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Study on the accounting regime of limited liability micro companies

FINAL STUDY

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Abstract

This is the study on the accounting regime of limited liability micro companies for the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

The study consists of a quantitative and qualitative assessment of the application of the super simplified reporting regime for micro companies as defined in the new Accounting Directive (2013/34/EU).

This study finds that the EU had, at the end of 2016, 16.8 million limited liability companies in the scope of the Directive. Among these companies are 14.2 million companies (84.4 %) that would be defined as micro companies according to the maximum criteria in the Directive and 11.7 million companies (69.7 %) according to the national size criteria in the 22 Member States that have implemented the super simplified regime.

Based on the available information from a survey among micro companies and other stakeholders in eight EU Member States, we estimate the current one-off costs of familiarising with the new regime at EUR 27 million and the ongoing burden reduction at EUR 106 million per year. If size criteria were fully aligned with the Directive, the costs and benefits would be slightly higher. However, it clearly emerges that the extensive lack of awareness about the super simplified regime appears a far more important factor than the different thresholds adopted in national legislation. Under the assumption of full awareness among micro companies, the estimated costs and benefits would increase by almost a factor of ten to EUR 0.33 billion in one-off costs and EUR 1.29 billion in annual benefits from a reduced administrative burden.

Résumé

Ceci est une étude relative au régime comptable des micro-entreprises à responsabilité limitée réalisée pour la Direction Générale pour la stabilité financière, service financiers et de l'union des marchés des capitaux (DG FISMA).

La présente étude consiste en une évaluation quantitative et qualitative de la mise en œuvre du régime comptable très simplifié pour les micro-entreprises, tel que défini dans la nouvelle directive relative à la comptabilité (2013/34/EU).

Cette étude établit que l'UE comptait, à la fin de 2016, 16,8 millions de sociétés à responsabilité limitée dans le champ d'application de la directive. Parmi ces entreprises, 14,2 millions (84,4 %) seraient définies comme des micro-entreprises selon les critères maximaux de la directive et 11,7 millions (69,7 %) selon les critères nationaux de taille dans les 22 États membres ayant mis en œuvre le régime simplifié.

Sur la base des informations disponibles provenant d'une enquête auprès de micro-entreprises et d'autres parties prenantes dans 8 États membres de l'UE, nous estimons que les coûts exceptionnels actuels liés à la familiarisation avec le nouveau régime se montent à 27 millions d'euros et la réduction continue de la charge à 106 millions d'euros par an. Si les critères de taille étaient pleinement alignés sur la directive, les coûts et les avantages seraient légèrement plus élevés. Cependant, il apparait clairement que la sensibilisation limitée des micro-entreprises au régime très simplifié de comptabilité joue un rôle plus important que les différents seuils adoptés dans la législation nationale. Dans l'hypothèse d'une pleine prise de conscience de la part des micro-entreprises, les coûts et bénéfices estimés pourraient être multipliés par près de dix, pour atteindre 0,33 milliard d'euros de coûts non récurrents et 1,29 milliard d'euros de bénéfices annuels résultant d'une réduction de la charge administrative.

1. Introduction

There is a widespread consensus that micro, small and medium-sized enterprises (SMEs) are the backbone of the EU economy in terms of generation of value added and employment. However, administrative costs bear relatively more on smaller companies compared to their larger peers, which can result in substantial comparative disadvantage. Until 2012, the same accounting regime was applicable to micro companies as to small, medium and large companies.

The Commission Communication 'Think Small First – Small Business Act for Europe', adopted in June 2008,[1] acknowledges the central role played by SMEs and, for the first time, proposes to improve the overall approach to entrepreneurship by giving appropriate consideration to the features of smaller undertakings in the policymaking process. In the same year, the European Parliament adopted a non-legislative resolution on accounting requirements, where it emphasises the burdensome accounting requirements for small and medium-sized companies, and in particular for micro entities, and asked the Commission to review the relevant Directives.

In 2009, the European Commission recognised the need for a special 'simpler' financial reporting regime for micro companies across the EU.[2] Finally, in 2012 the co-legislators adopted the amendment for the option of the 'super simplified accounting regime' for micro companies. This option was subsequently maintained in the new Accounting Directive adopted in 2013.[3]

The overall objective of such initiatives has always been to reduce the burden of financial reporting for micro companies while keeping the obligation. The rationale for this choice is that annual financial statements are burdensome for companies, but they also provide information for investors and give an account of past transactions. Accordingly, the Directive and national accounting legislation resulting from transposition of the Directive have been designed to strike an appropriate balance between the interests of the addressees of financial statements and the interest of undertakings in not being unduly burdened with reporting requirements, given the specificities of each Member State.

The new Accounting Directive includes the obligation for the European Commission to assess the impact of the super simplified accounting regime for micro companies. More specifically, the Commission needs to report to the European Parliament, the Council, and the European Economic and Social Committee on the number of undertakings covered by the size criteria and on the reduction in the administrative burden associated with the new regime.

Against this background, the objective of this study is to provide a quantification of the reduction of the administrative burden on micro companies, associated with the introduction of a super simplified regime for financial reporting, regulated in the Accounting Directive (2013/34/EU). This exercise requires the estimation of both (1) the number of limited liability micro companies in the scope and (2) the reduction in costs of preparing financial statements.

[1] It was revised in February 2011.

[2] Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Council Directive 78/660/EEC on the annual accounts of certain types of companies as regards micro-entities https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM %3A2009 %3A0083 %3AFIN %3AEN %3APDF

[3] DIRECTIVE 2013/34/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN

Assessing the number of micro companies to which the new regime is applicable, first requires identifying the companies located in each of the 28 EU Member States that are active and meet two out of three size criteria identified in the Directive. More specifically, limited liability micro companies are defined as limited liability companies that meet at least two of the three following criteria: less than 10 employees on average during the financial year, net turnover of up to EUR 700,000, and balance sheet totals of up to EUR 350,000. In fact, the actual number of companies to which the regime is applicable is determined by the specific thresholds, under the three criteria, that Member States adopted in the transposition of the Directive into the national legislation. As illustrated in this report, the relevant definition of a micro company is different to the one in the Directive in some Member States.

The exercise is based on an initial total population of companies located in the EU (any activity status, legal form and size) of more than 70 million companies, as reported in the Orbis Europe database. In the following step, active limited liability companies are selected. This results in about 16.8 million active limited liability companies, including 14.2 million micro companies according to the size criteria in the Accounting Directive.

The reduction in the burden of financial reporting brought about by the super simplified regime also varies across countries. An important reason why this is the case is that, given the liberty Members States were given in the national definition of the super simplified regime, in practice the implementation of the Directive differs across Member States. This implies that the scope of the regime, i.e. the degree of simplification from which micro companies could benefit, differs from one country to another. These differences have been captured through the calculation of an index of burden relief. Lastly, the extent to which micro companies actually benefitted from the new regime across countries has been captured by a survey of micro companies and other relevant stakeholders.

The rest of this report is organised as follows:

Chapter 2 defines the micro companies for the purpose of the super simplified regime according to the EU Directive and how a sub-group of selected Member States transposed the Directive into national legislation.

Chapter 3 provides a description of the methodological approach. The first part concerns the description of the data and the methods to estimate the number of active limited liability companies in each of the 28 EU Member States across size categories. The second part focuses on the design of a survey exercise, whose purpose is to assess the change in the administrative burden induced by the new regime.

Chapter 4 presents in detail the results of the estimation of the number of limited liability companies across size categories, focusing on the micro companies that are subject to the super simplified accounting regime.

Chapter 5 summarises the relevant information gathered via the survey from the different relevant stakeholders, on the implementation of the super simplified regime, namely reliance on external accountants, awareness of the super simplified regime, and cost reduction.

Chapter 6 is devoted to the impact of the super simplified accounting regime on the reduction in the administrative burden on limited liability micro companies. The outcome of the survey is combined with the estimated number of companies to derive a quantification of the net benefits for the EU as whole, as well as to identify the potential for further benefits.

Chapter 7 draws conclusions from the entire exercise, highlighting its value added and limits, as well as drawing attention to how the beneficial impact of the super simplified regime can be improved.

2. Micro companies and the super simplified accounting regime

The focus in this Chapter is on the definition of limited liability micro companies in the scope of the super simplified regime according the Accounting Directive and national transpositions. Moreover, it will also assess the implementation of the super simplified accounting regime in eight selected Member States, including Belgium, Bulgaria, Czechia, Estonia, France, Germany, Greece and Portugal.

2.1 Definition of limited liability micro companies

Micro companies are defined, according to the European Commission's recommendation for the purposes of Community financial instruments,[4] as companies with less than 10 employees and a turnover and/or balance sheet total of up to EUR 2,000,000.

For the purpose of the new Accounting Directive,[5] the definition of micro companies is more restrictive. Micro companies are limited liability legal entities whose balance sheet does not exceed the limits of at least two of the three following criteria: average number of employees up to 10 during the financial year, net turnover of up to EUR 700,000, and balance sheet total of up to EUR 350,000.

In each EU Member State, the eligibility for the application of the super simplified accounting regime is restricted to specific limited liability types of legal entities, as listed in Table 2.1.

Table 2.1 National legal forms potentially eligible for super simplified regime

Country	National legal forms
AT	die Aktiengesellschaft, die Gesellschaft mit beschränkter Haftung
BE	la société anonyme/de naamloze vennootschap, la société en commandite par actions/de commanditaire vennootschap op aandelen, la société privée à responsabilité limitée/de besloten vennootschap met beperkte aansprakelijkheid, la société coopérative à responsabilité limitée/de coöperatieve vennootschap met beperkte aansprakelijkheid
BG	акционерно дружество, дружество с ограничена отговорност, командитно дружество с акции
CY	Δημόσιες εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση, ιδιωτικές εταιρείες περιορισμένης ευθύνης με μετοχές ή με εγγύηση
CZ	společnost s ručením omezeným, akciová společnost
DE	die Aktiengesellschaft, die Kommanditgesellschaft auf Aktien, die Gesellschaft mit beschränkter Haftung
DK	aktieselskaber, kommanditaktieselskaber, anpartsselskaber
EE	aktsiaselts, osaühing
ES	la sociedad anónima, la sociedad comanditaria por acciones, la sociedad de responsabilidad limitada

[4] Article 2, OJ L 124 of 20.5.2003 (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361).

[5] Article 3, OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN).

Country	National legal forms
FI	yksityinen osakeyhtiö/privat aktiebolag, julkinen osakeyhtiö/publikt aktiebolag
FR	la société anonyme, la société en commandite par actions, la société à responsabilité limitée, la société par actions simplifiée
GR	η ανώνυμη εταιρία, η εταιρία περιορισμένης ευθύνης, η ετερόρρυθμη κατά μετοχές εταιρία
HR	dioničko društvo, društvo s ograničenom odgovornošću
HU	részvénytársaság, korlátolt felelősségű társaság
IE	public companies limited by shares or by guarantee, private companies limited by shares or by guarantee
IT	la società per azioni, la società in accomandita per azioni, la società a responsabilità limitata
LV	akciju sabiedrība, sabiedrība ar ierobežotu atbildību
LT	akcinės bendrovės, uždarosios akcinės bendrovės
LU	la société anonyme, la société en commandite par actions, la société à responsabilité limitée
MT	kumpanija pubblika —public limited liability company, kumpannija privata —private limited liability company, soċjeta in akkomandita bil-kapital maqsum f'azzjonijiet —partnership en commandite with the capital divided into shares;
NL	de naamloze vennootschap, de besloten vennootschap met beperkte aansprakelijkheid
PL	spółka akcyjna, spółka z ograniczoną odpowiedzialnością, spółka komandytowo-akcyjna
PT	a sociedade anónima, de responsabilidade limitada, a sociedade em comandita por ações, a sociedade por quotas de responsabilidade limitada
RO	societate pe acțiuni, societate cu răspundere limitată, societate în comandită pe acțiuni
SE	Aktiebolag
SI	delniška družba, družba z omejeno odgovornostjo, komanditna delniška družba
SK	akciová spoločnosť, spoločnosť s ručením obmedzeným
UK	public companies limited by shares or by guarantee, private companies limited by shares or by guarantee

Source: European Union.[6]

In the case of Member States that have not adopted the euro, the balance sheet criteria for defining micro companies is obtained by applying the exchange rate published in the

[6] Annex 1, OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN) and Annex, OJ L 334 of 21.11.2014 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0102&from=EN).

Official Journal of the European Union as on the date of the entry into force of this Directive.[7]

2.2 Super simplified accounting regime

To ensure that the publication of financial statements is not excessively burdensome for micro companies, Member States can make use of the exemptions provided for in the Directive. The guiding principle is that micro companies can be exempted from the general publication requirement, provided that balance sheet information is duly filed.

According to Article 36 of Directive 2013/34/EU, exemptions concern the following obligations:[8]

a) General obligation to publish annual accounts; provided that balance sheet information is filed in accordance with national laws with a competent authority designated by the Member State and a copy of the information is obtainable upon application;
b) Obligation to prepare a management report, provided information about a company acquiring its own shares is disclosed as a note or at the foot of the balance sheet;[9]
c) Obligation to draw up notes to the financial statements, provided information regarding financial commitments, guarantees or contingencies that are not in the balance sheet, details of advances and credits given to administrative, managerial and supervisory bodies, and information about a company acquiring its own shares is disclosed as a note or at the foot of the balance sheet;[10]
d) Obligation to present 'Prepayments and accrued income' and 'Accruals and deferred income' to the extent that this exemption relates to 'other charges' in the super simplified profit and loss statement; and,

[7] Article 3(9), OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN).

[8] Article 36, OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN).

[9] Article 36 (1) point (c) , OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN) mentions that the information required by Article 24(2) of Directive 2012/30/EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:315:0074:0097:EN:PDF) should be disclosed either as notes or at the foot of the balance sheet.

[10] Article 36 (1) point (b) , OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN) mentions that the information required by points (d) and (e) of Article 16(1) of this Directive and by Article 24(2) of Directive 2012/30/EU should be disclosed at the foot of the balance sheet.

This new regime provides an option for micro companies to draw up an abridged profit and loss account and abridged balance sheet. The vertical format of an abridged balance sheet is show in Annex 2 of this report. This implies that the super simplified profit and loss account can be prepared by showing the following items separately:

- Net turnover;
- Other income;
- Cost of raw materials and consumables;
- Staff costs;
- Value adjustments;
- Other charges;
- Tax; and,
- Profit or loss.

The super simplified balance sheet can be prepared by showing the following items separately, when applicable:

- Subscribed capital unpaid of which there has been called;
- Formation expenses;
- Fixed assets;
- Current assets;
- Prepayments and accrued income;
- Capital and reserves;
- Provisions;
- Creditors;
- Accruals and deferred income;
- Net current assets/liabilities; and,
- Total assets less current liabilities.

In the above balance sheet format, Member States can provide micro companies with an exemption from showing (and even preparing) 'Prepayments and accrued income', and 'Accruals and deferred income' for 'other charges' (refer to point d) in the exemptions mentioned above).

The Directive prohibits any company from applying the super simplified regime in the application of Article 8 of the Directive that refers to the usage of fair value to measure certain items recognised in the financial statements.[11] In addition, certain types of companies cannot benefit from the regime: investment undertakings and financial holdings.

2.3 Application of super simplified regime in selected Member States

We focus on the transposition details of the Directive 2013/34/EU into national laws for eight Member States: Belgium, France, Germany, Bulgaria, Czechia, Estonia, Greece, and Portugal. The overview below shows the ways in which these Member States have implemented the provisions of Article 36 of the Directive and highlights differences with pre-existing regimes. Based on the burden relief index, Germany, Bulgaria, Greece and

[11] Article 36 (3), OJ L 182 of 29.6.2013 (http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0034&from=EN)

Portugal are the countries that should exhibit a higher degree of reporting and administrative relief.

2.3.1 Belgium

Belgium partially transposed Directive 2013/34/EU, modifying Article 15 of the Companies Code (Wetboek van vennootschappen). As regards micro companies, the transposition involved the introduction of Article 15/1 in book I, title II, chapter III, part IV, which defines how micro companies should be understood. In Belgian law, micro companies are considered a subset of small companies, meaning that all laws applicable to small companies are also applicable to micro companies, unless explicitly stated otherwise in Article 15/1.

Micro companies are small companies that are corporations and that on the closing date of the financial year are not a subsidiary nor a parent company, and do not exceed at least two of the following criteria (laid down in the law as not exceeding more than one):[12]

- Balance sheet total: EUR 350,000
- Net revenues: EUR 700,000
- Average number of people employed: 10

When a company exceeds or ceases to exceed the limits of two of the three aforementioned criteria, it only affects the application of the newly adopted rules if it occurs in two consecutive financial years.

Micro companies are now allowed to use the 'micro model' for their reporting (published in the *Moniteur Belge* on 15 July 2016).[13] This micro model is less extensive than the two other models (full or shortened) applying to larger organisations. Micro companies are obliged to file their annual accounts (including balance sheet, and profit and loss account), a complete list of managers and commissioners as well as external accountants and advisors, and other documents stipulated in the Companies Code (e.g. shareholders). Companies have to report to the National Bank of Belgium. Depending on the format in which reporting is done (e.g. through a pdf file, paper version), different fees are applied.

Following the implementation of this Directive, micro companies have to draw up notes to accounts, but these are now fewer than in the full model. The information on own shares, rights and obligations that are not included in the balance sheets, relations with other parties, and valuation rules should be typically presented below the balance sheet. Micro companies are now exempt from the need to prepare management reports unless it is a listed company. Micro companies are not exempted from the provision to recognise accruals and prepayments.[14] Micro entities now cannot use the fair value alternative measurement basis.[15]

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[12] http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=nl&la=N&cn=2015121831&table_name=wet

[13] A full version of the micro model that the companies need to complete can be found here: https://www.nbb.be/doc/ba/models/ent/2019_nl_mic_micromodel.pdf.

[14] http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=nl&la=N&cn=1999050769&table_name=wet

[15] https://www.nbb.be/doc/ba/models/ent/2016_nl_mic_micromodel_20170310.pdf

2.3.2 Bulgaria

In Bulgaria, the prior Directive on micro undertakings (2012/6/EC) was not transposed for two reasons: under the national legislation on accounts, micro-enterprises are already subject to a set of simplified rules and procedures; and secondly, the provisions laid down in Directive 2012/6/EC were incorporated into the new Accounting Directive (2013/34/EU) of 26 June 2013 (European Commission, 2014). A bill was passed on 24 November 2015 to transpose the new Accounting Directive into 'Accountancy Act' law. The date of implementation was 1 January 2016.[16] Micro companies, other than the relief granted under this Act, shall be treated as small enterprises.[17]

Micro-enterprises are enterprises, which at 31 December of the current reporting period do not exceed at least two of the following indicators:

- Book value of the assets: BGN 700,000
- Net sales revenue: BGN 1,400,000
- Average number of staff for the reporting period: 10 people[18]

Following the implementation of this new regime, the financial statements of micro companies in Bulgaria may now consist of only a condensed or simplified balance sheet and condensed income statement instead of the full version. However, much smaller companies whose net sales income for the current reporting period does not exceed BGN 200,000, and are sole proprietorships which are not subject to mandatory audit are required to prepare only a profit and loss statement.[19]

Companies in Bulgaria prepare an activity report instead of a management report. Micro companies which are subject to mandatory independent financial audit will have to prepare an activity report, while micro companies that are not subject to mandatory independent financial audit are now exempt from preparing an activity report thanks to the new regime. These excluded micro companies should ensure that the information regarding the acquisition of their own shares, as required by Art. 187e of the Commerce Act is disclosed in the notes to the annual financial statements or in a footnote.

Micro entities now cannot use the fair value alternative measurement basis. Micro companies that are not subject to mandatory audit are exempt from publishing their financial statements.[20] Following this regulation, micro companies are no longer required to provide detailed notes to accounts, they need only provide information on the acquisition of their own shares in the notes. Micro entities are not exempt from the requirement to present prepayments, accruals and deferred income.[21]

2.3.3 Czechia

Czechia transposed the Directive into national law through Act No. 563/1991 of Coll. on 12 August 2015. The date of implementation was 1 January 2016. [22]

Companies at the balance sheet date that do not exceed at least two of the following three limits are considered as micro-entities:[23]

- Balance sheet total: CZK 9,000,000
- Net turnover: CZK 18,000,000

[16] https://www.parliament.bg/bg/laws/ID/15501
[17] https://www.parliament.bg/bg/laws/ID/15501 (Additional provisions, § 3).
[18] https://www.parliament.bg/bg/laws/ID/15501 (Chapter II, Art 19).
[19] https://www.parliament.bg/bg/laws/ID/15501 (Art 29).
[20] https://www.parliament.bg/bg/laws/ID/15501 (Art. 38 (4)).
[21] https://www.parliament.bg/bg/laws/ID/15501 (Art. 26(4)).
[22] https://business.center.cz/business/pravo/zakony/ucto/cast1.aspx
[23] https://business.center.cz/business/pravo/zakony/ucto/cele-zneni/?diff=1(§ 1b).

- Average number of employees during the period: 10

Czechia provides very few exemptions to micro entities. The transposition did not include the provision to allow micro companies to prepare abridged (simplified) balance sheet and income statement. Most micro companies in Czechia have to prepare the full balance sheet and income statement. However, only micro entities that are not required to be audited can prepare a simplified balance sheet and simplified income statement.[24] Following the new regulation, micro companies are now exempt from producing a management report. The provision for exemption from detailed notes for micro companies was not implemented in Czechia. As a result, micro entities have to produce detailed notes to accounts with information on the applied accounting methods and the deviation from these methods, including the reasoning, valuation of the assets and liabilities, depreciations and allowances, amount of liabilities and claims, amounts and character of revenues and extraordinary costs, average number of employees, and information on the acquisition of own shares and interests.[25]

Micro entities in Czechia are not exempt from showing prepayments, accruals and deferred income; all entities in Czechia are subject to the accrual principle. Micro entities do not have to publish their financial statements. Annual accounts need to be submitted to the Collection of Business registry of Czechia. Micro entities that are not required to have audited financial statements need not disclose the profit and loss statement.[26] Based on the new regulation, micro entities are prohibited from using the fair value alternative measurement basis.[27]

2.3.4 Estonia

Directive 2013/34/EU was transposed into national law through the amendment of the Accounting Act passed on 10 December 2015 and published on 30 December 2015.[28] It entered into force on 1 January 2016.

