

DG MARKT
Unit F2
European Commission
B-1049 Brussels
Belgium

THE SIMPLIFICATION OF BUSINESS ENVIRONMENT FOR COMPANIES IN THE AREAS OF COMPANY LAW, ACCOUNTING AND AUDITING

The European Commission has launched a consultation in order to assess the different options on how to proceed for certain company law directives with the aim of simplification of company law, accounting and auditing. The Central Chamber of Commerce submits the following statement.

According to the Communication of the Commission, the first option is to address the question whether today all existing directives are still needed or whether the EU acquis in the area of company law should be reduced to those legal acts specifically dealing with cross-border problems. The second, less far-reaching option consists in focusing only on concrete, individual simplification measures in order to help EU companies.

The Central Chamber of Commerce of Finland has reservations about the approach of individual simplification measures. The company laws and traditions of the EU member states differ considerably, thus making the simplification process very challenging. According to previous experiences, simplification measures lead to minor amendments that have sometimes proved to be meaningless from the Finnish companies' point of view or even negative due to the flexible Finnish tradition of interpretation of legislation. We are hesitant of the feasibility of launching major efforts to simplify the European company law.

The satisfactory approach seems to be the repeal of company law directives to such extent as is deemed necessary. As the present directives are not based on maximum harmonisation, the member states have chosen different approaches in their legislation. On many occasions the administrative burden is not directly linked with the national legislation but with inflexible working methods of the public authorities. In addition to the legislative approach, it would be recommendable to address the issue of enhancing the efficiency, flexibility, transparency and company-friendliness of the processes of the public authorities.

As such, maximum harmonisation of the core company law would be ideal but this is not a realistic target due to the great differences in the member states' legislation.

Consequently, the most useful way of action seems to be the repeal of unnecessary directives with the view of reducing the administrative burden of European companies.

The Communication of the Commission does not include the option of taking no legislative action. This should be kept in mind as the alternative to significant amendment processes considering the practical difficulties of significant amendments due to the different laws and traditions of the EU member states.

The Central Chamber of Commerce of Finland prefers option 1 of placing the focus on cross-border problems and thus the repeal of unnecessary company law directives.

Simplifying business for SMEs in the areas of accounting and auditing

The Commission invites stakeholders to give views on simplification measures relating to accounting and auditing.

The new Finnish Accounting Act entered into force on the 1st of July 2007. According to our experience, the new law is satisfactory from the companies' point of view. Furthermore, the new directive 2006/43/EC and the accounting provisions of the 4th and 7th company law directives have also proved to be satisfactory from the companies' point of view.

The Central Chamber of Commerce of Finland agrees with the Commission's proposal of the definition of micro entities. Although the proposed thresholds are considerably lower than the Finnish legislation provides for, more flexible definitions should be allowed in the European legislation.

However, it should be noted that most companies profit from reliable business and credit information and ratings in order to reduce their credit risks. Without fact-based credit information and ratings companies receive less favourable terms in their transactions. It may prove challenging to raise the awareness of micro companies to voluntarily provide the necessary information for the benefit of credit information and ratings service providers.

In addition to the definition of micro entities, the Central Chamber of Commerce of Finland agrees with the proposed definitions of small and medium-sized companies. Furthermore, we agree with the proposed relieves from publication requirements for small entities.

The Central Chamber of Commerce does not agree with the proposed extension of exemptions for companies without particular external user. The proposal seems unclear and difficult to enforce. It should be taken into account that credit information and ratings benefit the majority of companies. Efficient credit risk management often requires the use of professional credit information and ratings which should not be endangered through the simplification of the European company law.

As for the option of not submitting audited financial statements for certain subsidiaries of groups, the Central Chamber of Commerce does not agree that medium-sized subsidiaries not be submitted to this duty. Adequate group audit requires that the auditor has viewed the whole group. In a large group it is possible that the parent company is relatively small and that the subsidiaries form the major part of the group even though no subsidiary is a large company. The liability of the auditor may prove too harsh if he or she has not been able to focus on the whole group in a sufficient manner. According to our opinion medium-sized companies should be involved in group audits.

THE CENTRAL CHAMBER OF COMMERCE OF FINLAND

Kari Jalas
Director General