UK has made use of this Member State option fully. The audit exemption conditions are met if a company qualifies as small; it has a turnover of not more than £5.6 million and a balance sheet total of not more than £2.8 million.

(<http://www.dti.gov.uk/cld/facts/thresholdsforsmallandmedium-sizedcompanies.htm>)

#### **4. Would an increase in the threshold levels affect the levels used in the UK?**

UK would consider increasing the thresholds as well, but cannot at the moment state whether it would actually be carried out or not.

## APPENDIX A: COUNTRY REPORTS

### **5. Could lowering of the accounting requirements for small and medium sized companies be accompanied by any risks?**

Depending on the thresholds settings and on the size of the companies there is always a risk of less transparency for the public.