A micro undertaking is a private limited company, which, on the balance sheet date of an accounting year, meets **all** the following conditions:

- Total assets up to EUR 175,000
- Liabilities not exceeding the owners' equity
- One shareholder who is also the member of the management board
- Sales revenue during an accounting year is up to EUR 50,000[29]

Following the regime change, micro entities are exempt from filing management reports.[30] Micro entities now need to prepare only an abridged balance sheet. They are exempt from preparing cash flow statements and statements of changes in equity.[31]

[24] https://business.center.cz/business/pravo/zakony/ucto/cele-zneni/?diff=1 (Section 9 (3)).
[25] https://business.center.cz/business/pravo/zakony/ucto/cele-zneni/?diff=1 (Section 18).
[26] https://business.center.cz/business/pravo/zakony/ucto/cele-zneni/?diff=1 (Section 21a).
[27] https://business.center.cz/business/pravo/zakony/ucto/cele-zneni/?diff=1 (Section 27).
[28] https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32013L0034
[29] https://www.riigiteataja.ee/en/eli/510032016003/consolide %20, %20https:/www.eesti.ee/en/entrepreneur/accounting-and-reporting/annual-report/ (§ 3 (14)).
[30] https://www.riigiteataja.ee/en/eli/510032016003/consolide %20, %20https:/www.eesti.ee/en/entrepreneur/accounting-and-reporting/annual-report/ (§ 14 (1)).
[31] https://www.riigiteataja.ee/en/eli/510032016003/consolide %20, %20https:/www.eesti.ee/en/entrepreneur/accounting-and-reporting/annual-report/ (§ 15 (2)).

Estonia has not utilised the provision to exempt micro companies from publishing their annual accounts.[32]

Estonia maintained the provision to exempt micro companies from detailed notes in its transposition. Micro companies now have to present only a few notes to accounts that include the following details:[33]

- The total amount of off-balance sheet conditional and binding obligations
- The liabilities for which performance is covered by the security furnished by the undertaking, and the type and description of the furnished security;
- The prepayments made to members of the executive and senior management and the amount of granted loans, including the amount of loan repayment or writing-off or waiver of the loan, as well as terms of payment and interest rates and other import conditions;
- If an accounting entity has acquired or taken as security its own shares during the financial year, the following items that have been acquired or taken as security shall be provided in the management report as transferred and not transferred:
  - The number of the shares and their nominal value or, in the absence of a nominal value, the accounting par value and the ratio in the share capital;
  - The amount of consideration paid for the shares and the reason for their acquisition or taking as security.

There is no exemption for micro companies from prepayments, accruals, and deferred income. All companies prepare their financial statements on an accrual basis except for sole proprietorships who can choose to use a cash basis.[34]

2.3.5 France

France did not transposition the earlier Directive 2012/6/EU. It did transposition Article 36 of Directive 2013/34/EU. It relieved micro companies of certain obligations through a Law n°2014-1 of 2 January 2014 empowering the government to relax accounting reporting requirements for micro companies by way of executive orders.[35] The Executive Order - Ordinance 2014-86 and its implementing Decree – Decree 2014-136 were published on 30 January and 17 February 2014, respectively.[36]

France defines micro companies as entities that do not exceed two out of three criteria for the current balance sheet date:[37]

[32] https://www.riigiteataja.ee/en/eli/ee/Riigikogu/act/510032016003/consolide (§ 15 (2)). This article talks about the purpose publication, which has been interpreted that the annual accounts are published.

[33] https://www.riigiteataja.ee/en/eli/510032016003/consolide %20, %20https:/www.eesti.ee/en/entrepreneur/accounting-and-reporting/annual-report/ (§ 21 (4)).

[34] https://www.riigiteataja.ee/en/eli/510032016003/consolide %20, %20, https:/www.eesti.ee/en/entrepreneur/accounting-and-reporting/annual-report/ (§ 5 and § 43).

[35] Article 1 of Law n° 2014-1 https://www.legifrance.gouv.fr/eli/loi/2014/1/2/EFIX1320236L/jo/texte

[36] Ordinance No. 2014-86 https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028543329&categorieLien=id, Decree 2014-136 https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028620141&categorieLien=id

[37] Article 2 of Ordinance No. 2014-86 https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028543329&categorieLien=id, Article 1 of Decree 2014-136 https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000028620141&categorieLien=id

- Balance sheet: EUR 350,000
- Terms of net revenues: EUR 700,000
- Average number of people: 10

When a company exceeds or ceases to exceed the limits of two of the three aforementioned criteria, it only affects the application of the newly adopted rules if it occurs in two consecutive financial years.

Certain entities were excluded from this micro provision: banks and finance companies, establishments for payment and use of electronic money, companies of insurance and reinsurance, social security institutions, pension institutions, mutual insurance companies and unions of mutual insurance companies, people and entities whose financial titles are traded on a regulated market, and people and entities which call upon public generosity. Companies whose activity consists in managing investments and securities were also excluded (EFAA, 2016).

Following the implementation of this Directive, micro companies in France have to provide annual statements to the administration, but they can ask the authorities not to publish it and keep it confidential. Thus, only the administrative and judiciary authorities as well as the Banque de France will have knowledge of the statements (Article L. 232-25 of the French Commercial code) (Idrissi, 2014; Petrovski, 2016).[38] Micro companies are not dispensed from filing a management report, but they are now exempt from providing notes to financial statements. Micro companies in France are not exempt from the need to recognise accruals and prepayments of 'other charges' (EFAA, 2016).

2.3.6 Germany

Germany first adopted the previous Directive on micro-undertakings – Directive 2012/6/EU on 29 November 2012. The previous transposition of the 2012 amendment of the accounting requirements had already been passed and set new standards via the *Gesetz zur Umsetzung der Richtlinie 2012/6/EU des Europäischen Parlaments und des Rates vom 14. März 2012 zur Änderung der Richtlinie 78/660/EWG des Rates über den Jahresabschluss von Gesellschaften bestimmter Rechtsformen hinsichtlich Kleinstbetrieben (Kleinstkapitalgesellschaften-Bilanzrechtsänderungsgesetz – MicroBilG)*.[39]

The transposition of the new Directive was completed on 17 July 2015.[40] It touched upon some articles related to micro companies, but the core of the regulation concerning micro companies was already in existence.

Germany defines micro companies as entities that do not exceed two out of three criteria for the current and the preceding balance sheet date:[41]

- Balance sheet: EUR 350,000
- Net revenues: EUR 700,000
- Average number of employees: 10

[38] https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000005634379&idArticle= LEGIARTI000031013036&dateTexte=&categorieLien=id

[39] http://eur-lex.europa.eu/legal-content/EN/NIM/?uri=uriserv:OJ.L_.2012.081.01.0003.01.ENG; http://www.buzer.de/gesetz/10439/index.htm

[40] http://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32013L0034

[41] Article 267a of the Handelsgesetzbuch - https://www.gesetze-im-internet.de/hgb/BJNR002190897.html

Micro companies in Germany no longer have an obligation to publish their financial statements. They only need to file their balance sheet electronically with the electronic federal gazette (*Bundesanzeiger*), accessible via the official registry (*Unternehmensregisters*). Following the implementation of the new Directive, they only have to file an abridged (simplified) balance sheet as well as a simplified profit and loss account. These companies no longer have to file a management report. Micro companies can now dispense with the requirement to provide notes to accounts provided they give important information at the bottom of the balance sheet such as pension obligations, retirement benefits and any other information needed to ensure a true and fair view of the company (PNHR, 2013).

Micro companies are required to use double-entry accounting. Micro entities can no longer use the fair value alternative measurement basis.[42] Micro entities included in group consolidated financial statements need to prepare their accounts in accordance with the accounting rules for small companies. Germany has not implemented the provision exempting micro companies from presenting accruals and prepayments of 'other charges' (EFAA, 2016).

2.3.7 Greece

Directive 2013/34/EU was transposed into national law in three stages. The first stage started with the introduction of Law 4308/2014 on 24 November 2014. This law came into force for periods commencing from 1 Jan 2015. Although Article 36 of the Directive pertaining to micro entities was transposed in the first stage, this Law did not incorporate provisions that would transpose 13 Articles of the Directive (i.e. 19, 20, 29, 30, 33, 35, and 40 to 46). At a later stage, Law 4336/2015 (14 August 2015) was introduced, and finally on 7 July 2016, Law 4403/2016 transposed all the Articles of the Directive including those relating to management reports (Tsalavoutas, 2017).

There are two types of micro entities in Greece:

Type A: Companies that are limited partnership, general partnership, sole proprietorship, and private sector entities not exceeding the limit of EUR 1,500,000 of net turnover at the balance sheet date will be classified as micro entities.

Type B: Companies that are not limited partnership, general partnership, sole proprietorship, or private sector entities, but which at the balance sheet date do not exceed the limits of at least two of the following three criteria are also classified as micro entities: [43]

- Balance sheet total: EUR 350,000
- Net turnover: EUR 700,000
- Average number of employees during the period: 10

Following the implementation of this Directive, all micro entities can now produce only an abridged (simplified) balance sheet and income statement instead of the full versions. Further, micro entities of type A can choose to prepare only the abridged income statement.[44] Annex 1 of this report shows the format of an abridged (simplified) balance sheet and income statement that can be used by micro companies in Greece.

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[42] https://www.gesetze-im-internet.de/hgb/BJNR002190897.html

[43] https://www.enterprisegreece.gov.gr/images/public/pdf-files/Greek_accounting_standards_-_law_4308_of_24_November_2014_-_English.pdf (Article 2 - (2) and (3))

[44] https://www.enterprisegreece.gov.gr/images/public/pdf-files/Greek_accounting_standards_-_law_4308_of_24_November_2014_-_English.pdf (Article 16 (5) -(8))

Micro entities of type A now need not use the fair value measurement basis.[45] These micro entities need to provide some notes to accounts such as the details of the company including its name, address, registration details, along with the going concern and liquidation status of the company. [46]

Micro entities of type B now need not use the fair value measurement basis. In this new regime, micro entities need to provide some notes to accounts such as the details of the company including its name, address, registration details, along with the going concern and liquidation status of the company; the details of any financial commitments, guarantees or contingencies that are not included in the balance sheet; and details of the amount of advances and credits granted to members of the administrative, managerial and supervisory bodies. Micro entities now need not provide any other details in the notes. [47]

Greece did not make use of the provision to exempt micro entities from disclosing prepayments, accruals and deferred income. After the implementation of the Directive, micro entities are no longer required to prepare a management report except for those which are public interest micro entities provided that certain information (i.e. information relating to the acquisition by the company of its shares) are included in the notes to the financial statements or at the foot of their balance sheet. All companies, including micro companies, have to submit their financial statements to the Corporate Registry (GEMI) (KPMG, 2016).

2.3.8 Portugal

Portugal transposed the Directive into national law through Decree-Law No. 98/2015 on 2 June 2015. The date of implementation was 1 January 2016.[48]

Companies at the balance sheet date that do not exceed two of the following three limits in two consecutive financial years are considered as micro-entities:[49]

- Balance sheet total: EUR 350,000
- Net turnover: EUR 700,000
- Average number of employees during the period: 10

Following the implementation of this Directive, micro entities in Portugal can now prepare a simplified balance sheet and income statement instead of the full version. They are now exempt from producing a management report.[50] In the new regime, micro entities now do not have to produce detailed notes to accounts as long as they provide the following information at the end of the balance sheet: nature and amount of financial commitments not on balance sheet; details of loans to the persons in the administrative,

[45] https://www.enterprisegreece.gov.gr/images/public/pdf-files/Greek_accounting_standards_-_law_
4308_of_24_November_2014_-_English.pdf (Article 30).
[46] https://www.enterprisegreece.gov.gr/images/public/pdf-files/Greek_accounting_standards_-_law_
4308_of_24_November_2014_-_English.pdf (Article 30 (2)).
[47] https://www.enterprisegreece.gov.gr/images/public/pdf-files/Greek_accounting_standards_-_law_
4308_of_24_November_2014_-_English.pdf (Article 30 (7) and (8)).
[48] https://dre.pt/web/guest/home/-/dre/67356342/details/maximized?p_auth=9EO9pidC
[49] https://dre.pt/web/guest/home/-/dre/67356342/details/maximized?p_auth=9EO9pidC (Art 9(1)).
[50] http://www.pgdlisboa.pt/leis/lei_mostra_articulado.php?nid=524&tabela=leis&so_miolo (Art. 66 (6)).

management or supervisory bodies and their interest rate; number of shares sold or acquired and their value and reasons for acquisition or selling.[51]

Micro entities in Portugal are not exempt from showing prepayments, accruals and deferred income as Portugal did not make use of this provision.[52] In Portugal, access to financial statements is granted through the Registry. All companies have to fill in the *Informação Empresarial Simplificada* that is used by public authorities including the registry. The provision to exempt micro companies from publishing their annual financial statements was not implemented. Micro entities are prohibited from using the fair value alternative measurement basis (EFAA, 2016).

[51] https://dre.pt/web/guest/home/-/dre/67356342/details/maximized?p_auth=9EO9pidC (Art 11(4)).
[52] https://dre.pt/web/guest/home/-/dre/69866634/details/maximized?p_auth=BI6SkXYQ (Annex 19, page 5018).

3. Methodology

This Chapter describes the methodological approach for determining the number of limited liability companies across size classifications in each EU Member State. In addition, it describes the approach designed to both quantitatively and qualitatively assess the impact of the super simplified regime on the reduction of the administrative burden of micro companies.

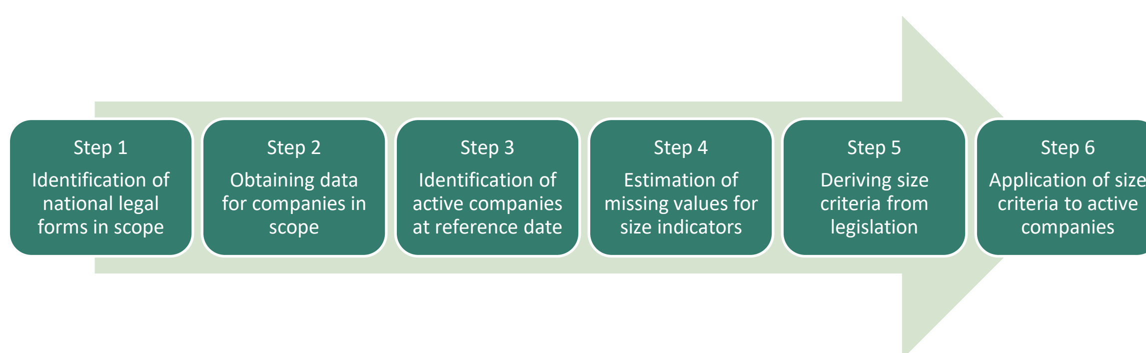
3.1 Identification of limited liability micro companies in EU Member States

The use of company-level data has accelerated in recent years, not only to study company dynamics and heterogeneity, but also to inform policymaking in a more complex setting (Ribeiro et al., 2010). However, company-level data is not always available due to technical and legal reasons such as confidentiality (Ribeiro et al., 2010). The data issues are even more pertinent in cross-country and longitudinal analyses, as data from national statistical offices and company registers are typically only national in scope.

In this study, company-level data are used to determine the number of limited liability micro companies operating in each EU Member State according to the definition in the new Accounting Directive as well as the definition as transposed in each EU Member State. Additionally, the share of micro companies relative to the total number of companies is determined. For this the total number of limited liability companies as well as the number of limited liability companies for all size classifications are determined (i.e. micro, small, medium and large).

The size classification is based on the three size criteria in the Accounting Directive (i.e. average number of employees, net turnover and balance sheet total). This means that in order to classify a company, specific information about the financials and staff is required. Since this information is not always available or only partially available, determining the number of limited liabilities companies for each size classification is in practice an estimation exercise.

Figure 3.1 Methodology to determine number of limited liability companies by size classification



Source: CEPS.

The approach to estimating the total number of limited liability micro companies and their distribution across size classifications consists of six steps (see Figure 3.1):

- First, all the forms of limited liability companies within the scope of the Accounting Directive and national transposition of the Directive are identified;

- Second, for all the forms of limited liability companies in the EU Member States within the scope of the Directive, relevant company data is obtained from Orbis Europe;
- Third, for the companies identified under steps one and two, it is determined whether they were active on 31 December 2016 (reference date). Only these active limited liability companies are retained for the next steps;
- Fourth, for the active limited liability companies for which only partial information is available, missing values for the total assets, total turnover and number of employees are estimated;
- Fifth, the size criteria for micro, small, medium and large limited liability companies are retrieved from the Accounting Directive as well as the national transposition;
- Sixth, the size criteria are applied to the active limited liability companies. The classification is determined based on both the i) Accounting Directive size criteria and ii) the national transposition of the Directive.

Below all of these six elements of the methodology are discussed in detail.

3.1.1 Step 1: Identification of national forms of limited liability companies

As a first step, the national legal forms of limited liability companies under the Accounting Directive are identified. The potentially eligible national legal forms are listed in Table 2.1 in the previous Chapter.

All companies with the national legal forms in the Accounting Directive and national transposition are considered in the estimations. For example, in Italy various additional forms are included in the national legislation. The Accounting Directive identifies three forms of limited liability companies eligible for the super simplified accounting regime (see Table 3.1). However, there are various subcategories, as in the case of the *società per azioni (SPA),* which includes '*Società per azioni unipersonale*', and the *società a responsabilità limitata (SRL)*, which includes '*Società a responsabilità limitata a capitale ridotto*', '*Società a responsabilità limitata semplificata*' and '*Società a responsabilità limitata unipersonale*'.

Table 3.1 National legal forms for Italy

Types in the Directive	Acronym	National legal form (as reported in Orbis Europe)
La società per azioni	SPA	Società per azioni - SPA
		Società per azioni unipersonale - SPA
La società in accomandita per azioni	SAPA	Società in accomandita per azioni - SAPA
La società a responsabilità limitata	SRL	Società a responsabilità limitata - SRL
		Società a responsabilità limitata a capitale ridotto
		Società a responsabilità limitata semplificata
		Società a responsabilità limitata unipersonale

Source: CEPS elaboration based on Directive and Orbis Europe.

Additionally, companies with national legal forms that are subcategories of these national legal forms in the Directive are also considered. A clear example is given by

the case of Bulgaria, where the national legal form '*дружество сограничена отговорност - druzhestvo sogranichena otgovornost (OOD)*' is explicitly mentioned in the Directive, but its subcategory '*Еднолично дружество сограничена отговорност - Ednolichno druzhestvo sogranichena otgovornost* (EOOD)' is not. However, this sub-category is considered as a one-person limited liability form falling under the scope of the Directive. EOOD companies amount to approximately 70 % of limited liability companies identified in Bulgaria, so excluding these companies would significantly affect the results.

3.1.2 Step 2: Obtaining data on limited liability companies in scope

The main source for the limited liability companies is the Orbis Europe database of Bureau van Dijk. This is a commercial database providing information on over 70 million companies operating in the EU28. The Orbis Europe dataset is found to be accurate, credible, and coherent because of the sources used to compile the database and the way information is treated (Ribeiro et al., 2010).

The companies relevant for the estimations are selected based on the country code and national legal form indicators in the database. Moreover, several identifiers are used to avoid doubles and make it possible to determine whether a company was active on 31 December 2016. Additionally, financial, staff and sectoral indicators were obtained to classify the companies by size category. These variables were obtained end-2018 for the period from 2011 to 2018 and for the latest year available.

The data is collected for all active and inactive limited liability companies in the 28 EU Member States. Nearly all active companies are included in Orbis Europe, with the exception of Luxembourg and Poland (i.e. 50-75 %). However, in both cases the missing active companies are not limited liability companies.

In turn, the dataset obtained with limited liability companies is checked for duplicates. Companies with a perfectly matching company name, operating sector, turnover, total assets and employees are identified. Some random checks of these entries in business registers of the EU Member States confirm that the identified companies were duplicate entries. Across all 28 EU Member States only a couple of thousand duplicates were identified and eliminated from the dataset, amounting to 0.01 % of the total number of active and inactive companies.

3.1.3 Step 3: Identification of active companies at the reference date

The Orbis Europe database indicates whether a company is active or inactive, which is based on the latest information available. This requires determining whether the companies were also active at the reference date. Companies established after the reference date were excluded while those deactivated after the reference date were included in the estimation, when these dates were available.[53]

The choice of the reference date is related to the timing of the financial year and submission of reports to the national registers. A financial year runs from 1 January until 31 December of a given calendar year. Financial reporting for this period needs to happen within a reasonable period, which shall not exceed 12 months after the end of

[53] If neither the status date nor the date of the update of the status in Orbis is available, companies are considered, by default, active when the status is reported as active, while they are considered inactive when the status is reported as inactive. However, companies that are defined as inactive are considered active if they show data on financials and number of employees for the year of reference 2016. Companies that report an unknown status of activity are considered active if they show data on financials and number of employees for any year in the time period 2011-2018, for which data are retrieved.

the financial year according to Article 30(1) of the Accounting Directive.[54] In practice, however, it takes a couple of months longer before most data are included in nearly all EU registers and Orbis Europe. A period of about 18 months should therefore be enough for most of the financial information to have been reported. Taking this into account, the reference date for the estimation of the number of companies was set at 31 December 2016.

The total number of active limited liability companies in EU28 Member States is validated using Eurostat, national legislation, national business registers and national official statistics, as described below.

The totals are validated through comparisons with Eurostat Structural Business Statistics (ESBS) for the reference year 2016. The ESBS provides an indication of the number of limited liability companies. More specifically, the ESBS provides the total number of companies in all legal forms, which provides an upper bound for the number of limited liability companies. As expected, the comparison shows that the total number of active limited liability companies identified through the data exercise is lower overall than the ESBS figure. However, for some Member States, this condition is not met, and thus closer attention is needed to identify the reasons behind the observed discrepancies.

On the one hand there are three countries for which ESBS does not cover all companies.

- For Denmark the difference can be explained by the different coverage of sectors in Orbis and ESBS. The difference in the overall totals is explained by limited liability companies operating in sectors such as agriculture and finance, which are not taken into consideration by ESBS.
- For Cyprus and the UK, the difference can be ascribed to the fact that the data sources for ESBS and Orbis Europe are different. For example, for the UK, ESBS relies on the Inter Departmental Business Register (IDBR), which covers approximately half of businesses in the UK (i.e. 2.2 million out of an estimated 4.3 million). It leaves out very small companies with low turnover, as well as the self-employed, companies without employees and some non-profit making organisations (Eurostat, 2005 b).

On the other hand, there are another three Member States where the reporting of the status is delayed or not based on notifications to the register as recorded by Orbis Europe.

- In Estonia, the national legislation does not oblige companies to report deactivation, while it obliges all companies to file their annual accounts. Estonian companies are therefore only considered active if they have data for financials in 2016, regardless of their status in Orbis Europe.[55]
- In Bulgaria, deactivation is underreported in the national business register, on which Orbis Europe relies. To avoid overestimation of the number of active companies in the data exercise, Bulgarian companies that do not have any

[54] The European Federation of Accountants and Auditors for SMEs (EFAA, 2014) found in a survey conducted in 2012 before the introduction of the new Accounting Directive that the average time for companies to file their financial statements was 7 months (for a sample of 16 EU Member States). Of the Member States included in the survey, especially the UK (9 months), Ireland (10 months), Germany (12 months) and the Netherlands (13 months) had long filing periods.

