



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 24.01.2003  
COM(2003) 29 final

Proposal for a

**COUNCIL DIRECTIVE**

**amending Directive 78/660/EEC as regards amounts expressed in euro**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

The Fourth Council Directive of 25 July 1978 (78/660/EEC)<sup>1</sup> introduced for all limited companies equivalent rules on the drawing up, audit and publication of annual accounts and annual reports.

The Fourth Directive allows the Member States to provide for derogations for certain companies based on their individual economic and social impact. The Directive provide that companies which fall below certain size thresholds are not required to:

- include certain detailed disclosures in their accounts;
- prepare consolidated accounts;
- prepare an annual report; or
- have their accounts audited.

Articles 11 and 27 define the companies entitled to such derogations based upon balance sheet total, net turnover and number of employees.

The thresholds laid down in Article 27 also serve as a reference for Article 6 of the 7<sup>th</sup> Council Directive on consolidated accounts (83/349/EEC)<sup>2</sup>.

Article 53(2) of the Fourth Directive envisages that, every five years the Council, acting on a proposal from the Commission, is to examine and, if need be, revise the amounts expressed in euro in that Directive, in the light of economic and monetary trends in the Community.

To date the Council, in accordance with Article 53(2) of Directive 78/660/EEC, has on four occasions revised the amounts expressed by means of Directives 84/569/EEC<sup>3</sup>, 90/604/EEC<sup>4</sup>, 94/8/EC<sup>5</sup> and 1999/60/EC<sup>6</sup>;

The fifth five-year period following the adoption of the Fourth Directive will end on 24 July 2003 and a review of those amounts is thus justified.

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<sup>1</sup> OJ L 222, 14.8.1978, p. 11, Directive as last amended by Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28).

<sup>2</sup> OJ L 193, 18. 7. 1983, p. 1, Directive as last amended by Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28).

<sup>3</sup> OJ L 314, 4.12.1984, p. 28.

<sup>4</sup> OJ L 317, 16.11.1990, p. 57.

<sup>5</sup> OJ L 82, 25.3.1994, p. 33.

<sup>6</sup> OJ L 162, 26.6.1999, p. 65.

## **2. OUTLINE OF THE CONTENTS OF THIS PROPOSAL**

### **2.1. Article 1 – Changes to thresholds**

Economic and monetary trends have, since the date of the last revisions of the thresholds set out in Articles 11 and 27, led to a diminution of the amounts expressed in those Articles, in real terms.

Following a review of the detailed statistical data i.e. private final consumption expenditure at current prices, gross domestic product at current prices and gross fixed capital formation at current prices (total EU economy) for the period of 1998 to 2001, and having regard to the outcome of discussions with Member States in the Contact Committee for the Accounting Directives, it is proposed to increase the amounts of balance sheet total and net turnover by 16.8%.

Amounts in euro appearing in this Directive shall be converted into the national currency of Member States not adopting the euro according to the exchange rate published in the Official Journal of the European Communities on the date on which this Directive enters into force.

### **2.2. Article 2 – Timetable**

As the revision of the thresholds is at the discretion of the Member States, there is no need to lay down a time limit for compliance with this Directive.

### **2.3. Articles 3 and 4 – Final provisions**

The provisions in these Articles deal with the adoption and administration of the proposed Directive.

Proposal for a

**COUNCIL DIRECTIVE**

**amending Directive 78/660/EEC as regards amounts expressed in euro**

**(Text with EEA relevance)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the Fourth Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies<sup>7</sup>, and in particular Article 53(2) thereof,

Having regard to the proposal from the Commission<sup>8</sup>,

Whereas:

- (1) Articles 11 and 27 of Directive 78/660/EEC and, by way of reference, Article 6 of the Seventh Council Directive 83/349/EEC based on Article 54(3)(g) of the Treaty on consolidated accounts<sup>9</sup> and Articles 20 and 21 of the Eight Council Directive 84/253/EEC based on Article 54(3)(g) of the Treaty on the approval of persons responsible for carrying out the statutory audits of accounting documents<sup>10</sup> specify thresholds expressed in euro for the balance sheet total and the net turnover, below which Member States may grant derogations from certain provisions of those Directives.
- (2) Since the fifth five-year period following the adoption of Directive 78/660/EEC on 25 July 1978 ends on 24 July 2003, a review of those thresholds has duly been undertaken, as required by that Directive, the results of which indicate that, in the light of economic and monetary trends in the Community, an increase in the amounts expressed in euro is necessary.
- (3) Directive 78/660/EEC should therefore be amended accordingly.

