

TIP OF THE MONTH - EUROPE CONFIRMS MICRO COMPANY ACCOUNTS REFORM

The European Union's financial and economic affairs council agreed a new directive back in February that allows member states to exempt very small companies from mainstream accounting and financial reporting obligations.

A recent consultation document on company law reforms said the UK will look to implement the changes "as soon as possible", (what does "consultation" actually mean?).

When the EU directive is enacted in the UK, companies will be allowed to apply the simplified reporting regime if they stay below two of the following thresholds:

- Balance sheet total of €350,000.
- Net turnover €700,000; and
- average of 10 employees during the financial year.

Recent research suggests that Micro companies look likely to be required to produce:

- A simplified, cash-based trading statement to replace the profit and loss account;
- A statement of position; and
- A simplified Annual Return.

It is estimated that around 1.5m micro-enterprises will be able to take advantage of the changes. (Not that estimates take notice of banking or other, wider, business criteria).

Reducing the regulatory burden on micro businesses is something we strongly support, but this isn't it, especially as these statements are not aligned to the tax rules already in place.

This latest Brussels bolt on takes us nearer to "Euro Accounting" without accomplishing much more than added confusion in an area where clarity would be helpful. We could junk a few dozen of our less necessary standards, reduce company accounts to about 5 pages and then if we wanted to help smaller businesses we could start a bonfire of the worlds most voluminous tax system.

"Unless we are prepared to have Brussels dictate our tax system and our accounting system this "reform" is a sheep in wolf's clothing and unlikely to be of serious benefit to anybody."