[55] The total number of active companies is above the total number of companies according to ESBS. This is largely explained by a significant number of dormant companies (i.e. more than 10 % of country totals) that have no sales and no change in assets for 2016. These companies are nonetheless considered active as they are obliged to report.

financial information for the period 2011-2018 are dropped even if reporting an active status (Eurostat, 2005 a).

- In Romania, in line with national business register statistics,[56] the number of active companies excludes those companies that temporarily suspended their activities. These companies are recorded in Orbis Europe as active dormant companies, under insolvency proceedings or a reorganisation process. However, the status date is not available for most Romanian companies, which makes it impossible to determine with certainty when the companies suspended their activity. Therefore, these companies are considered inactive and dropped only if they have no data available for financials and the number of employees for 2016 or turnover equal to zero for the same year, meaning that the company had no activity at the reference date.

Once the total number of active limited liability companies in the scope of the Accounting Directive is validated, only these companies are retained in the final dataset.

3.1.4 Step 4: Estimation of missing values for size indicators

A significant portion of the values necessary to determine the size category at the reference date is missing. Against this background, the present section explains the methodology to define the total turnover, total assets and total employees for those companies with one or more of values missing. The methodology has the objective of generating the best possible estimate given the available data for each of these companies in the dataset.

Although 64.3 % of the active limited liability companies reported values on their size criteria in 2016 (see Annex 3), only about 37 % of all active limited liability companies have no missing values. For most of the 63 % of active companies with one or more missing values additional analysis is necessary to determine their size category.

For the limited liability companies with missing values, first the values for the latest year available are considered. The indicators that determine the size categories are fairly stable over time for most companies and do not often exceed the size criteria. To avoid that the requirements for companies that have more volatile finances and where staff numbers shift frequently, several EU Member States define the size of the companies based on the information for two subsequent years. Therefore, historic values are a preferred indicator over estimated values. For about 26 % of all active limited liabilities companies the missing information on turnover, assets and/or number of employees is replaced with the values reported for the latest available year. The majority of the values selected for input were retrieved from the period up to five accounting years preceding 31 December 2016.

Most of the remaining missing values were estimated using econometric models. As there is a strong relation between the number of employees, turnover and assets of a company,[57] it is possible to estimate the missing values for the companies based on a value for at least one of these three size indicators. Therefore, active companies with values for at least two of the three size indicators in 2016 or last available year have been pooled (about 9.3 million companies) to estimate the econometrical model. The values of the size indicators were omitted for certain countries, where the values were

[56] https://www.onrc.ro/index.php/en/statistics?id=243&lg=en

[57] Companies with more employees in a particular sector and country are likely to have a higher turnover and total assets.

clearly not representative for the entire population of active companies. This to avoid a bias in the estimations.[58]

For all active limited liability companies, total assets is the most available indicator, as it is reported for about 76 % of active companies. The two other size indicators, total turnover and total employment is available for 58 % and 52 % of active companies respectively. The availability of actual data is crucial for an accurate estimation of the missing values.

Overall, the missing values for each of the three size indicators are estimated using the information that is available on the remaining size indicators, country and sector. The coefficients for the estimation are derived from the regression of all the limited liability companies in the dataset for which at least the same indicators and estimated indicator are available. For example, if the number of employees is missing for a company and total turnover, total assets and sectoral specifications are available, the coefficient to estimate the number of employees is based on the companies for which all the indicators and sectoral information are available.

Following this logic, for each of the three size indicators there are three times two potential specifications (18 model specifications in total). Specification 1 is used to estimate the missing value when one out of the three size indicators is missing, while Specification 2 and 3 are used to estimate the values when two out of the three size indicators are missing. There are two different specifications for each of the potential available size indicators: for companies for which the sector information is available and those for which no sector information is available.

Another important variable influencing the relation between the size indicators is the sector in which the company operates (see Annex 4). To account for the fact that certain sectors[59] employ significantly more or less employees per unit of assets or unit of turnover, interaction terms for these sectors have been included in the model. Additionally, to account for differences in the level of the size indicators across sectors, dummy variables are included for individual sectors.

Similarly, the country in which the company operates may also influence the relation between employment and the other two size indicators, namely total assets and turnover. In fact, differences in average salaries, productivity and capital intensity influence the units of assets and turnover per employee. The model includes both country dummies and interaction terms to correct the estimations for these differences. The country dummy variables are omitted for countries with size indicators available for less than 75 % of the total active limited[60]. In addition, interaction terms between the country and size indicators are included for Member States whose total assets or total turnover per employee deviate from the EU28 median[61].

The parameters of the various model specifications are estimated using the Ordinary Least Squares method. The size also seems to influence the relation between the size indicators, i.e. there is a non-linear relation between the size indicators. To capture this effect, the model uses the natural logarithms of the size indicators.

[58] For the following countries size indicators were omitted: Cyprus (all indicators were omitted), Denmark (turnover), Ireland (turnover), Malta (employees), the Netherlands (turnover), Sweden (assets) and the UK (turnover and employees).

[59] Interaction terms are included for the following sectors: activities of households as employers, producing household goods for own use, education, electricity, gas, steam and air conditioning supply, financial and insurance activities, mining and quarrying, public administration and defense, compulsory social security, and real estate activities.

[60] These countries are: Cyprus, Greece, Spain, Luxembourg, Malta and Poland.

[61] Interaction terms between country and size criteria have been included for Austria, Belgium, Bulgaria, Croatia, Estonia, Italy, Latvia, the Netherlands, Portugal and Romania.

The prediction power of the model is high across all specifications. As expected, the specifications considering the sectoral difference have a higher explanatory power than those that do not (i.e. higher R^2). The majority of the predicted values in the sample rely consistently for all the three size indicators on Specification 1 including sector variables, which allows for the most precise estimation. Moreover, the company's turnover is observed to have the highest predictor power for both total employment and total assets, whereas employment seems to be the most suitable predictor of a company's turnover (see Table 3.2, Table 3.3 and Table 3.4).

Table 3.2 Coverage and predictor power of total employees models

	Description	Active companies (%) Sector		Explanatory power (R^2) Sector	
		Yes	No	Yes	No
Actual values		42.0 %	0.5 %		
Estimated values	Specification 1 *Based on turnover and assets*	26.8 %	27.0 %	60.4 %	56.8 %
	Specification 2 *Based on turnover*	31.4 %	31.6 %	58.1 %	55.1 %
	Specification 3 *Based on assets*	34.3 %	34.5 %	44.1 %	36.6 %

Source: CEPS elaboration based on Orbis Europe.

Table 3.3 Coverage and predictor power of total turnover models

	Description	Active companies (%) Sector		Explanatory power (R^2) Sector	
		Yes	No	Yes	No
Actual values		47.0 %	0.5 %		
Estimated values	Specification 1 *Based on two employment and assets*	26.8 %	27.0 %	77.6 %	75.8 %
	Specification 2 *Based on employment*	31.4 %	31.6 %	65.0 %	62.7 %
	Specification 3 *Based on assets*	37.1 %	37.3 %	65.0 %	59.0 %

Source: CEPS elaboration based on Orbis Europe.

Table 3.4 Coverage and predictor power of total assets models

	Description	Active companies (%)		Explanatory power (R^2)	
		Sector		Sector	
		Yes	No	Yes	No
Actual values		51.9 %	0.8 %		
Estimated values	Specification 1 *Based on employment and turnover*	26.8 %	27.0 %	70.5 %	67.1 %
	Specification 2 *Based on employment*	34.3 %	34.5 %	50.1 %	45.3 %
	Specification 3 *Based on turnover*	37.1 %	37.3 %	65.2 %	60.1 %

Source: CEPS elaboration based on Orbis Europe.

The parameters obtained from the regression results are applied to the limited liability companies with missing values, applying the best possible specification depending on the available information.

However, for some active companies there are no size indicators available at all (13.1 % of active companies). In the absence of any of the three size indicators, the estimation requires an alternative estimation. For these active companies, the value is determined assuming that the values for the size indicators of these companies are similarly distributed as those for which the values are available or could be estimated. This estimation assumes that the distribution of the missing values is similar for the observed values as the missing values for countries with less than 25 % of active companies with missing values for all three size indicators. For those countries with a larger share of companies with missing values (Cyprus, Greece, Spain, Luxembourg, Malta and Poland), the assumed distribution is equal to that of the other EU Member States. The share of micro companies in these Member States is substantially lower than in other Member States based on the companies for which values are available. This suggests that the share of micro companies is higher among the companies for which all values are missing. Taking the distribution of the other EU Member States with a relatively higher share corrects for the higher share of micro companies among the active companies with missing values for all three size indicators.

For these estimations a Poisson distribution is defined, as the natural logarithmic distribution of the total turnover broadly follows the Poisson distribution. Using this distribution, the total turnover is estimated for the remaining active companies. This value is used to estimate the missing total assets and total number of employees using the same parameters as used for the companies for which only total turnover is available. The distribution is estimated for total turnover, as it has the highest explanatory power for both the other size indicators.

Overall, the number of employees is the least available indicator, as 47.9 % of employment values are estimated based on the model. Similarly, 29.2 % of turnover values have been estimated based on the model, while 13.1 % have been estimated

based on the Poisson distribution. Finally, 23.9 % of the total assets values have been estimated based on the model (see Table 3.5).

Table 3.5 Model specifications used for total employment, turnover and assets (% of active companies)

	Description	Number of employees		Turnover		Assets	
		Sector		Sector		Sector	
		Yes	No	Yes	No	Yes	No
Actual values		50.2 %	1.9 %	55.7 %	2.0 %	73.5 %	2.7 %
Estimated values	Specification 1	11.0 %	0.2 %	6.7 %	0.1 %	4.2 %	0.1 %
	Specification 2	12.0 %	3.6 %	3.3 %	0.1 %	3.2 %	0.1 %
	Specification 3	20.3 %	0.8 %	18.3 %	0.7 %	12.6 %	3.7 %
	Distribution	0.0 %	0.0 %	9.5 %	3.6 %	0.0 %	0.0 %
Total		100 %		100 %		100 %	

Source: CEPS elaboration based on Orbis Europe.

Once all the values are estimated for the entire population of active limited liability companies, the latter can be classified both according to the EU Accounting Directive and national size criteria.

3.1.5 Step 5: Deriving size criteria from the Directive and national legislation

The active companies are classified according to both the size criteria in the Accounting Directive and the national transposition of the Directive. Indeed, Member States are free to make decisions on whether to stick to the size criteria in the Directive or apply more restrictive criteria (i.e. lower total assets, turnover or number of employees). The national implementation of the super simplified accounting regime determines whether micro companies can actually make use of it.

The size criteria for micro, small, medium and large companies are retrieved from Article 3 of the Accounting Directive (see Table 3.6). In addition, the size criteria at national level are retrieved from the national legislation transposing the Directive. Cyprus, Luxembourg, Malta and Sweden have not implemented the super simplified regime and also not defined micro companies in the national legislation.

Most of the other Member States that have the euro as their currency follow the size criteria for micro companies as defined in the Accounting Directive. Companies that meet 2 out of the following 3 criteria are considered micro company; total assets up to EUR 350,000, turnover up to EUR 700,000 and up to an average of 10 employees. Italy and Estonia are the only Member States in the euro area that apply lower criteria. The size criteria for micro companies in Italy are half of those in the Accounting Directive and in Estonia only two criteria for total assets (up to EUR 175,000) and turnover (up to EUR 50,000) are applicable. Spain is the only Member State that has size criteria for total assets (up to EUR 1,000,000) and turnover (EUR 2,000,000) above the size criteria in the Accounting Directive. They are together with Croatia the only Member States that

have national size criteria in their company law, but do not use them for policies in relation to the Accounting Directive.

For those countries outside the euro (i.e. Bulgaria, Czechia, Denmark, Croatia, Hungary, Poland, Romania, Sweden and the UK), the financial size criteria are defined in national currency in the legislation.[62] For reasons of comparison, the criteria are converted from the national currency into euros using exchange rates for 2016 as reported by Eurostat. The exchange rate at the end of the year is applied to the criteria for total assets, while the yearly average exchange rate is applied to the criteria for turnover. The differences with the EU thresholds in these countries are due to changes in the exchange rate and rounding of the amount converted from the national currency.

[62] Romania represents an exception, as the size criteria are reported in euro in the national legislation.

Table 3.6 National size criteria for micro, small, medium and large limited liability companies derived from Article 3 of the Accounting Directive

Country Code	Micro				Small			Medium			Large		
	Criteria	Assets	Turnover	Empl.	Assets	Turnover	Empl.	Assets	Turnover	Empl.	Assets	Turnover	Empl.
	Number	EUR	EUR	NR	EUR	EUR	NR	EUR	EUR	NR	EUR	EUR	NR
AT	2 out of 3	350,000	700,000	10	5,000,000	10,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
BE	2 out of 3	350,000	700,000	10	4,500,000	9,000,000	50	NA	NA	NA	4,500,000	9,000,000	50
BG	2 out of 3	357,910	715,820	10	4,090,397	8,180,795	50	19,429,390	38,858,779	250	19,429,390	38,858,779	250
CY	NA	NA	NA	NA	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
CZ	2 out of 3	333,074	665,828	10	3,700,825	7,398,091	50	18,504,126	36,990,456	250	18,504,126	36,990,456	250
DE	2 out of 3	350,000	700,000	10	6,000,000	12,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
DK	2 out of 3	363,177	725,300	10	5,918,433	11,954,011	50	20,176,477	40,294,418	250	20,176,477	40,294,418	250
EE	2 out of 2	175,000	50,000	NA	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
EL	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
ES	2 out of 3	1,000,000	2,000,000	10	2,850,000	5,700,000	50	11,400,000	22,800,000	250	11,400,000	22,800,000	250
FI	2 out of 3	350,000	700,000	10	6,000,000	12,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
FR	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	NA	NA	NA	4,000,000	8,000,000	50
HR	2 out of 3	343,929	690,269	10	3,968,411	7,964,637	50	19,842,057	39,823,185	250	19,842,057	39,823,185	250
HU	2 out of 3	322,758	642,178	10	3,873,092	7,706,139	50	NA	NA	NA	3,873,092	7,706,139	50
IE	2 out of 3	350,000	700,000	10	6,000,000	12,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
IT	2 out of 3	175,000	350,000	5	4,400,000	8,800,000	50	NA	NA	NA	4,400,000	8,800,000	50
LT	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
LU	NA	NA	NA	NA	4,400,000	8,800,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
LV	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
MT	NA	NA	NA	NA	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250

Country Code	Micro				Small			Medium			Large		
	Criteria	Assets	Turnover	Empl.	Assets	Turnover	Empl.	Assets	Turnover	Empl.	Assets	Turnover	Empl.
	Number	EUR	EUR	NR	EUR	EUR	NR	EUR	EUR	NR	EUR	EUR	NR
NL	2 out of 3	350,000	700,000	10	6,000,000	12,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
PL	2 out of 3	340,113	687,569	10	3,854,613	7,792,446	50	NA	NA	NA	3,854,613	7,792,446	50
PT	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
RO	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	NA	NA	NA	4,000,000	8,000,000	50
SE	NA	NA	NA	NA	4,187,386	8,448,711	50	NA	NA	NA	4,187,386	8,448,711	50
SI	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250
SK	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	NA	NA	NA	4,000,000	8,000,000	50
UK	2 out of 3	369,081	771,221	10	5,956,691	12,446,918	50	21,023,617	43,930,297	250	21,023,617	43,930,297	250
EU28	2 out of 3	350,000	700,000	10	4,000,000	8,000,000	50	20,000,000	40,000,000	250	20,000,000	40,000,000	250

Note: All amounts have been converted into EUR based on the 2016 exchange rates.

Source: CEPS elaboration based on European Commission.

3.1.6 Step 6: Application of size criteria

The size criteria retrieved for the Directive as well as from the national legislation are applied to each of the active limited liability companies to determine the size categories for each company. More specifically, the number of limited liability companies are determined according to both the (i) size criteria in Article 3(1) of the Accounting Directive and (ii) national size criteria derived from Article 3(1) of the Accounting Directive as of 31 December 2016.

The application of the size criteria from both the Directive and the national legislation results in two different totals for each size classification (i.e. micro, small, medium and large). The results of the estimations for both the size criteria in the Accounting Directive and national size criteria are presented in Chapter 4.

Box 1. Impact of ownership on company size

In this study the assessment of the number of limited liability companies does not consider ownership. In fact, there are various provisions in the Accounting Directive that consider companies at group level. This box provides the results of an assessment of the impact of consolidation based on associate and subsidiary companies on a sample of about 1,600 active limited liability companies.

Depending on the relationship existing between the enterprise and a third company or group of companies, the latter should be taken into consideration when assessing the size class. Only the direct ownership relations with shareholders are considered. In particular, Article 2 of the Directive establishes that a company is considered as:

- **Associate** if another enterprise controls at least 20 % of the company voting rights.
- **Subsidiary** if another enterprise (i.e. the parent undertaking) controls more than 50 % or more of its shares.

These shareholders are requested to present consolidated company accounts. The accounts of associates are consolidated on a pro-rata basis (i.e. based on the percentage of shares controlled), while subsidiaries are fully consolidated.

All companies in the sample have been classified as autonomous enterprises, associates or subsidiaries depending on the existing relationships between the company and its shareholders. Subsequently, financial accounts and the number of employees are consolidated pro-rata for associates and in full for subsidiaries. Overall, 6.7 % of the companies change group if ownership is considered (see Table 3.7). More specifically, 1.6 % of the companies in the sample fall into 'small' , 0.5 % 'medium' and 1.2 % 'large' groups.

Table 3.7 Classification sample of companies before and after consolidation

		After consolidation				Total
		Micro	Small	Medium	Large	
Before consolidation	Micro	69.2 %	1.6 %	0.5 %	1.2 %	72.5 %
	Small		21.3 %	0.8 %	1.5 %	23.6 %
	Medium			1.9 %	1.0 %	2.9 %
	Large				1.0 %	1.0 %
Total		69.2 %	22.9 %	3.2 %	4.7 %	100.0 %
Change		*-3.3 %*	*-0.7 %*	*0.3 %*	*3.8 %*	*0.0 %*
Percentage change		6.7 %				

Source: CEPS based on Orbis Europe.

3.2 Survey on impact of regime on micro companies and other stakeholders

Accurately assessing the reduction of the administrative burden for micro companies due to the super simplified regime, is only viable with direct input from the micro companies and their stakeholders, including accountants, banks and others.

For this purpose, a survey of the relevant stakeholders is designed and conducted. The objective of the survey is to hear directly from micro companies and their stakeholders, about their experiences with the super simplified regime. As is shown in Chapter 5, the outcome of the survey makes it possible to draw conclusions on the costs and benefits of the super simplified accounting regime, at the level of individual Member States and that of the EU as a whole.

The survey is designed to reveal the remaining challenges and potential downside effects for micro companies and other actors. The availability of such cross-country primary information provides the opportunity to establish benchmarks on how Article 36 of the Accounting Directive can be transposed most efficiently into national legislation, while acknowledging country specificities and challenges.

Lastly, there is an underlying presumption that those countries that implemented a favourable accounting regime for micro companies, and introduced it early on, should be characterised by greater use of the new accounting regime by micro companies and a more positive assessment of its added-value. Against this background, the survey design ensures that the degrees of implementation and generosity of the accounting reform for micro companies can be accounted for in the analysis of responses.

Based on these considerations, the rest of the section describes the main features of the survey.

3.2.1 State of implementation of the super simplified regime

Despite the general objective of the Directive to reduce administrative burdens on micro companies through simplification of the financial reporting regime, the application of a super simplified regime is optional for the Member States.

Each Member State is free to implement it or not in its jurisdiction. Recital 11 of the new Accounting Directive allows for a range in implementation: 'option in full or in part'. The rationale behind this option is to allow Member States to account for the differing impact of each of the options at national level.

Member States should take into account the specificities of their own country and the needs of their own markets when making decisions about implementation of this Directive. In practice, this amounts to striking an appropriate balance between the interests of the addressees of financial statements in knowing about the company and the interest of micro companies in not being unduly burdened with reporting requirements.

As regards other types of companies, the majority of Member States requires accounting records to be produced on an accrual basis or provide a choice between a cash and accrual basis when it relates to micro companies (type 2).[63] Depending on national situations, spill-over effects of the regime applicable to limited liability companies could naturally affect

[63] European Commission, Accounting guide for SMEs - SME Accounting in Europe: insights provided by a desk research and a survey – July 2015.

other types of companies. These other types are outside the scope of the Directive and were therefore not considered in this study.

Article 53 of Directive 2013/34/EU requires that Member States comply with it by 20 July 2015. Overall, every EU28 Member State has been able to transpose this new Directive into their national laws.[64] However, because of the freedom Members States were given, in practice the implementation of the Directive differs across Member States. This implies that the reduction of the administrative burden on micro companies, associated with the introduction of a super simplified regime, also differs across countries.

For the purpose of an overview of the cross-country differences, we define a burden relief index. The aim of the index is to determine the extent to which each country has adopted each of the provisions, related to micro companies, which are present in Article 36 of the Directive and to what extent each of them results in a lower reporting burden. In order to do this, we consider each provision and attribute a score that captures the disclosure burden relief associated with it. Through this exercise, countries can be ranked and clustered in groups, each having similar features. These groups were used for the selection of countries for the assessment of the impact of the regime on micro companies described above (Chapter 3.2) and below (Chapter 5).

In practice, each provision of Article 36 is given a (discontinuous) score between 0 and 17.5. This range is determined so that that the scores from all the provisions of Article 36 sum to 100. A higher score implies greater possible relief from administrative and disclosure burdens generated by the provision, zero means the provision does not reduce the administrative burden at all. Box 2 contains a detailed description of the rationale for the attribution of the score to each provision.

For each Member State, we verify the adoption of each provision and if this is the case, attribute a score equal to that of the burden relief, and 0 otherwise. We then calculate the overall score of the country by summing the scores of all the provisions implemented. This is a value from 0 to 100. A score of 0 refers to countries that have not implemented any of the provisions in the Directive, and 100 refers to countries that have implemented all the provisions in the Directive, and hence provided the greatest burden relief.

It is important to note that the computation of the burden relief index does not consider the quantitative criteria for the identification of micro companies. The reason for this is that the definition of the national size criteria in relation to the EU benchmarks defines the scope of the reduction in the administrative burden, i.e. how many companies can benefit from the relief, and not the burden relief itself, which depends on the adoption of the provisions.[65]

Following this approach and using the scores described in Box 2, a scoring of the Member States is produced (see Table 3.8). This clearly results in three distinct groups:

- Group I: Consists of Member States that have provided the most reduction in administrative and disclosure burden to micro companies.
- Group II: Consists of Member States that have provided medium reduction in administrative and disclosure burden to micro companies.

[64] https://ec.europa.eu/info/publications/accounting-directive-transposition-status_en

[65] A detailed overview of the national size criteria by Member States and for each of the relevant criteria is presented in Table 3.6 in the next Chapter, which focuses on the number of micro companies and hence defines the scope of the overall exercise.