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<sup>7</sup> OJ L 222, 14.8.1978, p. 11, Directive as last amended by Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28)

<sup>8</sup> OJ C , , p. .

<sup>9</sup> OJ L 193, 18.7.1983, p. 1

<sup>10</sup> OJ L 126, 12.5.1984, p. 20

HAS ADOPTED THIS DIRECTIVE:

### *Article 1*

Directive 78/660/EEC is amended as follows:

(1) Article 11 is amended as follows:

(a) The first paragraph is amended as follows:

(i) in the first indent, the words 'balance sheet total: EUR 3 125 000' are replaced by the words 'balance sheet total: EUR 3 650 000';

(ii) in the second indent, the words 'net turnover: EUR 6 250 000' are replaced by the words 'net turnover: EUR 7 300 000'.

(b) The following second paragraph is inserted:

'In the case of those Member States which have not adopted the euro, the amount in national currency equivalent to the amounts specified in the first paragraph shall be that obtained by applying the exchange rate published in the *Official Journal of the European Communities* on the date of the entry into force of the Directive setting those amounts in consequence of the review provided for in Article 53(2).'

(2) Article 27 is amended as follows:

(a) The first paragraph is amended as follows:

(i) in the first indent, the words 'balance sheet total: EUR 12 500 000' are replaced by the words 'balance sheet total: EUR 14 600 000';

(ii) in the second indent, the words 'net turnover: EUR 25 000 000' are replaced by the words 'net turnover: EUR 29 200 000';

(b) The following second paragraph is inserted:

'In the case of those Member States which have not adopted the euro, the amount in national currency equivalent to the amounts specified in the first paragraph shall be that obtained by applying the exchange rate published in the *Official Journal of the European Communities* on the date of the entry into force of the Directive setting those amounts in consequence of the review provided for in Article 53(2).'

### *Article 2*

1. Member States shall adopt the measures necessary to comply with this Directive if and when they decide to make use of the option provided for in Articles 11 and 27 of Directive 78/660/EEC. They shall forthwith inform the Commission thereof.

When Member States adopt those measures, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2. Member States shall communicate to the Commission the texts of the main provisions of national law which they adopt in the field governed by this Directive.

*Article 3*

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Communities*.

*Article 4*

This Directive is addressed to the Member States.

Done at Brussels,

*For the Council  
The President*

## **IMPACT ASSESSMENT FORM**

### **THE IMPACT OF THE PROPOSAL ON BUSINESS WITH SPECIAL REFERENCE TO SMALL AND MEDIUM-SIZED ENTERPRISES( SMEs)**

#### **TITLE OF PROPOSAL**

Proposal for a COUNCIL DIRECTIVE of [date] amending Directive 78/660/EEC as regards amounts expressed in euro.

#### **DOCUMENT REFERENCE NUMBER**

[XX]

#### **THE PROPOSAL**

1. The proposal represents a periodic amendment to existing Community legislation which was foreseen in the original legislation.

#### **THE IMPACT ON BUSINESS**

2. The proposal will increase the thresholds at which companies are eligible to benefit from certain derogations contained in the 4<sup>th</sup> and, by way of cross reference the 7<sup>th</sup> Council Directives. The effect will be that, all things being equal, more companies will be entitled to benefit from these derogations.
3. Whilst the 4<sup>th</sup>, 7<sup>th</sup> Directives and this proposal make no reference to small and medium-sized companies – a term reserved for certain specific Community measures – the derogations provided in those directives to companies which fall beneath the thresholds are based upon the need to take account of the specific situation of firms which are economically speaking, smaller. This proposal is concerned with exactly those needs.

#### **CONSULTATION**

4. The Commission has consulted with the Contact Committee on the Accounting Directives.