- Group III: Consists of Member States that have chosen not to implement the super simplified regime as foreseen in Article 36 of the Directive (Art. 36 of Directive 2013/34/EU).

Table 3.8 State of implementation based on the burden relief index

Country	Burden relief index	National size criteria for micro companies	Group
DE	95	YES	Group I – Largely implemented
IE	95	YES	
IT	95	YES	
NL	95	YES	
UK	95	YES	
BG	90	YES	
HU	90	YES	
LT	90	YES	
PL	90	YES	
PT	90	YES	
SK	82.5	YES	
RO	77.5	YES	
EL	72.5	YES	
LV	55	YES	Group II – Partially implemented
EE	47.5	YES	
FR	47.5	YES	
BE	42.5	YES	
DK	42.5	YES	
SI	42.5	YES	
CZ	37.5	YES	
AT	35	YES	
FI	35	YES	
CY	0	NO	Group III – Not implemented
ES	0	YES	
HR	0	YES	
LU	0	NO	
MT	0	NO	
SE	0	NO	

Note: The information on the application of the provisions is provided by the European Commission.

Source: CEPS and LSE elaboration based on European Commission.

The differences in the state of implementation indicated by the burden relief index suggests that for countries at the bottom of the ranking, having zero, the Directive will not result in any benefit in terms of reduction of the administrative and reporting burden faced by micro companies. In these countries, while the Directive was transposed no relevant provision was adopted. By contrast, in high-ranking Member States, the adoption of most provisions creates a sound framework for reaping all potential benefits of the burden reduction

contained in the Directive. Yet, as shown in the next chapters, there is no guarantee that the full potential benefits will be enjoyed.

Based on the outcome of the ranking, we selected eight Member States (highlighted in light blue in the Table), four for Group I and four for Group II, and describe the features of the new regime for micro companies. Group III is not considered because there was no change introduced by the Directive.

Box 2. Score attribution to the Directive provisions

36(1)(a) Present 'Prepayments and accrued income' and 'Accruals and deferred income'

Considering that most countries require all the financial statements to be prepared on an accrual rather than cash basis, this exemption may not reduce the burden much. Furthermore, most tax authorities might require this information, which in turn effectively means that micro companies will eventually have to generate it. Prepayments, accrued income and deferred income are readily available numbers if the company has prepared all the financial statements on an accrual basis.

BURDEN RELIEF WEIGHT: 5

36(1)(b) Notes to financial statements

The notes to financial statements usually contain a lot of information that requires substantial effort in reporting. The company has to provide details on major accounting policies used, revaluation reserve movements, use of fair values and the assumptions underlying these, items of exceptional size in the income statement, related party transactions and several other items. An exemption from this reduces the burden significantly. BURDEN RELIEF WEIGHT: 12.5

36(1)(c) Prepare a Management report

The management report requires the micro company to undertake extra work to take stock of the company's performance and to understand risks and uncertainties the company may face. For example, this might require benchmarking the company to peer companies, understanding the performance of the industry as a whole, and estimating possible economic uncertainties. This exemption is a considerable reduction in effort for micro companies.

BURDEN RELIEF WEIGHT: 12.5

36(1)(d) Publishing annual financial statements

The obligation to publish financial statements is not a large burden on micro companies as most companies have a website for operational reasons. Given that micro companies have very few shareholders, this provision provides minor relief to micro companies.

BURDEN RELIEF WEIGHT: 5

36(2)(a) Draw up only an abridged balance sheet

The detailed balance sheet contains several items that require extensive collection of information. The abridged balance sheet significantly reduces this burden.

BURDEN RELIEF WEIGHT: 17.5

36(2)(b) Draw up only abridged profit and loss statement

The abridged profit and loss statement significantly reduces the burden of preparing detailed expenses such as distribution costs, administrative costs, etc. This provision significantly reduces the effort and time spent by micro companies.

BURDEN RELIEF WEIGHT: 17.5

36(3) Exemption from the application of the fair value base

Fair valuation companies are required to estimate the market value of an asset. The company may have to hire experts to value assets or research market values. The exemption from fair valuation could provide significant relief to micro companies. That said, not many micro companies are likely to have assets needing it, so the burden reduction would be medium.

BURDEN RELIEF WEIGHT: 7.5

Box 2. Score attribution to the Directive provisions (*Continued*)

36(4) True and fair view

Micro companies need not prepare any additional disclosure beyond the requirements of the Directive to provide a 'true and fair' view. This leads to some burden reduction.

BURDEN RELIEF WEIGHT: 5

36(5): If countries choose to exempt prepayments, accruals and deferred income, then balance sheet total of assets will exclude these items

This is an add-on to 36(1)(a) and only has an impact on countries that choose to use the exemption given in 36(1)(a). This provision does not provide any relief to micro companies, rather it dictates how the balance sheet value of assets should be calculated.

BURDEN RELIEF WEIGHT: 0

36(6): Micro entities are otherwise regarded as small undertakings

This is a very important clause in the regulation, without which micro entities would have needed to publish a full set of documents similar to large companies in annual reports – a huge burden.

BURDEN RELIEF WEIGHT: 17.5

36(7): Exemptions unavailable for investment undertakings or financial holding undertakings

This provision dictates which types of companies should not be included for exemptions. This provision inevitably does not provide any reduction in burden.

BURDEN RELIEF WEIGHT: 0

36(8): Exemption from the conversion from national currency to Euro requirement

If a Member State has already implemented certain previous Directives, they are exempt from the requirements with regard to conversion from the national currency to euros. This provision does not provide any relief from administrative burdens to micro companies.

BURDEN RELIEF WEIGHT: 0

3.2.2 Country coverage

To allow for a more in-depth analysis, the survey is conducted for a sample of eight EU Member States. The country selection includes Member States with a varying degree of implementation of the super simplified regime and different broader economic features. This strategy supports the representativeness of the sample, while enabling the analysis of the degree of implementation and its repercussions on burden relief for micro companies.

The selection of countries is based on three criteria (see Table 3.9):

1) Degree of implementation of the super simplified accounting regime for micro companies;
2) Administrative burden facing companies in the country; and,
3) Importance of micro companies for the economy.

The degree of implementation is composed of three elements. First, the time of the transposition of Art 36. of the Directive. Second, the time of the adoption of the new regime. Third, to what extent micro companies are exempted from obligations that apply to other enterprises. This is based on the country ranking and grouping described in Chapter 3.3.

Moreover, we focus on the countries that have implemented the super simplified regime for micro companies.

Accounting for all these criteria, the eight selected Member States are Belgium, Bulgaria, Czechia, Estonia, France, Germany, Greece and Portugal (see Table 3.9). This selection includes countries that exhibit a high burden relief index and hence a high degree of implementation of the super simplified regime (Germany, Portugal, Bulgaria and Greece) and some that only implemented it partially or extended the benefits to a smaller group of companies (Belgium, Estonia, France and Czechia). Together, these Member States also cover different regulatory environments as well as different degrees of importance of micro companies for the domestic economy. Moreover, the selected Member States are geographically spread across the EU.

Table 3.9 Country selection matrix

Country	Super simplified accounting regime			Administrative burden	Importance of micro companies for economy	
	Date regulation passed	Implementation date	Burden relief index	Ease of doing business 2017	Employment	Value added
BE	18/12/2015	2016	42.5	71.9	34.6 %	23.4 %
BG	08/12/2015	2016	90.0	71.8	29.9 %	22.8 %
CZ	01/09/2015	2016	37.5	76.2	31.0 %	19.6 %
DE	23/07/2015	2016	95.0	79.2	20.2 %	16.3 %
EE	30/12/2015	2016	47.5	80.8	30.4 %	26.2 %
FR	30/01/2014 and 17/2/2014	2016	47.5	76.2	31.9 %	23.1 %
GR	20/11/2014	2015	72.5	68.0	57.3 %	34.3 %
PT	02/06/2015	2016	90.0	77.0	40.8 %	24.2 %

Sources: CEPS based on Ease of Doing Business indicators (World Bank, 2017), "Your Europe" (European Commission, 2017), Annual Report on European SMEs 2016/17 (European Commission, 2017). Degree of implementation is based on Table 3.8 which ranks countries according to the burden relief index. Values ranges from 0 to 100, with high values meaning a high degree of implementation.

3.2.3 Stakeholder identification

The introduction of the super simplified accounting regime is likely to have had the most profound impact on micro companies themselves. However, other stakeholders may have experienced a change in their workload as well. Thus the survey includes not only micro companies but also: chartered accountants and banks who are regularly dealing with micro companies; national registries/publication offices, which provided further insights into how far use has been made of the new simplified regime and its implication for the micro companies and other stakeholders; and national business associations, which represent the interests of small and micro companies. These national business associations are not impacted directly by the new Accounting Directive, but they may have received information, feedback, possibly complaints, from micro companies about the new regime, or they may

have noticed a change in questions/concerns regarding accounting standards from their members.

The selection of limited liability micro companies to be surveyed, in each of the selected countries, relied on the Orbis Europe database, which provides the means to identify micro companies and obtain contact information. The selection was made among companies that meet the national size criteria and are of 'limited liability status'.[66] From the set of these eligible limited liability micro companies, a random sample of companies was extracted. Each country sample contains a variety of eligible companies in terms of regional distribution and sector of activity.

Finally, to ensure that all selected companies are indeed limited liability micro companies, the survey contains questions asking the survey taker to state the legal type of company, year of establishment, and current number of employees, revenues and balance sheet size. All the information collected has been cross-checked with the Orbis Europe database.

Chartered accountants and banks were also partially identified via Orbis Europe, as some micro companies provide information on accountants or banks of whose services they have made use. This list of potential accountants was complemented by the addition of major accounting firms located in the Member States as well as accountants identified via a web-search. In addition, some micro companies replied to the survey question requesting to state their external accountant (if applicable), though many companies were hesitant to provide this information. These accountants were added to the list. For banks, a similar approach was used. As the information on accountants and banks that could be extracted from Orbis Europe varied considerably across the countries, for some the selection relied more on the web-search for accountants than for banks and vice versa.

The identification of relevant business associations and national registries relied on a web-search. In most surveyed countries, there is only one registry in charge of collecting and publicising the financial statements of companies, while there are often several business associations. For the latter, the survey was proposed to the association(s) that represent small or micro companies.

In order to achieve a sufficient number of survey replies by stakeholder group and country, each survey was designed so that it was easy and fast to complete and entailed little effort for survey respondents. In addition to the online survey, a number of phone interviews were conducted to assist potential respondents in replying to the questionnaire and pilot the survey.

To ensure that the number of replies by survey group was sufficiently large to make the subsequent analysis meaningful and derive conclusions for the EU level, for each country the following country targets were set: 10 replies from micro companies (80 in total), 2 replies from chartered accountants (16 in total), 2 replies from banks (16 in total), 1 reply from the national registry or publication office (8 in total) and 1 reply from a business association (8 in total).

Given the constraint that only one potential institution might be eligible for the survey and the challenge of engaging often over-burdened micro companies, the survey strategy turned out to be of particular importance to ensure that all countries were covered with respect to all stakeholders.

[66] The limited liability status was chosen according to national classifications, which predominantly listed public limited liability companies, private limited liability companies and partnerships.

3.2.4 Survey format

The primary format of the survey was an online survey paired with targeted follow-up phone calls. The online survey was conducted in the national language and native speakers were in charge of phone interactions. The survey strategy followed a stepwise approach.

First, the identified potential survey respondents, of whom email addresses were available, received an email invitation to take part in the survey (national language). The invitation email contained a short explanation of the ambition of the study, its financing and a data privacy protection disclaimer. Data privacy was guaranteed by using the anonymity function of the online survey tool, which disables any tracing of answers back to a particular survey taker. Stakeholders who did not respond to the questionnaire[67] and had not opted out of participation in the survey[68] received a short reminder. Thereafter, the survey team conducted follow-up phone calls to those who had not responded in any form. The team offered to fill out the answers given by the respondent over the phone or to re-send the survey email, depending on the preferences and availability of the respondents.

One key challenge in this exercise stemmed from the fact that micro companies tend to have little spare capacity to answer questionnaires. This was particularly the case where only a single person is in charge of the accounting tasks or arrangements, making their likelihood to respond to online surveys very low. Follow-up calls made it possible to achieve the target of at least 10 micro companies for each of the selected countries.

In the case of associations and registries, the survey was most often directly initiated over the phone to accelerate the process. The survey strategy for banks and accountants mirrored the one for micro companies but also required substantial effort in terms of follow-up calls.

To guarantee that all questions were clear and unambiguous, the survey was piloted and discussed with a few relevant stakeholders. Their feedback was integrated prior to the first wave of questionnaires.

3.2.5 Survey participation and response rates

3.2.5.1 Micro companies

Overall, 105 micro companies engaged in the survey, of which 86 fully completed the questionnaire and confirmed being limited liability micro companies (see Table 3.10).

[67] This group can be selected as group on the platform.
[68] The survey tool allows recipients to opt out from any future correspondence via the platform.

Table 3.10 Overview of survey targets and responses

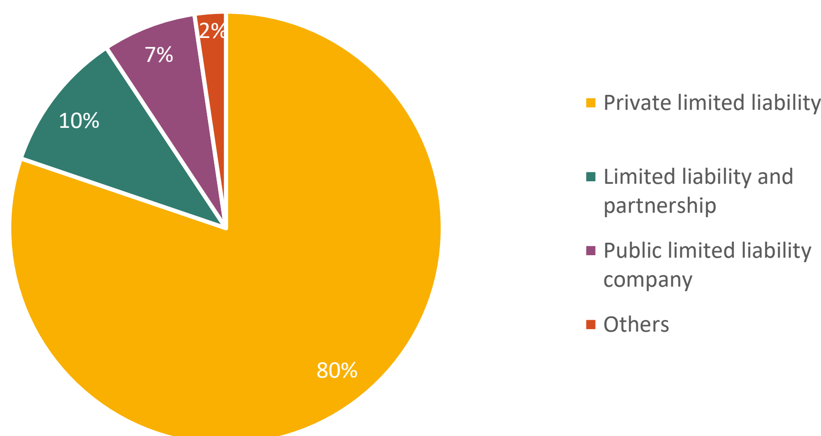
	Target	Total responses	Valid* responses	Response rate**
BE	10	16	10	5 %
BG	10	10	10	3 %
CZ	10	15	12	2 %
DE	10	16	14	7 %
EE	10	10	10	4 %
FR	10	16	10	9 %
GR	10	10	10	4 %
PT	10	12	10	2 %
Total	**80**	**105**	**86**	**4 %**

Note: *valid responses are those of self-identified limited liabilities companies (in terms of the three size criteria and the legal form), who fully completed the questionnaire. **The response rate is the ratio between total responses and the number of companies invited to participate in the survey.

Source: CEPS elaboration based on survey responses.

The vast majority (80 %) of the surveyed micro companies are private limited liability companies, as shown Figure 3.2. The remaining 20 % are limited liability and partnership companies (10 %), public limited liability companies (7 %) or have another incorporation type.

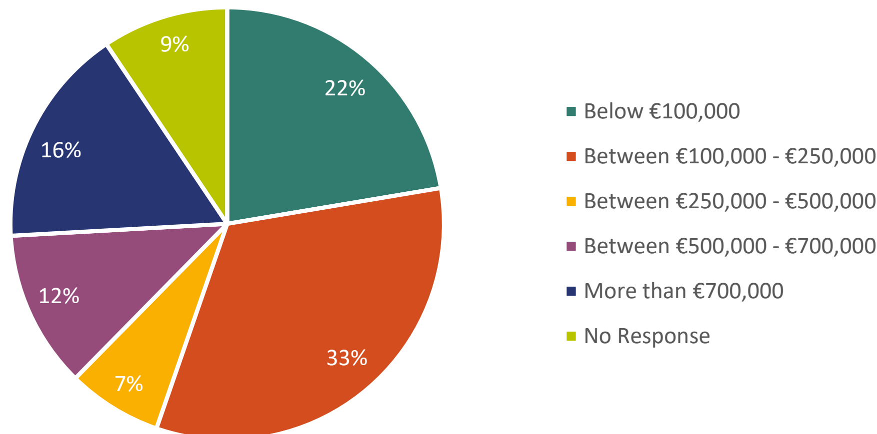
Figure 3.2 Incorporation types of the surveyed companies



Source: CEPS elaboration based on survey responses.

The surveyed companies show a balanced distribution across different buckets of annual turnover, with the maximum number of companies in the EUR 100,000 - EUR 250,000 turnover range (see Figure 3.3).

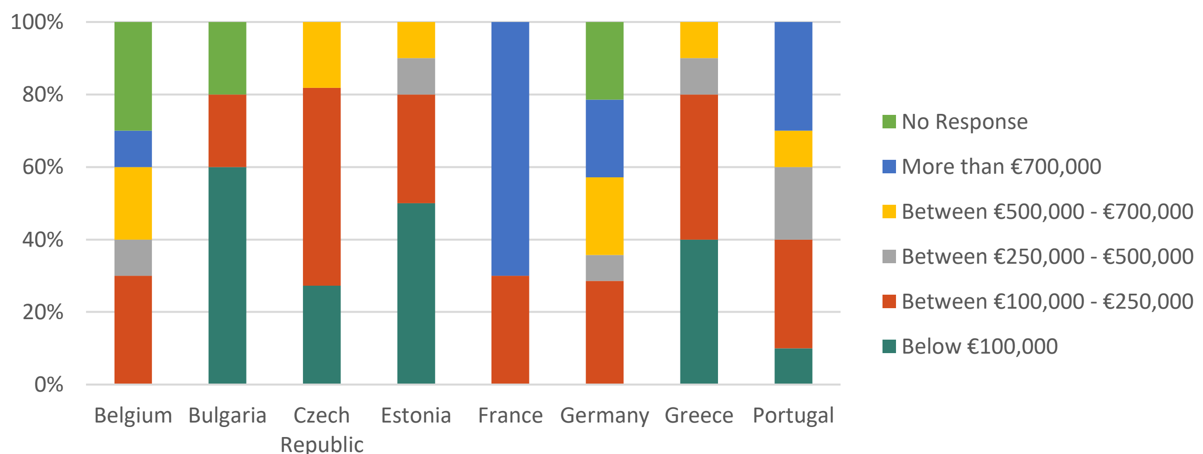
Figure 3.3 Annual turnover[69] of the surveyed companies



Source: CEPS elaboration based on survey responses.

We further check the possible existence of any systematic trends in the size of companies, as measured by the turnover, at country level. We find that our sample consists of predominantly larger micro companies for France, while in Bulgaria it is mainly small micro companies (all surveyed micro companies had a turnover below EUR 250,000).

Figure 3.4 Distribution of companies by turnover across Member States

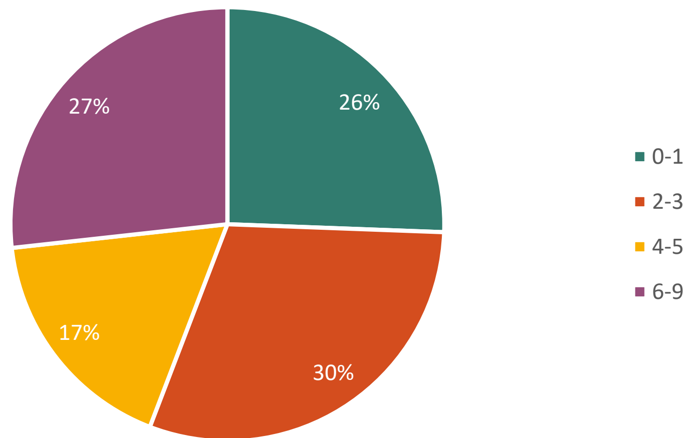


Source: CEPS elaboration based on survey responses.

[69] Some companies with turnover above EUR 700,000 are still micro because they meet the other two criteria.

Similarly, companies have a balanced distribution in terms of number of employees. About 26 % of the companies surveyed reported having 0-1 employees, 30 % 2-3 employees, 17 % 4-5 employees and 27 % 6-9 employees (see Figure 3.5).

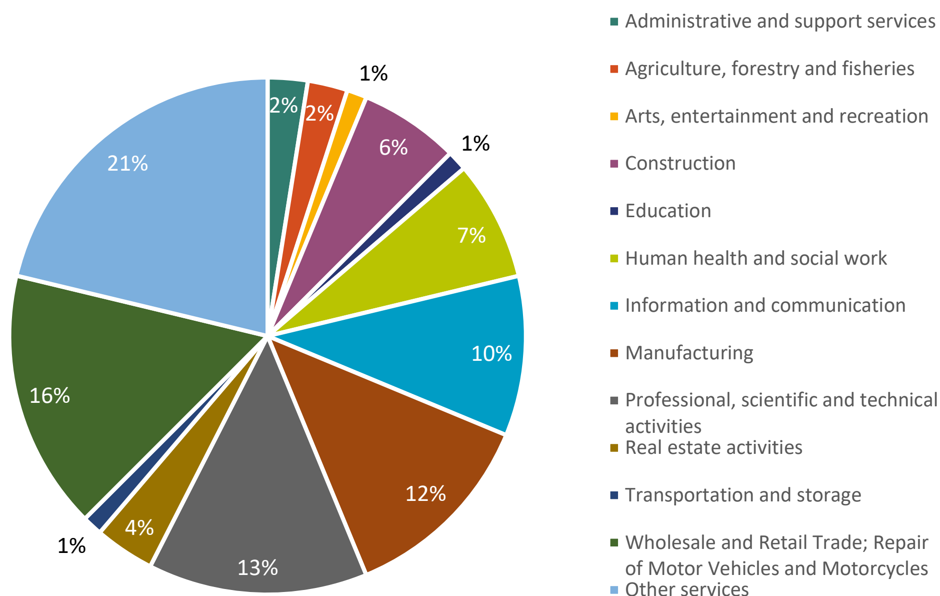
Figure 3.5 Number of employees of the surveyed companies



Source: CEPS elaboration based on survey responses.

About half of the micro companies surveyed come from three sectors: wholesale and retail trade, repair of motor vehicles and motorcycles (15.9 %); professional, scientific and technical activities (13.4 %); other services (20.7 %) (see Figure 3.6).

Figure 3.6 Sectors of the surveyed companies

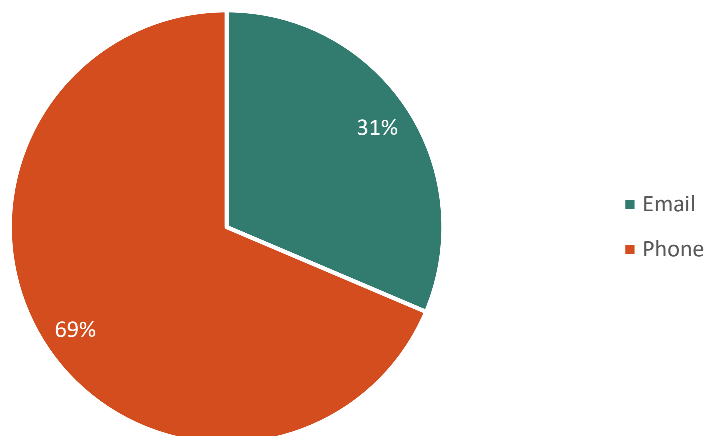


Source: CEPS elaboration based on survey responses.

All in all, the survey was sent to nearly 3,000 micro companies across the eight Member States, with the number of companies invited to participate in the survey differing across countries. The aggregated response rate, including those obtained via follow-up phone calls, was around 4 %. The response rate differed considerably across countries, with France and Germany at the higher end and Czechia and Portugal at the lower end.[70] With the exception of Estonia, follow-up calls were necessary to reach the minimum number of interviews in every country. Consequently, more than two-thirds of replies were obtained via phone (see Figure 3.7).

[70] Some differences can be explained by the higher share of companies having an info@ email address instead of personal email addresses, which made responses far less likely.

Figure 3.7 Modes of acquiring survey respondents



Source: CEPS elaboration based on survey responses.

The value of a survey crucially depends on the absence of any systematic bias in the responses, particularly due to the method of survey administration.[71,72] To verify that the survey responses were not driven by the mode of contact, the awareness of the regime change among micro companies is compared for both the email and phone respondents. The difference between the two methods is limited, suggesting that combining both modes of contact did not induce any significant biases (see Table 3.11).

Table 3.11 Awareness of the regime change among respondents, by method of survey administration

Survey channel	Aware	Not aware	Awareness
Email	13	14	48 %
Phone	22	37	37 %
Total	**35**	**51**	**41 %**

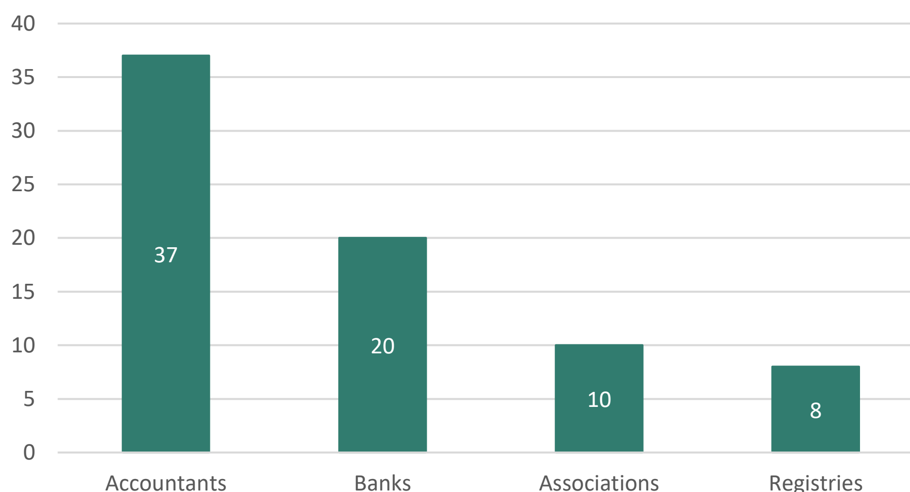
Source: CEPS elaboration based on survey responses.

[71] This could have been the case, as participants might be inclined to pretend that they know of the new regime when filling the survey online and when later asked to describe the changes are unable to do so but still continue the questionnaire. In a phone interview, the interviewee may retract having knowledge of the new regime when unable to describe it and the answer would be changed.
[72] Ann Bowling; Mode of questionnaire administration can have serious effects on data quality, Journal of Public Health, Volume 27, Issue 3, 1 September 2005, Pages 281–291, https://doi.org/10.1093/pubmed/fdi031

3.2.5.2 Other stakeholders

In total almost 1,300 stakeholders (other than micro companies) were approached for the survey. Of them, 122 stakeholders engaged in the survey and 67 fully completed the questionnaire (see Figure 3.8) to be used for the analysis of the stakeholder experience with the new regime. The valid responses include at least two accountants and banks, one business association and registry per selected Member State.

Figure 3.8 Completed surveys per type of stakeholder



Source: CEPS elaboration based on survey responses.

The response rate for accountants was only 4 %, which is partially due to the fact the survey was conducted during the period when tax declarations are submitted. Secondly, the contact information provided in the Orbis Europe database and on the accountants' own website were predominantly business email addresses, which require follow-up calls to reach a person who is dealing with micro companies on a regular basis. However, the survey participants were able to respond to the questionnaire in detail.

The response rate of banks reached around 4 % overall, but there were significant differences across countries due to varying transparency regarding departments dealing with requests or services for micro companies.

The selected business associations were rather keen to participate in the survey and the response rate was above 75 %. Similarly, since most countries have only one registry for enterprises, the response rates for registries was close to 100 % once the appropriate person dealing with micro companies had been identified.

3.2.6 Analysis

3.2.6.1 Qualitative and quantitative approach

Most of the content of the survey is focused on the knowledge of respondents of the new accounting regime and his/her perception of how it has affected work(load) and reporting costs.

It clearly emerged that respondents found it difficult to gauge the monetary impact of the super simplified regime and most insights were provided in text form. This is required to follow mostly a qualitative approach, where insights from the text are crossed with the degree of transposition of the Directive and ultimately the extent to which accounting rules have been simplified in a given country (as described in detailed in Chapter 2). The objective is to test whether there is a difference in the perceptions of respondents in countries that made full use of the super simplified accounting regime and those that only implemented parts or only extended these benefits to a limited group of companies (i.e. restrict eligibility criteria relative to other countries).

The quantitative approach relies directly on the estimate of the administrative burden reduction/increase in terms of monetary cost and working hours from respondents in the survey. Information on the monetary impact was primarily obtained from the micro companies themselves and, in cases where accounting is outsourced, also by the accountants. There are substantial differences across country groups, which could reflect in potential benefits/costs.

Besides the cross-country analysis, the combination of the survey outcome with the data analysis (illustrated in Chapter 5 and 6) makes it possible to perform inference exercises and draw useful sub-samples across countries, covering different sectors or size groups within the category of micro companies. The random sampling provided a broad coverage of sectors and company sizes. However, some countries have simply more micro companies at the lower end of the size spectrum. Consequently, the distribution across sectors and size groups may differ among the surveyed countries. In this respect, the study carefully analyses not only if certain sectors tend to view the benefits of the super simplified accounting regime differently, but also whether the company size influences the degree of awareness of the regime. This approach makes it possible to distinguish between country effects and composition effects.

3.2.6.2 Extrapolation of results

The qualitative analysis and quantitative estimation of the administrative burden reduction/increase highlight individual perceptions on benefits and costs of the super simplified accounting regime and provide a simple average impact estimate, for the eight countries considered. For a more nuanced analysis and EU-wide cost estimate, country results are extrapolated with supplementary input from the estimation of the limited liability micro companies.

In practice, the extrapolation rests on the ability to group non-surveyed countries with those that have been part of the survey along specific indicators and which criteria of micro companies are applied (e.g. a generous interpretation along the Commission's definition or a narrower national definition). Prior to the extrapolation of the survey results, a detailed review of responses identified outliers of individual cases or specific sectors (see Chapter 5). A further analysis then revealed whether these outliers are plausible and should remain in the sample with a corrective weight attached to them.

The cost estimates regarding the Member States that have been part of the survey (as illustrated in Chapter 5) are combined with the estimated number of micro companies in each of the EU Member States (Chapter 4 does it for each EU Member State) to calculate the administrative burden reduction in the EU.

Importantly, as emphasised in Chapter 5, the outcome of the survey suggests that besides the number of micro companies and the average reduction cost, another parameter plays a critical role in the calculation of the total burden reduction: the (limited) awareness of companies of the super simplified regime for financial reporting and/or a certain degree of inertia encouraging them to stick to the pre-existing regime. This aspect is taken into account in the calculation of the total burden reduction (Chapter 6) and in the formulation of the conclusions of the study.

4. Limited liability micro companies by EU Member State

This chapter presents the number of limited liability companies according to both the national size criteria and those in Article 3(1) of the Accounting Directive. Moreover, it provides an analysis of the differences in the number of micro companies allowed to prepare financial statements under the super simplified regime and those that are covered if the size criteria in the Directive were applied. The number of limited liability companies is based on the methodology as described in Chapter 3.1. All the numbers presented in this chapter are for the reference date 31 December 2016.

4.1 Total number of limited liability companies

In total there are 16.8 million limited liability companies in the European Union (see Table 4.1). Most of the limited liability companies are incorporated in the United Kingdom, 3.2 million or 9.7 % of the EU total. There are four more countries with more than one million limited liability companies: France (2.2 million), Spain (1.7 million), Germany (1.3 million) and Italy (1.2 million). Combined, the five Member States with more than one million limited liability companies have almost 10 million or about 58.3 % of the total for the EU.

There are four Member States with between 0.5 and 1.0 million limited liability companies: The Netherlands (0.9 million), Romania (0.9 million), Bulgaria (0.6 million) and Sweden (0.5 million). Combined, this amounts to 2.9 million active limited liability companies or about 17.4 % of the total for the EU.

There are seven countries with between 250,000 and 500,000 limited liability companies: Portugal (0.5 million), Belgium (0.4 million), Czechia (0.4 million), Hungary (0.3 million), Poland (0.3 million), Denmark (0.3 million) and Finland (0.3 million). Combined, this amounts to 2.5 million active limited liability companies or about 14.7 % of the total for the EU.

The smaller Member States have between 40,000 and 250,000 limited liability companies. These twelve Member States have 1.6 million active limited liability companies or about 9.6 % of the total for the EU.

Table 4.1 Total number of limited liability companies across Member States as of 31 December 2016

Country code	Country name	Total	Share of EU
AT	Austria	155,372	0.9 %
BE	Belgium	444,865	2.6 %
BG	Bulgaria	556,303	3.3 %
CY	Cyprus	207,982	1.2 %
CZ	Czechia	372,068	2.2 %
DE	Germany	1,317,648	7.8 %
DK	Denmark	270,600	1.6 %
EE	Estonia	121,011	0.7 %
EL	Greece	98,577	0.6 %
ES	Spain	1,720,983	10.2 %
FI	Finland	267,002	1.6 %
FR	France	2,235,280	13.3 %
HR	Croatia	148,394	0.9 %
HU	Hungary	326,703	1.9 %
IE	Ireland	181,546	1.1 %
IT	Italy	1,218,583	7.2 %
LT	Lithuania	99,005	0.6 %
LU	Luxembourg	81,903	0.5 %
LV	Latvia	164,159	1.0 %
MT	Malta	42,444	0.3 %
NL	Netherlands	923,061	5.5 %
PL	Poland	325,287	1.9 %
PT	Portugal	464,350	2.8 %
RO	Romania	911,908	5.4 %
SE	Sweden	546,282	3.2 %
SI	Slovenia	80,070	0.5 %
SK	Slovakia	233,945	1.4 %
UK	United Kingdom	3,320,072	19.7 %
EU28	**European Union**	**16,835,403**	**100.0 %**

Source: CEPS elaboration based on Orbis Europe.

4.2 Limited liability companies according to size criteria in Directive

This section analyses the limited liability companies in the scope of Article 3(1) in the Directive using the size criteria as defined in the Directive. The Directive distinguishes between four different size categories, which are defined as follows.

- Micro companies are companies that do not exceed more than two of the three following criteria: balance sheet total of EUR 350,000, turnover of EUR 700,000 and 10 employees;
- Small companies are companies that are not micro companies and exceed two of the three following criteria: balance sheet total of EUR 4 million, turnover of EUR 8 million and 50 employees;[73]
- Medium companies are companies that are not micro or small companies and do not exceed two of the three following criteria: balance sheet total of EUR 20 million, turnover of EUR 40 million and 250 employees;
- Large companies are companies that do exceed at least two of the following three criteria: balance sheet total of EUR 20 million, turnover of EUR 40 million and 250 employees.

The differences in the distribution of companies across size categories are entirely due to the characteristics in the Member States.

The large majority of the total of 16.8 million limited liability companies are micro companies. In total about 14.2 million or 84.4 % of the limited liability companies are classified as micro (see Table 4.2 and Table 4.3). Small companies form the second largest size category with 2.2 million or 13.3 % of all limited liability companies. Combined the micro and small companies represent with 97.7 % almost all the limited liability companies. The medium companies represent 295,000 companies or 1.8 % of total limited liability companies the second smallest category. Finally, the remaining 94,000 companies or 0.6 % of all the limited liability companies are classified as large.

[73] The Directive provides Member States to apply higher criteria that do not exceed EUR 6 million for balance sheet total and EUR 10 million for turnover.

Table 4.2 Number of limited liability companies according to size criteria in Article 3(1) of the Accounting Directive as of 31 December 2016

Country code	Micro	Small	Medium	Large	Total
AT	92,944	54,066	6,019	2,343	155,372
BE	338,844	93,822	9,045	3,154	444,865
BG	525,212	28,022	2,554	515	556,303
CY	173,416	29,782	4,047	737	207,982
CZ	316,996	47,104	6,416	1,552	372,068
DE	918,159	337,714	45,640	16,135	1,317,648
DK	240,633	23,518	4,333	2,116	270,600
EE	112,762	7,204	869	176	121,011
EL	69,365	24,701	3,723	788	98,577
ES	1,430,502	258,170	26,403	5,908	1,720,983
FI	230,951	30,628	4,073	1,350	267,002
FR	1,768,096	412,906	41,900	12,378	2,235,280
HR	134,469	12,043	1,523	359	148,394
HU	294,916	27,413	3,454	920	326,703
IE	151,119	25,273	3,867	1,287	181,546
IT	913,073	263,306	32,728	9,476	1,218,583
LT	86,588	10,903	1,241	273	99,005
LU	62,068	15,746	3,034	1,055	81,903
LV	154,376	8,632	962	189	164,159
MT	35,583	5,622	973	266	42,444
NL	820,634	83,206	12,866	6,355	923,061
PL	252,309	60,082	10,110	2,786	325,287
PT	408,098	49,483	5,410	1,359	464,350
RO	862,970	43,501	4,448	989	911,908
SE	454,689	77,063	11,111	3,419	546,282
SI	69,196	9,388	1,183	303	80,070
SK	211,241	19,776	2,336	592	233,945
UK	3,085,463	172,002	45,062	17,545	3,320,072
EU28	**14,214,672**	**2,231,076**	**295,330**	**94,325**	**16,835,403**

Source: CEPS elaboration based on Orbis Europe.

Table 4.3 Share of limited liability companies according to size criteria in Article 3(1) of the Accounting Directive as of 31 December 2016

Country code	Micro	Small	Medium	Large	Total
AT	59.8 %	34.8 %	3.9 %	1.5 %	100.0 %
BE	76.2 %	21.1 %	2.0 %	0.7 %	100.0 %
BG	94.4 %	5.0 %	0.5 %	0.1 %	100.0 %
CY	83.4 %	14.3 %	1.9 %	0.4 %	100.0 %
CZ	85.2 %	12.7 %	1.7 %	0.4 %	100.0 %
DE	69.7 %	25.6 %	3.5 %	1.2 %	100.0 %
DK	88.9 %	8.7 %	1.6 %	0.8 %	100.0 %
EE	93.2 %	6.0 %	0.7 %	0.1 %	100.0 %
EL	70.4 %	25.1 %	3.8 %	0.8 %	100.0 %
ES	83.1 %	15.0 %	1.5 %	0.3 %	100.0 %
FI	86.5 %	11.5 %	1.5 %	0.5 %	100.0 %
FR	79.1 %	18.5 %	1.9 %	0.6 %	100.0 %
HR	90.6 %	8.1 %	1.0 %	0.2 %	100.0 %
HU	90.3 %	8.4 %	1.1 %	0.3 %	100.0 %
IE	83.2 %	13.9 %	2.1 %	0.7 %	100.0 %
IT	74.9 %	21.6 %	2.7 %	0.8 %	100.0 %
LT	87.5 %	11.0 %	1.3 %	0.3 %	100.0 %
LU	75.8 %	19.2 %	3.7 %	1.3 %	100.0 %
LV	94.0 %	5.3 %	0.6 %	0.1 %	100.0 %
MT	83.8 %	13.2 %	2.3 %	0.6 %	100.0 %
NL	88.9 %	9.0 %	1.4 %	0.7 %	100.0 %
PL	77.6 %	18.5 %	3.1 %	0.9 %	100.0 %
PT	87.9 %	10.7 %	1.2 %	0.3 %	100.0 %
RO	94.6 %	4.8 %	0.5 %	0.1 %	100.0 %
SE	83.2 %	14.1 %	2.0 %	0.6 %	100.0 %
SI	86.4 %	11.7 %	1.5 %	0.4 %	100.0 %
SK	90.3 %	8.5 %	1.0 %	0.3 %	100.0 %
UK	92.9 %	5.2 %	1.4 %	0.5 %	100.0 %
EU28	**84.4 %**	**13.3 %**	**1.8 %**	**0.6 %**	**100.0 %**

Source: CEPS elaboration based on Orbis Europe.

There are 3.1 million micro companies in the UK, about 21.7 % of the total number of micro companies in the EU. There are two other countries with more than one million micro companies, including France (1.8 million) and Spain (1.4 million). These three Member States with more than one million micro companies together represent 44.2% of the micro companies in the EU. There are five Member States with between 0.5 and 1.0 million micro companies, including Germany (0.9 million), Italy (0.9 million), the Netherlands (0.8 million), Romania (0.7 million) and Bulgaria (0.5 million). Together they account for 4.0 million micro companies or about 28.4 % of all the micro companies in the EU. In the remaining twenty Member States there are about 3.9 million more micro companies, ranging from 36,000 in Malta to 455,000 in Sweden.

Turning to the share of micro companies, in most of the Member States about 75 % to 95 % of limited liability companies are classified as micro. There are four Member States with lower shares of micro companies, including Austria (59.8 %), Germany (69.7 %), Greece (70.4 %) and Italy (74.9 %). In turn, there are also some, especially new, Member States with shares of micro companies well above the EU average (84.4%). Among the eight countries with more than a 90 % share of micro companies are Romania (94.6 %), Bulgaria (94.4 %), Latvia (94.0 %), Estonia (93.2 %), UK (92.9 %), Croatia (90.6 %), Slovakia (90.3 %) and Hungary (90.3 %).

The number of small, medium and large companies, 2.6 million or 15.6 % of the total number of limited liability companies, is fairly limited compared to the total number of micro companies. The distribution between the different size categories is fairly similar. The UK is the only exception with relatively fewer small companies.

4.3 Limited liability companies according to national size criteria

The actual number of micro companies with the option to use the super simplified regime depends on the national size criteria. These criteria can be the same as the maximum size criteria as defined in the Article 3(1) in the Accounting Directive. However, for about half of the Member States the size criteria for micro companies deviate from the maximum defined in the Directive. These Member States apply different size criteria or do not apply the super simplified regime. In addition, there are also Member States that applied higher levels than those proposed in the Directive, as permitted, and there are eight Member States that do not have criteria for medium companies, thus making the 'non micro / non-small' companies fall into the 'large' category. See section 3.1 for a more extensive discussion of the size criteria.

The differences in the distribution of companies across size categories presented in this section are due to the characteristics in the Member States and differences in size criteria. The latter are discussed in greater detail in the next section.

Looking at the distribution across the size categories of the total 16.8 million limited liability companies, the large majority is micro or small. In total about 13.4 million or 79.8 % of limited liability companies are classified as micro and another 3.0 million or 18.0 % as small. Combined, micro and small companies represent almost the entire population of limited liability companies (97.8 %). The smallest category is medium with 154,000 companies, representing less than 0.9 % of all limited liability companies. Finally, 209,000 companies or 1.2 % of all limited liability companies are classified as large.

Table 4.4 Number of limited liability companies according to national size criteria derived from Article 3(1) of the Accounting Directive as of 31 December 2016

Country code	Micro	Small	Medium	Large	Total
AT	92,944	55,416	4,669	2,343	155,372
BE	338,844	94,867	-	11,154	444,865
BG	525,639	27,649	2,483	532	556,303
CY	-	203,198	4,047	737	207,982
CZ	315,548	48,120	6,748	1,652	372,068
DE	918,159	353,733	29,621	16,135	1,317,648
DK	241,204	23,794	3,501	2,101	270,600
EE	73,077	46,889	869	176	121,011
EL	69,365	24,701	3,723	788	98,577
ES	1,571,663	105,146	33,938	10,236	1,720,983
FI	230,951	31,948	2,753	1,350	267,002
FR	1,768,096	412,906	-	54,278	2,235,280
HR	134,340	12,158	1,534	362	148,394
HU	293,286	28,930	-	4,487	326,703
IE	151,119	26,336	2,804	1,287	181,546
IT	747,580	431,909	-	39,094	1,218,583
LT	86,588	10,903	1,241	273	99,005
LU	-	78,029	2,819	1,055	81,903
LV	154,376	8,632	962	189	164,159
MT	-	41,205	973	266	42,444
NL	820,634	86,076	9,996	6,355	923,061
PL	251,704	60,392	-	13,191	325,287
PT	408,098	49,483	5,410	1,359	464,350
RO	862,970	43,501	-	5,437	911,908
SE	-	532,321	-	13,961	546,282
SI	69,196	9,388	1,183	303	80,070
SK	211,241	19,776	-	2,928	233,945
UK	3,100,264	168,229	35,001	16,578	3,320,072
EU28	**13,436,886**	**3,035,635**	**154,275**	**208,607**	**16,835,403**

Source: CEPS elaboration based on Orbis Europe.

Table 4.5 Share of limited liability companies according to national size criteria derived from Article 3(1) of the Accounting Directive as of 31 December 2016

Country code	Micro	Small	Medium	Large	Total
AT	59.8 %	35.7 %	3.0 %	1.5 %	100.0 %
BE	76.2 %	21.3 %	0.0 %	2.5 %	100.0 %
BG	94.5 %	5.0 %	0.4 %	0.1 %	100.0 %
CY	0.0 %	97.7 %	1.9 %	0.4 %	100.0 %
CZ	84.8 %	12.9 %	1.8 %	0.4 %	100.0 %
DE	69.7 %	26.8 %	2.2 %	1.2 %	100.0 %
DK	89.1 %	8.8 %	1.3 %	0.8 %	100.0 %
EE	60.4 %	38.7 %	0.7 %	0.1 %	100.0 %
EL	70.4 %	25.1 %	3.8 %	0.8 %	100.0 %
ES	91.3 %	6.1 %	2.0 %	0.6 %	100.0 %
FI	86.5 %	12.0 %	1.0 %	0.5 %	100.0 %
FR	79.1 %	18.5 %	0.0 %	2.4 %	100.0 %
HR	90.5 %	8.2 %	1.0 %	0.2 %	100.0 %
HU	89.8 %	8.9 %	0.0 %	1.4 %	100.0 %
IE	83.2 %	14.5 %	1.5 %	0.7 %	100.0 %
IT	61.3 %	35.4 %	0.0 %	3.2 %	100.0 %
LT	87.5 %	11.0 %	1.3 %	0.3 %	100.0 %
LU	0.0 %	95.3 %	3.4 %	1.3 %	100.0 %
LV	94.0 %	5.3 %	0.6 %	0.1 %	100.0 %
MT	0.0 %	97.1 %	2.3 %	0.6 %	100.0 %
NL	88.9 %	9.3 %	1.1 %	0.7 %	100.0 %
PL	77.4 %	18.6 %	0.0 %	4.1 %	100.0 %
PT	87.9 %	10.7 %	1.2 %	0.3 %	100.0 %
RO	94.6 %	4.8 %	0.0 %	0.6 %	100.0 %
SE	0.0 %	97.4 %	0.0 %	2.6 %	100.0 %
SI	86.4 %	11.7 %	1.5 %	0.4 %	100.0 %
SK	90.3 %	8.5 %	0.0 %	1.3 %	100.0 %
UK	93.4 %	5.1 %	1.1 %	0.5 %	100.0 %
EU28	**79.8 %**	**18.0 %**	**0.9 %**	**1.2 %**	**100.0 %**

Source: CEPS elaboration based on Orbis Europe.

There are three Member States with more than one million micro companies in the EU under the national size criteria. The UK (3.1 million), France (1.8 million) and Spain (1.6 million) have together 6.4 million micro companies or 47.9 % of the total number of limited liability companies. There are five Member States with between 0.5 and 1.0 million micro companies, including Germany (0.9 million), Romania (0.9 million), the Netherlands (0.8 million), Italy (0.7 million) and Bulgaria (0.5 million). Combined this amounts to about 3.9 million micro companies or about 28.8 % of all the micro companies in the EU. The remaining 3.1 million micro companies or about 23.2 % of all the micro companies in the EU are based in sixteen other Member States. In Cyprus, Luxembourg, Malta and Sweden there are no micro companies according to the national size definitions, hence these follow the same regime as small companies.

Notwithstanding the countries without micro companies, in most Member States the share of limited liability companies classified as micro ranges between 75 % and 95 %. Austria (59.8 %), Estonia (60.4 %), Italy (61.3 %), Germany (69.7 %) and Greece (70.4 %) are the five Member States with lower shares of micro companies. The low shares of Estonia and Italy are partially due to lower size criteria. In turn, there are also some Member States with shares of micro companies well above average. There are four Member States with micro companies accounting for more than 92.5 % of all limited liability companies, including Romania (94.6 %), Bulgaria (94.5 %), Latvia (94.0 %) and the UK (93.4 %). Among these countries, Bulgaria and UK have size criteria above the levels as defined in the Accounting Directive.

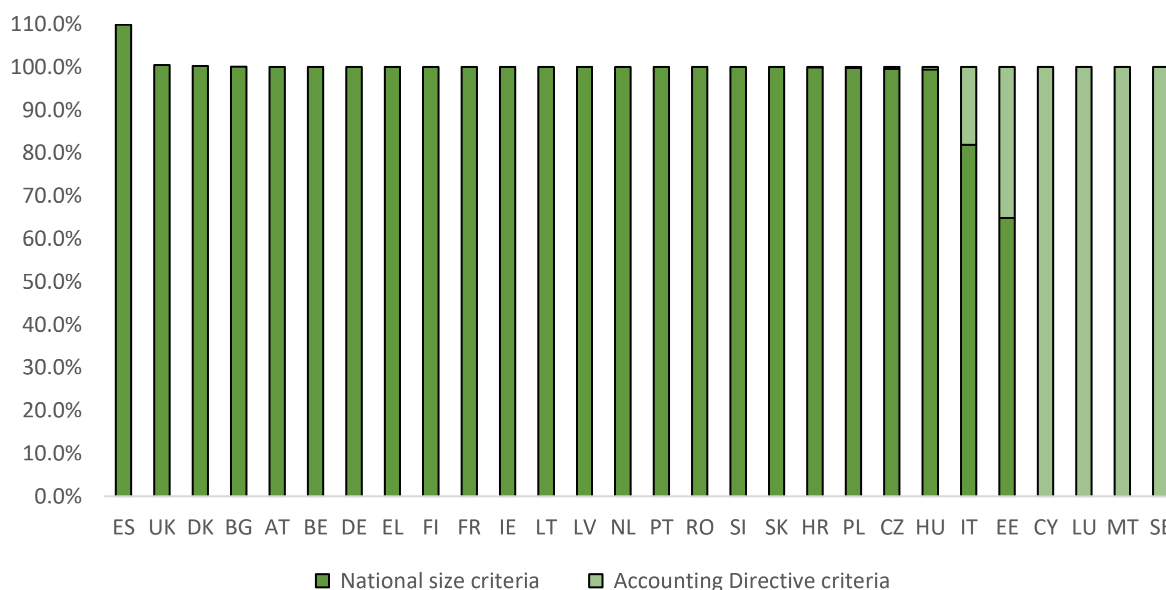
Interesting, most of the micro companies are in Member States that have largely implemented the super simplified regime (see Section 3.2.1 for the classification). In total, the 13 Member States that have largely implemented the super simplified regime have about 8.4 million micro companies (62.9% of all micro companies), while the nine Member States that have partially implemented the regime have 3.3 million micro companies (24.4%). The remaining 1.7 million micro companies (12.7%) are in Croatia and Spain, which are the only two Member States that have defined micro companies among the six countries without super simplified regime. The shares of micro companies are highest among the Member States that have largely implemented the super simplified regime (84.7% of all limited liability companies), followed by the Member States that partially implemented the regime that have a slightly lower share of micro companies (79.9%). The Member States that did not implement the regime have substantially fewer micro companies (62.1%).

The distribution across the remaining three size categories is quite different across Member States. In general, the nine Member States without micro companies or with low shares of micro companies have the largest share of small companies. The share of small companies in these Member States ranges between 25.1 % in Greece and 97.7 % in Cyprus. In the other Member States the share of small companies ranges between 4.8 % in Spain and 21.3 % in Belgium. The share of medium companies ranges between 0.0 % in the eight countries that have not defined the medium category and 3.8 % in Greece. In turn, the large companies category has been defined in all Member States. The share of large companies is in general larger in the eight Member States that did not define a separate medium category, ranging between 0.6 % in Romania and 4.1 % in Poland. In the other Member States with a defined medium category the share ranges between 0.1 % in Bulgaria and 1.5 % in Austria.

4.4 National size criteria vs criteria derived from the Accounting Directive

An interesting picture emerges when the results from the estimates according to the criteria derived from the Accounting Directive are taken together with national size criteria. For half of the Member States there is no difference in the number of micro companies according to the national size criteria and the criteria derived from the Accounting Directive. The other Member States have either fewer or more micro companies in the scope of the super simplified regime. These Member States can be distributed roughly across three broader groups: Member States without super simplified regime for micro companies; Member States that have chosen size criteria that deviate from the criteria defined in the Accounting Directive; and, Member States where the size criteria deviate due to evolving exchange rates.

Figure 4.1 Share of limited liability companies considered micro under national size criteria as share of micro companies according to criteria derived from the Accounting Directive as of 31 December 2016



Source: CEPS elaboration based on Orbis Europe.

There are four Member States without a super simplified regime for micro companies and size criteria defined. Cyprus (0.2 million), Luxembourg (0.06 million), Malta (0.04 million) and Sweden (0.5 million) have together 0.7 million companies that are classified as micro companies under the criteria defined in the Accounting Directive. The companies account for more than 80% of the limited liability companies in the four Member States and 5.1 % of all limited liability companies in the EU.

There are two Member States that have defined size criteria without implementing the super simplified regime. Croatia (0.14 million) and Spain (1.4 million) have together 1.6 million micro companies under the criteria defined in the Accounting Directive. The national size criteria in Croatia slightly different due to the translation from Euro to the Croatian kuna, which leads to a negligible difference in micro companies (129 micro companies less). Spain has size criteria that are almost three times as high as the criteria defined in the

Directive, but for which the number of micro companies includes only 141,000 or 9.9 % more companies than if the size criteria in the Directive were applied. The total number of micro companies is 1.7 million under the national size criteria. The micro companies account for more than 91 % of the limited liability companies in the two Member States and 12.7 % of all limited liability companies in the EU based on the national size criteria.

There are two other Member States that have chosen national size criteria below the criteria in the Accounting Directive. Estonia has restrictive national criteria, which are reflected in the number of micro companies: 40,000 or 35.2 % lower than with the size criteria in the Directive. Italy has national size criteria that are exactly half of those defined in the Directive, but the number of micro companies (165,500) is only 18.1 % less than the number of micro companies based on the size criteria in the Directive. This is primarily because the micro companies tend to be confined at the lower end (smaller companies) of each category.

The six of the nine countries outside the euro area that have implemented the super simplified regime have size criteria that deviate from the maximum criteria defined in the Directive. It has been a few years since these countries converted the size criteria defined in euros in the Directives into their local currency, rounded to the closest 100,000. Due to the rounding as well as the changes in the exchange rates, the size criteria now deviate from the criteria in the Directive to the point where Bulgaria, Denmark and the United Kingdom have criteria exceeding the Directive, while Czechia, Hungary and Poland have criteria below the size criteria defined in the Directive. For most of these countries the differences in numbers and share of companies are marginal (less than 2,500 companies or 1 % of companies under the definition of the Directive), except for the United Kingdom where 15,000 companies are now classified as micro but would have fallen into the small category had the national size criteria been transposed from the Directive based on the exchange rate on 31 December 2016.

Overall, 2.5 million companies, that is 14.8 % of total limited liability companies are eligible for the super simplified regime under the Directive but are not due to the decision of certain Member States. In turn, if Member States with national size criteria exceeding those in the Directive were to apply the criteria defined in the Directive, the number of micro companies would drop by 15,800, representing 0.1 % less relative to the total number of limited liability companies. Thus, if all the EU Member States were to strictly apply the criteria in the Directive, the number of micro companies eligible for the super simplified regime would increase by 2.5 million, or 14.8% of the total number of limited liability companies.

Table 4.6 Difference in number and share of limited liability micro companies according to national size criteria and size criteria derived from Article 3(1) of the Accounting Directive as of 31 December 2016

Country code	Accounting Directive criteria		National size criteria		Difference in micro companies		
	Number	Share	Number	Share	Number	Share Directive	Share of EU
AT	92,944	59.8 %	92,944	59.8 %	0	0.0 %	0.0 %
BE	338,844	76.2 %	338,844	76.2 %	0	0.0 %	0.0 %
BG	525,212	94.4 %	525,639	94.5 %	427	0.1 %	-0.1 %
CY	173,416	83.4 %	0	0.0 %	-173,416	-100.0 %	22.3 %
CZ	316,996	85.2 %	315,548	84.8 %	-1,448	-0.5 %	0.2 %
DE	918,159	69.7 %	918,159	69.7 %	0	0.0 %	0.0 %
DK	240,633	88.9 %	241,204	89.1 %	571	0.2 %	-0.1 %
EE	112,762	93.2 %	73,077	60.4 %	-39,685	-35.2 %	5.1 %
EL	69,365	70.4 %	69,365	70.4 %	0	0.0 %	0.0 %
ES*	1,430,502	83.1 %	1,571,663	91.3 %	141,161	9.9 %	-18.1 %
FI	230,951	86.5 %	230,951	86.5 %	0	0.0 %	0.0 %
FR	1,768,096	79.1 %	1,768,096	79.1 %	0	0.0 %	0.0 %
HR*	134,469	90.6 %	134,340	90.5 %	-129	-0.1 %	0.0 %
HU	294,916	90.3 %	293,286	89.8 %	-1,630	-0.6 %	0.2 %
IE	151,119	83.2 %	151,119	83.2 %	0	0.0 %	0.0 %
IT	913,073	74.9 %	747,580	61.3 %	-165,493	-18.1 %	21.3 %
LT	86,588	87.5 %	86,588	87.5 %	0	0.0 %	0.0 %
LU	62,068	75.8 %	0	0.0 %	-62,068	-100.0 %	8.0 %
LV	154,376	94.0 %	154,376	94.0 %	0	0.0 %	0.0 %
MT	35,583	83.8 %	0	0.0 %	-35,583	-100.0 %	4.6 %

Country code	Accounting Directive criteria		National size criteria		Difference in micro companies		
	Number	Share	Number	Share	Number	Share Directive	Share of EU
NL	820,634	88.9 %	820,634	88.9 %	0	0.0 %	0.0 %
PL	252,309	77.6 %	251,704	77.4 %	-605	-0.2 %	0.1 %
PT	408,098	87.9 %	408,098	87.9 %	0	0.0 %	0.0 %
RO	862,970	94.6 %	862,970	94.6 %	0	0.0 %	0.0 %
SE	454,689	83.2 %	0	0.0 %	-454,689	-100.0 %	58.5 %
SI	69,196	86.4 %	69,196	86.4 %	0	0.0 %	0.0 %
SK	211,241	90.3 %	211,241	90.3 %	0	0.0 %	0.0 %
UK	3,085,463	92.9 %	3,100,264	93.4 %	14,801	0.5 %	-1.9 %
EU28	**14,214,672**	**84.4 %**	**13,436,886**	**79.8 %**	**-777,786**	**-5.5 %**	**100.0 %**
EU28 (excl. ES and HR)	**..**	**..**	**11,730,863**	**78.4 %**	**-2,483,789**	**-7.3 %**	**..**

Note: * Croatia and Spain have formulated a national size criteria but have not implemented super simplified regime.

Source: CEPS elaboration based on Orbis Europe.

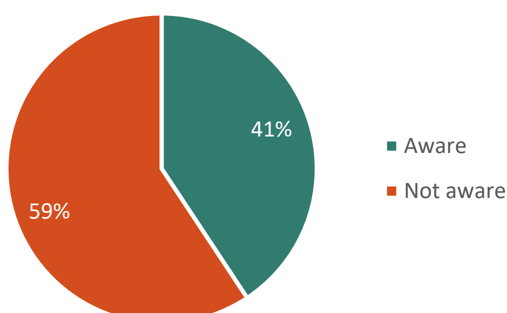
5. Impact of super simplified regime on stakeholders

The next sections discuss the insights gathered from micro companies and other stakeholders through the survey. Overall, the examination of responses from micro companies highlighted a limited degree of awareness about the existence of a super simplified accounting regime applicable to them. It also shows a substantial reliance of micro companies on external accountants. The latter is in line with expectations, especially in certain Member States, and it is likely to be one of the main reasons explaining the low degree of knowledge among the micro companies themselves. Reliance on external accountants is also one of the reasons why the survey included other stakeholders such as accountants, banks, business associations and national registries. These stakeholders provide additional information on the impact of the super simplified regime on micro companies and their own activities.

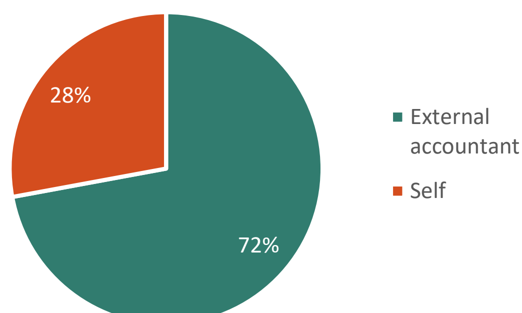
5.1 Micro companies

The first important finding from the survey is that about 72 % of the micro companies that responded to the survey use an external accountant to prepare the financial statements (see Figure 5.1). This large percentage of usage of external accountant can be explained by the fact that accountants do not just provide accounting knowledge, but often also provide business advisory services, including tax declaration (Gooderham, 2004).

Figure 5.1A Awareness by micro-companies of regime



Error! Reference source not found.**B Awareness by type of preparer of financial statements**

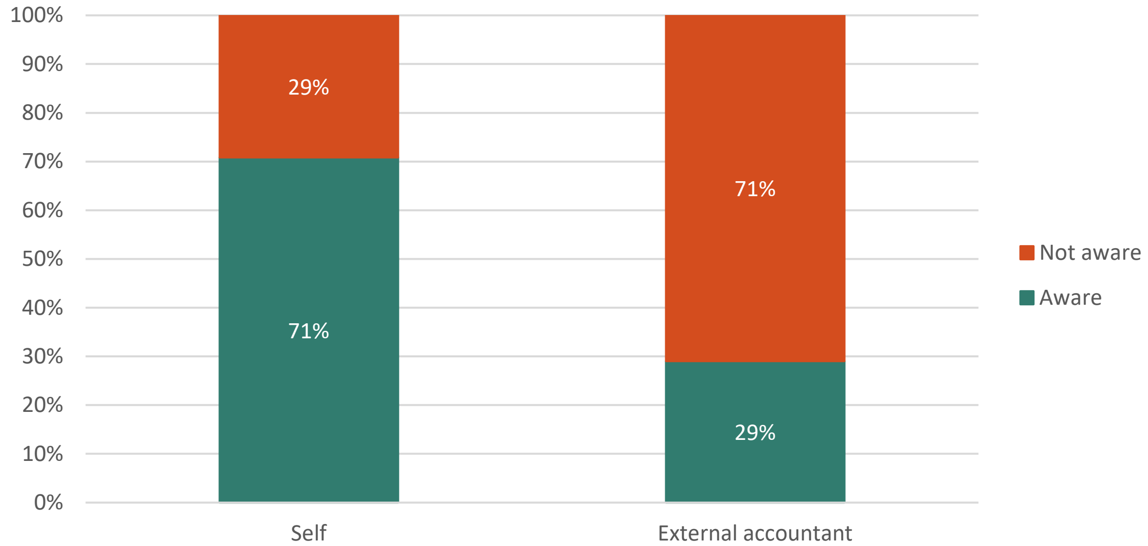


Note: This is based on 86 valid survey responses of micro companies across eight different EU countries.

Source: CEPS elaboration based on survey responses.

Of all micro companies surveyed, only 41 % declared being aware of the regime change. This awareness of regime change is highly correlated with who prepares the financial statements. About 71 % of the self-preparers are aware of the regime change, while only 29 % of companies with external accountants for preparing financial statements are aware of the regime change (see Figure 5.2).

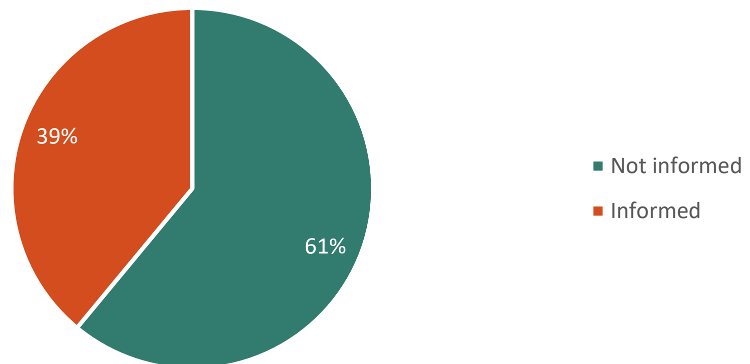
Figure 5.2 Awareness of regime change split by financial statement preparer



Source: CEPS elaboration based on survey responses.

The limited awareness could be due to two different reasons. On the one hand there might be limited demand of accounting information from business owners, and on the other hand there might be limited supply of accounting information by external accountants and other stakeholders. From the demand perspective, existing literature finds that business owners typically do not have a background in accounting and finance and have difficulty in using the information delivered by accountants for operational decisions (DeThomas and Fredenberger, 1985). It is conceivable that business owners find it hard to understand detailed accounting information and tend not to ask for too many details about accounting and/or accounting regulations, for which they rely instead on their external accountant. From the supply perspective, prior literature finds that accountants mainly communicate with business owners through traditional financial statements (DeThomas and Fredenberger, 1985). External accountants may have deliberately chosen not to communicate with their clients about the regime change (see Figure 5.3). This is likely to be especially true in cases where the contracts of the external accountants have not changed in terms of hours or fees contracted despite simplifications introduced at the Member State level.

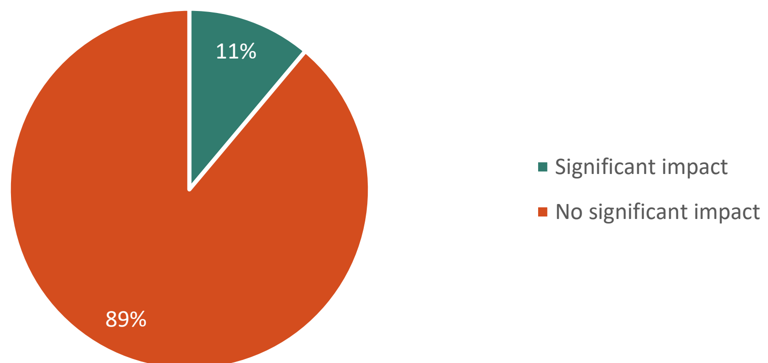
Figure 5.3 Informed by the external accountant about the regime change



Source: CEPS elaboration based on survey responses.

Consistent with the fact that most of the micro companies that are assisted by external accountants in the preparation of the financial statements stated that they were not informed about the regime change, the difference in the costs for preparation of the reports was only noticed by a few. About 89 % of the surveyed companies with an external accountant stated that the contracting terms have not changed, i.e. there was no impact of the regime change on the costs for external accountant (see Figure 5.4).

Figure 5.4 Impact of regime change on external accountant cost



Source: CEPS elaboration based on survey responses.

However, when also considering the responses in text form, some of the micro companies indicated having perceived some benefits. The answers to the relevant survey question are summarised in the word cloud below (Bateman et al, 2008). Based on the 17 companies, about 20 % of the 86 micro companies surveyed, who chose to respond to the questions on the impact of the regime change, we generated the word cloud presented in Figure 5.5. Overall, there is a sense that the regime change has brought benefits in terms of simplification, and reduced the time needed to produce the financial reports.

Figure 5.5 Word cloud: assessment benefits of the regime change

Source: CEPS and LSE elaboration based on survey responses.

Below we examine whether the degree of awareness varies depending on the sector of operation, the size of the company, both in terms of employees and turnover, and the country.

In sectors like education (0 out of 1 companies), information and communication sector (0 out of 8 companies) and in art and entertainment there was no awareness at all of the super simplified regime. In the others, it is in line with the average (see Figure 5.6).

Figure 5.6 Awareness of the super simplified regime by sector

Source: CEPS elaboration based on survey responses.

Awareness of regime change appears uniformly distributed across different buckets of employee counts. This is the case even though very small companies with 0-3 employees seem to have a higher propensity to use an external accountant for preparing financial statements (see Figure 5.7). When the company is very small, a limited number of people are responsible for all operations, and accounting tends to be outsourced.

Figure 5.7A Awareness of regime change by number of employees

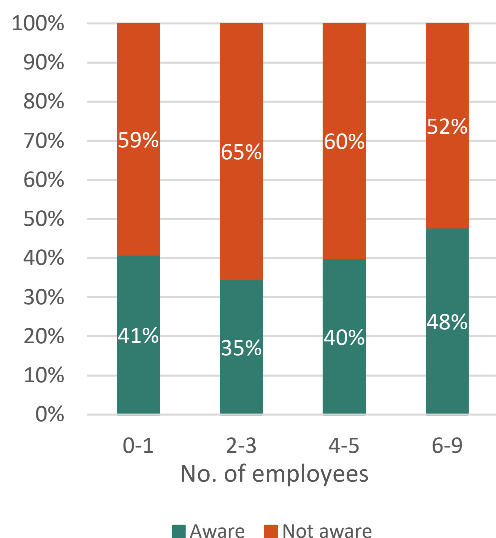
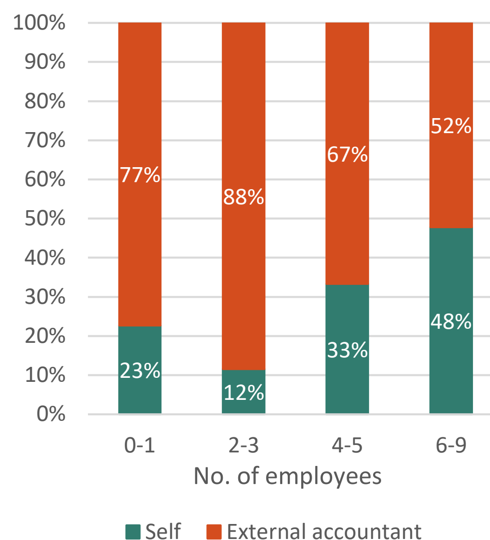


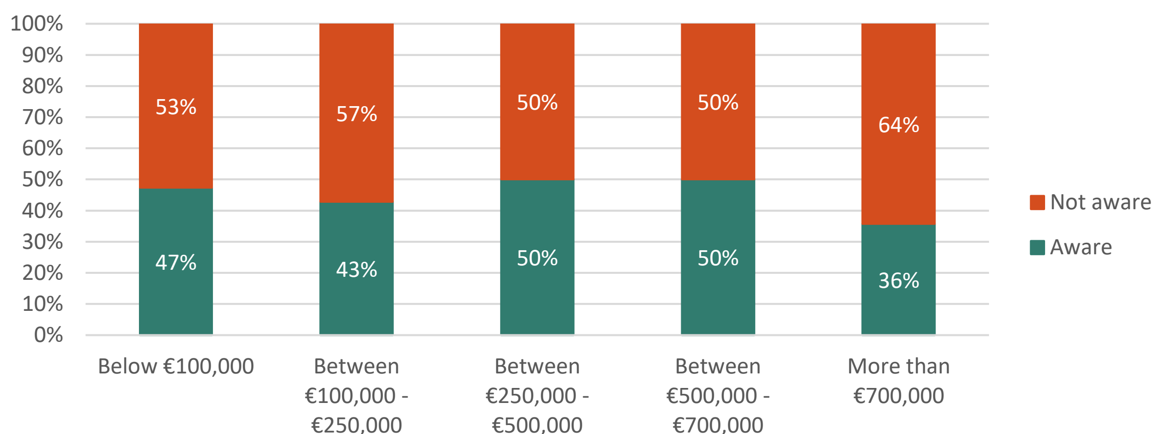
Figure 5.7B Use of external accountants by number of employees



Source: CEPS elaboration based on survey responses.

We then explore the awareness of regime change by annual turnover. Awareness seems to be fairly uniformly distributed across different buckets of annual turnover (see Figure 5.8).

Figure 5.8 Awareness of regime change by annual turnover*

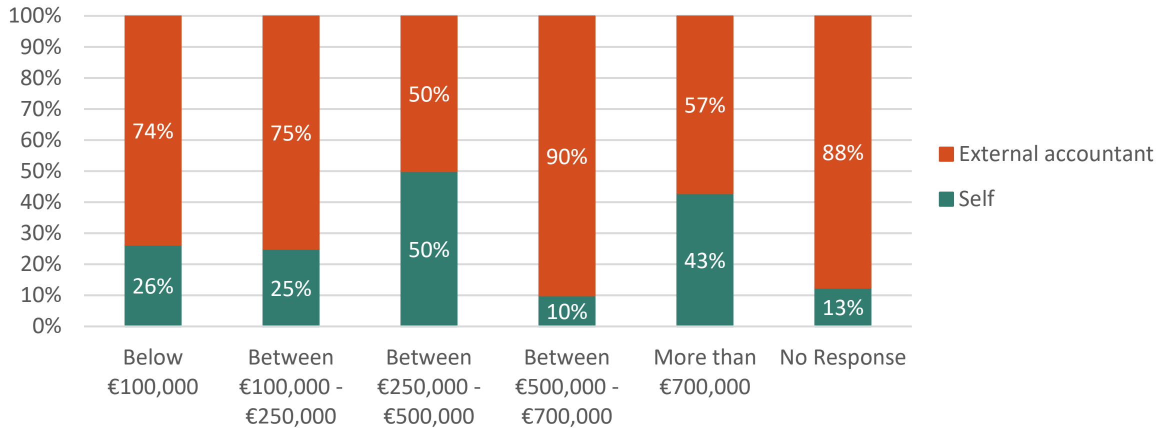


Note: The micro companies that have not indicated their turnover in the survey have been excluded.

Source: CEPS elaboration based on survey responses.

Size, measured by annual turnover, does not seem be associated with a discernible pattern in variation of use of external accountants (see Figure 5.9).

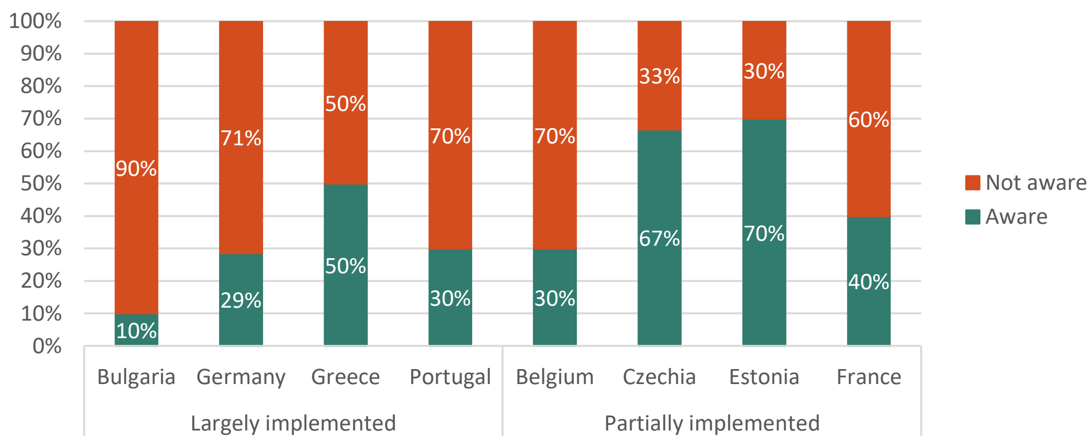
Figure 5.9 Usage of external accountant by annual turnover



Source: CEPS elaboration based on survey responses.

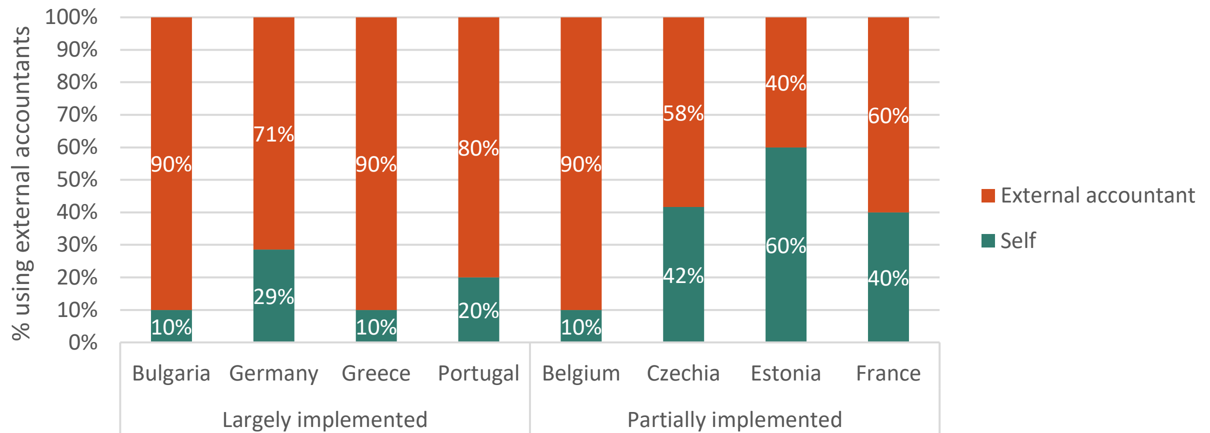
When looking at country differences, there seems to be a very high level of awareness in Estonia and Czechia but a very low level in Bulgaria. One possible explanation may be related to the relative degrees of implementation of the super simplified regime. However, in countries that only partially implemented the super simplified regime (Belgium, Czechia, Estonia and France), the awareness seems similar or lower than in most of the countries that widely implemented the regime (Bulgaria, Germany, Greece and Portugal). An alternative explanation for the high level of awareness in Estonia and Czechia could be the lower usage of external accountants for preparing the financial statements (see Figure 5.11).

Figure 5.10 Awareness of regime change by country



Source: CEPS elaboration based on survey responses.

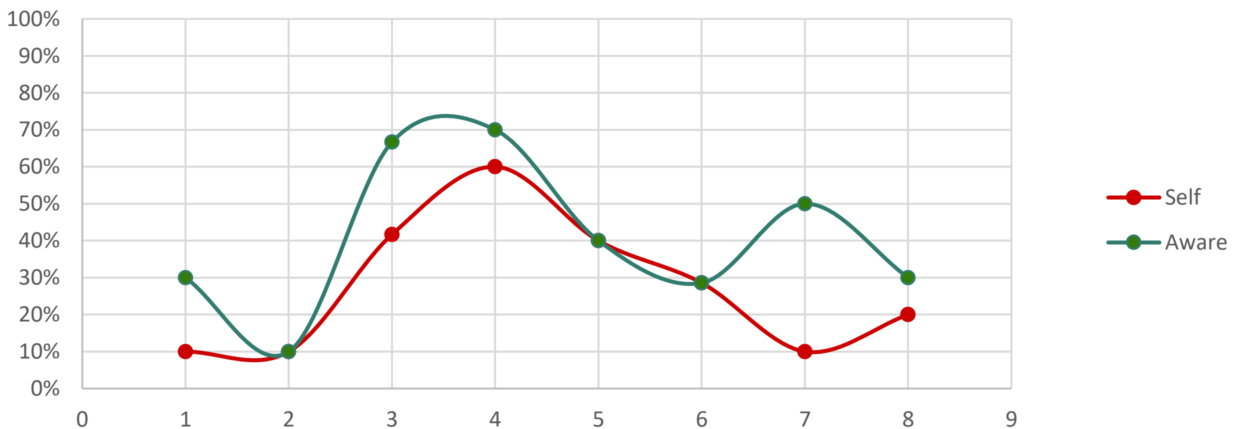
Figure 5.11 Usage of external accountants for financial statements preparation



Source: CEPS elaboration based on survey responses.

Lastly, there seems to be a positive and high degree of correlation between the awareness of regime change and the share of business owners preparing the financial reporting on their own (see Figure 5.12). This is very much the case of companies up to 6 employees. As in most cases, very small companies rely on external accountants, but this is also very much the case when the number of employees starts to increase.

Figure 5.12 Correlation of awareness of regime change with percentage of self-prepares, by number of employees.



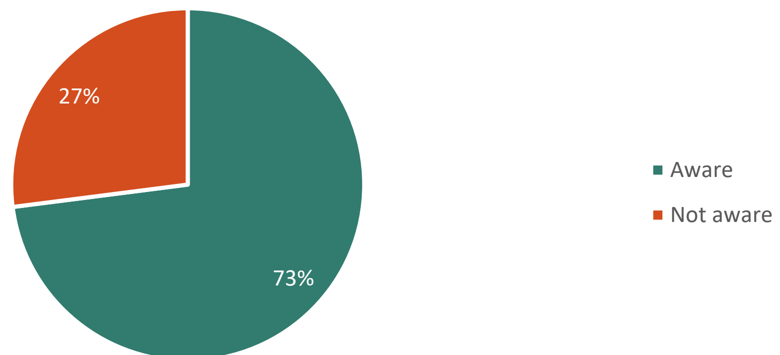
Source: CEPS elaboration based on survey responses.

5.2 Accountants

Across the eight selected Member States, 37 accountants participated in the survey. Most respondents provide services to between 50 and 100 micro companies per year, though some smaller accounting firms serve only a handful of micro companies.

The very large majority of the accountants (more than 80 %) stated that they were aware that a super simplified accounting regime exists for micro companies in their country (see Figure 5.13).

Figure 5.13 Awareness of super simplified regime for micro companies



Source: CEPS elaboration based on survey responses.

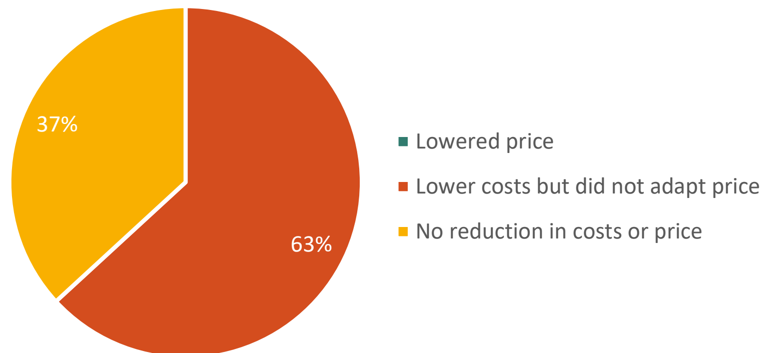
However, the answers of those not aware were sometimes contradictory. This may be explained by an unclear idea of what constitutes a super simplified accounting regime, and to the extent to which the accountant is dedicated to micro companies specifically. In practice, some accountants who declared they were not aware of such a regime did acknowledge recent changes to the accounting regime later on. Once the responses are adjusted for such cases, the share of awareness among accountants increases to 84 %.

Those who are aware of the new regime see only a minor impact on the micro companies themselves, and only a few accountants regarded the benefit as substantial (particularly in Germany and Greece). Overall, around 50 % of accountants expected a positive impact of the new accounting regime on their own activities.

Of the accountants who answered the question on the estimated benefits of the regime, most expected a reduction of 1-10 hours of working time per year per company. The highest estimated gain came from a Portuguese accounting firm, which expected 200 hours of work saved per employee. However, the same company noted that training costs were of a similar magnitude, thereby yielding a neutral cost impact for this year. One accounting firm emphasised that the new regime increased their costs given the additional documents required by the central authority, though this seems to originate rather from a new fiscal regime than from the dedicated accounting regime for micro companies. In some cases, while the accountant acknowledged that the new regime could in principle reduce costs, the software used in the automated process of preparing the accounts of a client is not suited to file less information and, thus, there has not been an effective impact on requirements or costs.

Notably, while 75 % of the accountants responding to the survey knew about the super simplified regime and 63 % acknowledge some positive impact on their workload, only three accounting firms initially indicated having adjusted their prices. However, when asked to specify, they indicate that they have less work, but not that they reduced the price. These accountants are therefore considered among most accountants that indicate that they have less work but did not adapt the price of their services (63 %) or did not reduce the price of their services (37 %) – Figure 5.14.

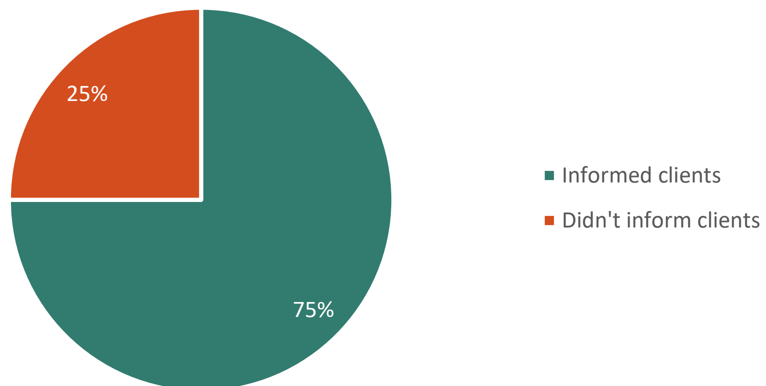
Figure 5.14 Change in prices for micro company clients



Source: CEPS elaboration based on survey responses.

This may also explain why the awareness of a simplified accounting regime is relatively low for micro companies that make use of external accountants. Even if the accountant informed the micro companies about the new regime, which most did (see Figure 5.15), this may not be sufficient to raise awareness, or have an impact.

Figure 5.15 Share of accountants inform clients about simplified regime



Source: CEPS elaboration based on survey responses.

Specifically, if a micro company does not experience a reduction in required documents or a lower bill for their accountant's services, it is not surprising that they are not aware of such a dedicated scheme for micro companies.

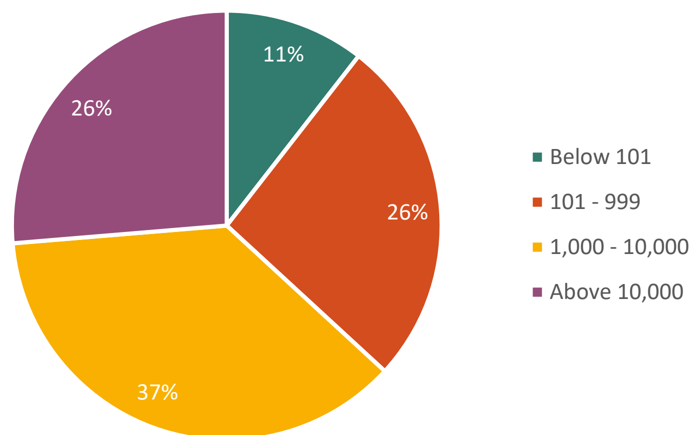
In terms of the costs to the accountants, most estimated that less than 5 hours were spent to familiarise themselves with the new accounting regime pertaining to limited lability micro companies. Nevertheless, two companies required 35 and 100 hours of additional work time to become acquainted with the new regime. The associated costs varied greatly from no monetary burden to EUR 5,000. In most cases, those who attended official seminars to learn about the new regime are also those with the higher cost estimates. Other accountants relied on the primary legal documents or information provided online or by the public authorities to familiarise themselves.

Some of these costs are clearly one-off and may have affected the perception of the overall benefit of the new regime. It may also be that the simplification introduced by the Directive is quite marginal in some countries, because of the way the Directive has been transposed. Besides the policy is quite recent. If this were accompanied by appreciable initial costs, accountants may have been particularly reluctant to reduce the price of their services.

5.3 Banks

Across all eight selected countries, 20 banks participated in the study. Most of them provided their services to 1,000 or more micro companies per year (see Figure 5.16).

Figure 5.16 Number of micro company clients of surveyed banks



Source: CEPS elaboration based on survey responses.

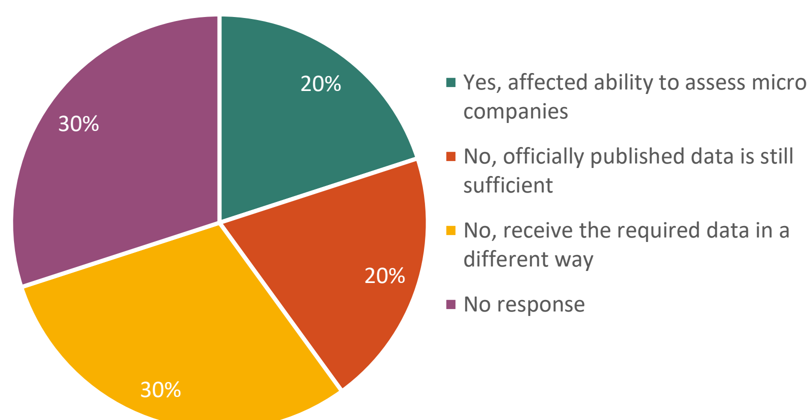
The banks surveyed rely on various sources of information on their potential clients when assessing their creditworthiness. This is also reflected in the list of indicators the banks analyse before providing credit to micro companies:

- Profit and loss;
- Revenue;
- Annual reports;
- Assets/collateral;
- Indebtedness/liabilities;
- Liquidity/solvency;
- Type of business (incl. sector);
- Credentials of owner;
- Personal contribution of owner;
- Date of establishment; and,
- Business plan (start-up).

Some of this information can be obtained from the financial statements of micro companies. Consequently, banks may feel constrained by the new accounting regime as less information may be publicly available at the national registries about micro companies. However, banks are likely to resort to other sources of information, often directly from the companies.

In general, the banks surveyed are somewhat aware of the super simplified accounting regime for limited liability micro companies, as 70 % of respondents indicated that they knew about the regime. Only 20 % felt that the more limited information provided by micro companies in their financial statements and annual reports was negatively affecting their ability to assess micro company clients. 20 % declared that the remaining information on the companies was still enough, while another 20 % relied on other data sources to obtain the information.

Figure 5.17 Impact on the bank's ability to assess micro companies



Source: CEPS elaboration based on survey responses.

Many banks also emphasised that micro companies were providing the information (financial statements and other metrics) directly to them. This raises the question whether the micro companies, despite not having to prepare detailed financial statements and annual reports, still do so for their interactions with other stakeholders.

5.4 Business associations

In total, ten national associations from the eight Member States were contacted directly via phone. For Germany, two associations completed the survey. Two associations were also contacted for Greece, but both of them declared they were not aware of the new regime and their input to the survey was very limited.

The business associations are not directly affected by the super simplified accounting regime for micro companies. Still, since the survey was (if possible) sent to associations who are focusing on micro companies, they may have received questions from micro companies on the new regime and/or may be aware of the demand for a super simplified accounting regime.

The results show that associations in most countries are well aware of the existence of a super simplified accounting regime for micro companies.[74] However, only one association stated they had been approached by micro companies with regard to the change in the accounting regime.

In general, associations were not able to provide solid information on how micro companies perceived the change in the accounting regime. But two contradictory observations were gathered. On the one hand, two associations noted that the reduced disclosure requirements, the condensed presentation of the income statement and the

[74] With the exception of Greece and Bulgaria. For the latter this may be explained by the limited transposition of benefits solely targeting micro companies.

exemption from filling out all annexes are beneficial. On the other hand, another said that any duplication of reporting is costly.

Overall the result signals a limited engagement on the side of business associations. This may simply signal that micro companies directed their questions to their accountants or consulted other experts, and not necessarily that the super simplified regime did not raise any questions for the micro companies in terms of how to follow the regime.

5.5 National registries/Publication offices

A final group of stakeholders invited to participate in a survey were the national registries and publication offices to which companies have to file their reports. The national registry/publication offices of each of the eight countries were contacted. However, Bulgaria did not provide relevant information on the issue of interest. The results are thus based on 7 completed questionnaires.

National registries and publication offices not only experience first-hand what changes in the accounting regime imply in terms of reporting, but also receive information from the micro companies and their accountants on their experiences with the new regime.

When it comes to financial reporting, all countries have elaborated systems and requirements that apply generally to all companies, in which exceptions are foreseen for particular companies. Micro companies are usually part of the group with exceptions. As stated for example by the Belgian registry, micro companies have to submit fewer documents than their larger counterparts and are allowed to fill out a reduced form in which less information has to be provided. Submission of annual accounts is also cheaper for companies that use this reduced model (so-called *micro model*). In Portugal, there is currently no distinction in the forms that need to be submitted by a company, but there may be distinctions in the volume and type of information that has to be provided by micro companies within the documents.

For Belgium, Germany, and Czechia, it was indicated that reporting of accounts is done online. In Belgium, some special categories of companies can still report on paper (e.g. foundations), but they represent less than 1 % of total reporting.

In all countries surveyed, registries and publication offices highlighted that the main beneficiaries of the publication of these accounting reports are banks, other companies, data suppliers, service providers and tax authorities (either the full reports or dedicated sections). In addition, in all countries, except Portugal, access to (some of) the accounts is publicly available to any individual and organisation, private or public.

When asked about the super simplified accounting regime for micro companies, all national registries and publication offices (except the Bulgarian one) acknowledged that such a scheme exists in their country. The main distinguishing features of how the reporting scheme for micro companies differs from that of larger companies as a result of the changed regime lies in the amount of information that companies need to provide: in terms of the number of documents and/or extent to which these documents have to be filled out. This was also seen as the main advantage for micro companies by the registries. In Belgium, the regime also means that reporting fees are cheaper. The Belgian registry further indicated that the changed regime came with more work on their side, as there is more checking and follow-up to do. One respondent also indicated that the new regime may require more efforts from other stakeholders, such as banks for gathering information.

The changes in the accounting regime for micro companies have been announced on the websites of the registries in Belgium and Germany. As reported by the respondents, the most powerful channels, however, appeared to be beyond the scope of the registry

or publication office, e.g. government website, information provisions by the competent Ministry, other legislative sources or channels.

None of the registries or publication offices indicated having received fewer queries from limited liability micro companies on accounting requirements. For two countries (Belgium and Germany), registries noted that there are fewer mistakes/incomplete parts in the documents submitted by micro companies as a result of the simplified regime, whereas the opposite holds for other countries (Czechia and Portugal). That being said, as the changes in the accounting regime are still relatively new, registries and publication offices have little experience of them as yet, making it difficult to assess the impact of the changes on micro companies, other organisations and the registries. This was explicitly pointed out by one of the survey respondents.

6. Reduction of the administrative burdens

To achieve the overarching objective of the study, offering an estimation of the reduction/increase, if any, of the administrative burden due to the application of the super simplified accounting regime, this Chapter combines the outcome of the surveys with company-level data analysis.

The super simplified regime for micro companies was introduced in the Accounting Directive as part the Action Programme for Reducing Administrative Burdens. According to the calculations made at the time of the proposal, the new regime for micro companies was expected to deliver potential savings of EUR 3.5 billion for all EU Member States, per year.[75]

In addition, several Member States have estimated, based on various methodologies, the potential reduction of the administrative burden for micro companies in their countries (EUR 36 million per year for Germany; EUR 26 million in Hungary; EUR 0.1 million in Latvia; EUR 3.6 million in Malta).[76] If such country gains were to be extrapolated to all EU countries based on the number of micro companies identified for this study, the potential estimated savings would be somewhere in the range between EUR 6.7 million and EUR 1.4 billion per year.

The large variances in the estimates of the EU and Member States are explained by differences in methodology and assumptions. In particular, the reference point to determine the reduction in the administrative burden (previous requirements vs. regime for non-micro companies), the number of micro companies using the new regime (based on actual criteria or estimations), the extent to which a Member State implements the simplification permitted by the Directive, the time saved due to the super simplified regime and the anticipation of familiarisation costs and the price tag put thereon.

The original information gathered for this study makes it possible to provide some (new) insights on the actual and potential reduction in administrative burdens.

As discussed above, it is a matter of fact that awareness about the regime is still rather limited. In addition, of those micro companies that are aware, only a portion applies the regime or perceives a reduction in the administrative burden. The latter is especially an issue for micro companies with external accountants. These factors are often more important than a change in the size criteria for the actual reduction in administrative burdens and should therefore also be taken into account when estimating the burden reduction.

For the estimation, both the one-off costs and the ongoing annual benefits have to be considered to obtain a complete picture of the administrative burden reduction for micro companies. The one-off costs are the costs for the businesses to familiarise themselves with the changes in accounting requirements. Each business should in principle incur these costs only once, at the moment that they start applying the new super simplified regime. In turn, the benefits consist of the gains for micro companies on account of the reduction in the time they need to conduct their reporting. Each of the active micro companies that applies the super simplified regime should enjoy these benefits every reporting cycle (annually).

In this calculation, what is holding benefits back relative to the expected gains is the number of companies that are aware and use the new regime.

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[75] Commission web site - REFIT Scoreboard summary (2016), COM(2016) 710 final, Annual accounts of micro-enterprises, page 368-371.

[76] High Level Group on Administrative Burdens (2014), Case Study on ABRplus Item No 3.: Allowing Member States to exempt micro companies from certain provisions of the Accounting Directive.

In fact, more than two-thirds of the micro companies surveyed indicated that an external accountant prepared their accounts. Most of these micro companies indicated they were not aware of the super simplified regime (71 %). Those aware of the regime indicated there was no significant impact on the costs of the external accountant. This was confirmed by the accountants. Therefore, based on the results of the survey of micro companies and accountants, there is no clear indication of any effective reduction of administrative burden.

In the calculation of the reduction of the administrative burden therefore, only a reduction of the administrative burden for micro companies that prepare the reports themselves is considered. The responses in the survey provide several motivations for the lack of a measurable impact of the regime change for micro companies with an external accountant, including that the process is largely automated, they continued doing what they had always done, would need to compensate for the reduction in client service or training that was required for the change, etc.

A simple formula is used for the estimation of the change in administrative burden, which takes the observations regarding the application into account. More specifically, the one-off costs and ongoing benefits are calculated based on the *number of micro companies* multiplied by the *share of self-reporters aware of the regime change* (only self-reporters currently notice a difference in the regime) times the *time used or saved* times the *hourly earnings.* Based on the survey, the median value for time required to become familiar with the new regime is between 1 and 2 hours (1.5 hours for the estimations) and the time saved in the preparation of accounts is 4 hours per year.

The number of companies are obtained from the data exercise, whereas the awareness, share of self-reporters and time savings are based on the results from the survey conducted among micro companies. The information obtained from the survey and data exercise is complemented with data from Eurostat on hourly earnings. These hourly earnings are based on the earnings for clerical support workers (ISCO4) in 2014, which have been corrected for inflation up to 2016 (reference year of this study) and the 25 % non-wage costs that the micro companies are likely to incur.[77]

Based on the simple formula above, the current one-off costs are calculated at EUR 27 million[78] and the ongoing burden reduction at EUR 106 million per year [79]. This is equal to EUR 2 in one-off costs and EUR 9 in ongoing burden reduction per average active micro company per year. However, in practice there are variances, ranging from micro companies that use the regime incurring one-off costs of EUR 23 and seeing an ongoing burden reduction of EUR 92 per year, and micro companies that do not incur either one-off costs nor benefit from an ongoing burden reduction.

This estimate is based on the number of micro companies in line with the national size criteria. If these size criteria were fully aligned with the Directive, the costs and benefits would grow slightly. The one-off costs would increase by approximately EUR 5 million (+20.4 %) to EUR 32 million and the annual burden reduction would increase by about

[77] This assumes that the costs and benefits are equal to the costs of hiring someone to perform the administrative work. However, in practice, the opportunity costs/benefits might be higher or lower, because micro companies might have someone at a different level perform the activities that has a higher/lower salary and could potentially also conduct other activities with a higher or lower revenue.

[78] Current one-off costs: 11.7 million micro companies (national size criteria and implemented regime) * 20 % self-reporter and aware of super simplified regime * 50 % applies super simplified regime * *1.5 hours saved* * EUR 15.28 average hourly earnings = EUR 26.5 million.

[79] Current ongoing burden reduction per year: 11.7 million micro companies (national size criteria and implemented regime) * 20 % self-reporter and aware of super simplified regime * 50 % applies super simplified regime * *6.0 hours saved* * EUR 15.28 average hourly earnings = EUR 106.3 million.

EUR 22 million (+20.4 %) to EUR 128 million. To realise these additional savings, the super simplified regime would also have to be applied in the six Member States that did not implement the regime and the six Member States that currently have deviating size criteria would have to align those to the Accounting Directive.

If all micro companies according to the size criteria in the Directive would also use the super simplified regime, the estimated benefits would increase a factor ten to EUR 324 million one-off costs[80] and EUR 1,294 million ongoing reduction in administrative burden[81]. This would mean a one-off cost of EUR 23 and an ongoing burden reduction of about EUR 91 per limited liability micro company per year, in average.

To unlock potential savings, awareness among the self-reporting micro companies has to be enhanced as well as increasing the application of the regime among micro companies that are aware of it. In addition, micro companies using the services of external accountants should observe a reduction in their bill or become able to prepare their financial statements themselves.

The savings could possibly even go beyond the potential savings calculated above. The estimations are based on the current level of implementation of the super simplified regime. In total, 22 Member States have implemented the super simplified regime, nine of those have only partiality implemented the regime. If these Member States would fully implement the super simplified regime the average time-savings might increase. Moreover, there could also be potential additional savings due to higher hourly rates (e.g. external accountants that on average charge more per hour than ISCO4 rates plus 25%).

It should be acknowledged, that while the estimates above ought to give a good indication about the likely current and potential net benefits, the primary information gathered for this study is limited. This is especially true for the information on financial benefits.

Only a few micro companies provided concrete information on the savings associated with the new regime and there is quite some difference in the amounts, ranging from nothing up to a couple of thousand euros. This might be due to differences in size, activities, complexity and the reporting experience available within the micro companies as well as country-specific factors such as the degree of implementation of the new regime and the changes compared to the previous regime. As a matter of fact, the sample size is not large enough to consider all these relevant factors. Moreover, the estimation is based on the exemptions provided under the super simplified regime, which in some Member States were already in place before the implementation of the Accounting Directive.

[80] Potential one-off costs: 14.2 million micro companies (Accounting Directive size criteria) * *1.5 hours saved* * EUR 15.18 average hourly earnings = EUR 323.6 million.

[81] Potential ongoing burden reduction per year: 14.2 million micro companies (Accounting Directive size criteria) * *6.0 hours saved* * EUR 15.18 average hourly earnings = EUR 1,294.4 million.

7. Conclusions and policy recommendations

The objective of this study is to provide a quantification of the reduction of the administrative burden on micro companies, associated with the introduction of a super simplified regime for financial reporting as defined in the Directive 2013/34/EU.

To achieve this objective, the report first identifies the number of micro companies to which the new regime is applicable. Companies must be active and located in one of the 28 EU Member States and meet the three size criteria identified in the Directive. In reality, the actual number of companies to which the regime is applicable is determined by the criteria that countries adopted in the transposition of the Directive into national legislation.

The estimation of the number of companies leads to a total population of companies (all sizes included) of about 16.8 million companies. Based on the EU definition, there are 14.2 million micro companies or 84.4 % of the total limited liabilities companies. When accounting for national criteria to define micro companies and implementation of the super simplified regime, the total population of micro companies is reduced to 11.7 million.

The difference in the two populations (about 2.5 million micro companies) is ascribed to three sets of issues. First, some countries, notably Croatia, Cyprus, Luxembourg, Malta, Spain and Sweden have not implemented the super simplified regime, so it does not apply. Second, some countries, namely Italy and Estonia, adopted size criteria that are more stringent for micro companies, which results in fewer companies qualifying as micro companies. Lastly, for non-euro area countries, the currency conversion of the size criteria, which are defined in euros, affected the size criteria for total assets and turnover. This resulted in more companies qualifying as micro (lower size criteria) in Bulgaria, Denmark and the United Kingdom, but fewer micro companies in Czechia, Hungary and Poland.

The lower population, compared to the EU definition, to which the simplified regime is applicable, *ceteris paribus*, points to a potential loss of benefits at the EU aggregate level, as the cost reduction can be of benefit for fewer companies.

Another issue, however, emerged as a more important limiting factor for the benefits of the new regime. Most micro companies seem not to be aware of the existence of the super simplified regime. This is particularly the case in some countries, but above all for micro companies relying on external accountants for financial reporting. Only in a limited number of cases did accountants inform their clients about the new regime and even less frequently did they reduce the prices of their services. In addition, of those micro companies that are aware of the new regime because they do the report themselves, only a portion of them apply the simplified regime or perceive a substantial reduction in their administrative burden.

Based on the available information from the survey about the cost reduction, we estimate the current one-off costs of familiarising with the new regime at EUR 27 million and the ongoing burden reduction at EUR 106 million per year. These amounts are based on the national size criteria for the 22 Member States that have partially or largely implemented the super simplified accounting regime for micro companies. If the size criteria in all the 28 Member States were fully aligned with the Directive, the costs and benefits would be slightly higher. The one-off costs would be about 32 million euro, and the annual burden reduction would increase to EUR 128 million.

From these calculations, it clearly emerges that the extensive lack of awareness appears to be far more important than the different size criteria adopted in national legislation. Under the assumption of full awareness among micro companies and full application of the EU definition, the estimated benefits would increase by almost a factor ten to

EUR 324 million one-off costs and EUR 1,294 million ongoing reduction in administrative burden. In order to unlock potential savings, awareness among the self-reporting micro companies would have to be increased. The savings might possibly go beyond these calculated potential savings when the regime would be fully implemented in all Member States.

Although the estimates above should give a good indication about the likely net benefits, the primary information gathered for this study is limited. This is especially true for the information on the financial benefits gathered through the survey. Only a few micro companies provided concrete information on the savings associated with the new regime and there is quite some difference in the amounts. This implies that the figures should be used with caution.

With these caveats in mind, and beyond the specific amounts estimated, few conclusions can be drawn with confidence. The initial expectation in terms of gains appears to have been too optimistic. It did not take sufficiently into consideration the challenges of making sure micro companies are aware of the existence of the new regime, that they use it and take advantage of it. This turned out to be the most important factor limiting benefits, perceived and actual, of the new regime. Understanding why this happened may also help in unlocking further benefits.

There are three potential explanations for companies not reaping full benefits.

First, micro companies relying on external accountants appear in many cases not to have been informed about the simplification of the financial reporting obligations.

Second, in some cases, even when the micro companies or the accountants were informed about the new regime they did not adopt it. The former, possibly not to face the one-off cost of the change, the latter possibly not to reduce the fee applied to clients for the service. Both explanations point to a problem of inertia and reluctance to move to a new regime. The fact that the change was hardly noticeable to companies, or easy to hide for accountants, is likely to have made the inertia stronger.

The third explanation is linked to a broader consideration that emerges from the whole exercise. Financial reporting appears to be perceived of limited, if any, value to micro companies. Most micro companies are unlikely to know the purpose of it. The limited perceived value of the reporting, and limited sanction mechanisms in case of non-reporting, could result in non-compliant behaviour. In relation to the exercise we performed, this could also contribute to explaining why available data on financials are limited for micro companies in many Member States. While there are certainly other explanations for this, possibly related to data collection or transmission of information from the registries, the lack of information on the size indicators is so overwhelming in some countries that it is difficult to reconcile with full compliance with financial reporting obligations. One option to overcome this problem and ensure compliance could be to link or combine financial reporting with tax reporting obligations ("one stop shop" or "file-only once" principle).

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Annex 1 Example of abridged balance sheet and income statement

Model B.5: Balance sheet of micro entities – Separate financial statements

Assets		**20X1**		**20X0**
Fixed assets – gross amount		X		X
Less: Depreciation	X		X	X
Impairment	X	X	X	X
Inventory		X		X
Receivables		X		X
Prepayments and accrued revenue		X		X
Other assets		X		X
Total assets		X		X
Equity and liabilities				
Capital and reserves		X		X
Long-term liabilities		X		X
Short-term liabilities		X		X
Total liabilities and equity		X		X

Model B.6: Income statement of micro entities – Separate financial statements

	20X1	20X0
Net turnover	X	X
Other ordinary revenues	X	X
Change in inventory	X	X
Purchases of merchandise and materials	X	X
Personnel expenses	X	X
Depreciation and amortization	X	X
Other expenses and losses	X	X
Other revenue and gains	X	X
Interest	X	X
Income before taxes	X	X
Taxes	X	X
Net income	X	X

Source: Enterprise Greece (2014)

Annex 2 Vertical layout of abridged balance sheet

A. Subscribed capital unpaid of which there has been called

(unless national law provides that called-up capital is to be shown under L, in which case the part of the capital called but not yet paid must appear either under A or under D (II) (5).)

B. Formation expenses

as defined by national law, and in so far as national law permits their being shown as an asset. National law may also provide for formation expenses to be shown as the first item under 'Intangible assets'.

C. Fixed assets

D. Current assets

E. Prepayments and accrued income

(Not needed if excluded by national law following Article 36(1a))

F. Creditors: amounts becoming due and payable within one year

G. Net current assets/liabilities

(Taking into account prepayments and accrued income when shown under E and accruals and deferred income when shown under K.)

H. Total assets less current liabilities

I. Creditors: amounts becoming due and payable after more than one year

J. Provisions

K. Accruals and deferred income

(Not needed if excluded by national law following Article 36(1a))

L. Capital and reserves

Annex 3 Limited liability companies reporting

Limited liability companies reporting on reference date (% active companies in Member State)

Country code	Micro	Small	Medium	Large	Total
AT	51.4 %	31.6 %	3.5 %	1.4 %	87.9 %
BE	62.7 %	18.7 %	1.8 %	0.6 %	83.8 %
BG	51.9 %	3.7 %	0.4 %	0.1 %	56.1 %
CY	0.1 %	0.1 %	0.1 %	0.0 %	0.4 %
CZ	48.8 %	7.9 %	1.3 %	0.4 %	58.3 %
DE	28.5 %	17.0 %	2.3 %	0.9 %	48.7 %
DK	79.2 %	8.3 %	1.5 %	0.8 %	89.8 %
EE	93.2 %	6.0 %	0.7 %	0.1 %	100.0 %
EL	5.7 %	8.6 %	2.0 %	0.6 %	16.9 %
ES	34.1 %	8.0 %	0.8 %	0.3 %	43.2 %
FI	54.3 %	9.2 %	1.3 %	0.5 %	65.3 %
FR	27.6 %	10.1 %	1.2 %	0.4 %	39.2 %
HR	64.0 %	6.4 %	0.9 %	0.2 %	71.5 %
HU	87.9 %	8.2 %	1.0 %	0.3 %	97.3 %
IE	66.5 %	11.6 %	1.8 %	0.6 %	80.5 %
IT	49.1 %	17.0 %	2.2 %	0.7 %	69.1 %
LT	59.4 %	9.2 %	1.2 %	0.3 %	70.1 %
LU	16.6 %	7.8 %	2.0 %	0.9 %	27.3 %
LV	62.0 %	4.1 %	0.5 %	0.1 %	66.8 %
MT	15.6 %	3.0 %	0.7 %	0.3 %	19.5 %
NL	72.4 %	7.4 %	1.0 %	0.5 %	81.4 %
PL	16.0 %	7.7 %	2.1 %	0.7 %	26.5 %
PT	65.5 %	8.4 %	1.0 %	0.3 %	75.2 %
RO	68.6 %	3.9 %	0.4 %	0.1 %	73.0 %
SE	68.0 %	13.3 %	1.9 %	0.6 %	83.8 %
SI	65.8 %	9.5 %	1.2 %	0.4 %	76.9 %
SK	67.6 %	7.0 %	0.9 %	0.2 %	75.7 %
UK	78.2 %	4.6 %	1.3 %	0.5 %	84.6 %
EU28	**53.4 %**	**9.1 %**	**1.3 %**	**0.5 %**	**64.3 %**

Note: Limited liability companies are considered fulfilling the reporting requirements when at least one of the size indicators is included in Orbis Europe for 31 December 2016. The size classification is based on the size criteria in Article 3(1) of the Accounting Directive.

Source: CEPS elaboration based on Orbis Europe.

Annex 4 Limited liability companies across sectors

Limited liability companies across sectors (% of active companies)

Sector	Micro	Small	Medium	Large	Total
Accommodation and food service activities	4.4 %	0.6 %	0.0 %	0.0 %	5.1 %
Activities of extraterritorial organisations and bodies	0.9 %	0.2 %	0.0 %	0.0 %	1.0 %
Activities of households as employers, producing activities for own use	1.6 %	0.3 %	0.0 %	0.0 %	1.9 %
Administrative and support service activities	3.9 %	0.5 %	0.1 %	0.0 %	4.6 %
Agriculture, forestry and fishing	3.1 %	0.6 %	0.1 %	0.0 %	3.8 %
Arts, entertainment and recreation	1.9 %	0.3 %	0.0 %	0.0 %	2.2 %
Construction	6.7 %	1.2 %	0.1 %	0.0 %	7.9 %
Education	1.6 %	0.2 %	0.0 %	0.0 %	1.8 %
Electricity, gas, steam and air conditioning supply	1.3 %	0.2 %	0.0 %	0.0 %	1.5 %
Financial and insurance activities	4.9 %	0.4 %	0.1 %	0.1 %	5.4 %
Human health and social work activities	3.1 %	0.7 %	0.1 %	0.0 %	3.9 %
Information and communication	4.1 %	0.5 %	0.1 %	0.0 %	4.7 %
Manufacturing	3.7 %	1.3 %	0.3 %	0.1 %	5.4 %
Mining and quarrying	2.7 %	0.3 %	0.0 %	0.0 %	3.1 %
Other service activities	2.4 %	0.2 %	0.0 %	0.0 %	2.7 %
Professional, scientific and technical activities	9.9 %	0.8 %	0.1 %	0.0 %	10.9 %
Public administration and defense; compulsory social security	1.2 %	0.2 %	0.0 %	0.0 %	1.4 %
Real estate activities	4.8 %	0.4 %	0.0 %	0.0 %	5.2 %
Transportation and storage	5.7 %	1.5 %	0.2 %	0.0 %	7.3 %
Water supply; sewage, waste management and remediation activities	2.0 %	0.3 %	0.0 %	0.0 %	2.4 %
Wholesale and retail, repair of moto vehicles and motorcycles	8.7 %	2.1 %	0.3 %	0.1 %	11.1 %
Not available	5.8 %	0.6 %	0.1 %	0.0 %	6.5 %
Total	**84.4 %**	**13.3 %**	**1.8 %**	**0.6 %**	**100.0 %**

Source: CEPS elaboration based on Orbis Europe.

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