

## EFAA Reply to the EC call for evidence Administrative burden – Rationalization of Reporting Requirements

Brussels, 28 November 2023

The [European Federation of Accountants and Auditors for SMEs \(EFAA for SMEs\)](#) represents accountants and auditors providing professional services primarily to SMEs both within the European Union and Europe as a whole. EFAA currently represents 15 professional accountancy organisations with more than 380,000 individual members who provide a range of professional services, including audit, accounting, bookkeeping, tax and business advice, to their SME clients.

In compiling this response, we have consulted closely with our 15 member organisations to provide a response as constructive as possible. In this response we set out some general principles as well as provide a few specific examples. We look forward to closer consultation with the European Commission as it progresses on this initiative.

EFAA for SMEs welcomes the European Commission initiatives detailed in the SME relief package, in particular the intention of streamlining reporting obligations which are excessively burdensome for SMEs. EFAA recognises that regulation is intended to help markets operate fairly, orderly, and efficiently while protecting the public interest. While we recognise that high quality corporate reporting serves the public interest, it is essential that it be tailored to the capacity of SMEs and their SMP advisers.

EFAA invites the European Commission to extend these efforts to the many other obligations and regulatory requirements with which SMEs must comply and which constitute a burden for them e.g., administrative requirements, labelling information, various standardisation and certification processes, and so on. Indeed, as the European Commission stated, *administrative burden or regulatory obstacles are among the biggest problems for 55% of SMEs*. This burden is not just a reporting burden. **EFAA for SMEs suggests that the European Commission, the European Parliament and the Council of the EU fully implement the one-in-one-out principle at every step of the legislative procedure and, where possible, seek a two-out-one-in principle.**

Furthermore, EFAA for SMEs considers that a predictable regulatory environment is not sufficient: rules and regulations should be adapted and proportional to the size and needs of its main market players, SMEs. Even small- and medium-sized accountancy practitioners, who typically advise SMEs on how to comply with regulation, struggle to be able to keep up with the pace of the introduction of new rules and regulatory requirements by EU and by Member States. We believe that a regulatory environment adapted to the needs of SMEs and of their trusted advisors, SMPs, will enable the accountancy profession to continue to provide valuable advice to its SME clients and keep playing a key role in society and the economy. Excessive or repetitive regulation, not adapted to the size of SMEs, means that SMEs and their main advisors, SMPs, spend much needed and valuable time on repetitive tasks that could be devoted to the competitive development of SMEs and therefore of the economy, at the same or a reduced cost and, above all, being more productive. In other words, **EFAA for SMEs calls for a thorough application of the think-small-first principle.**

EFAA for SMEs believes that one way to help implement this principle would be by requiring that all impact assessments include SMEs, even when they are not directly in the scope of the proposal. In the case of sustainability reporting, we can see that SMEs, while not directly within the scope of the CSRD, can be significantly, although indirectly, impacted through reporting requirements trickling down the value chain, when the direct and immediate application of the specific standards being prepared for SMEs on a voluntary basis (VSMEs) is not accepted and additional requirements are imposed.

The EC call for evidence focuses on the rationalisation and optimisation of reporting requirements. Enhancing digitalisation will simplify reporting obligations and facilitate the exchange of information with public authorities. Once SMEs or their trusted advisors, SMPs, have submitted the necessary information, public authorities should not require additional or duplicative submissions. **EFAA for SMEs recommends that the once-only principle be fully embraced at both the EU and the member-state (MS) levels.** Moreover, Member States should be encouraged to avoid 'gold plating' as far as possible. Gold plating not only increases the burden on SMEs; it also results in inconsistent practice across MS.

EFAA for SMEs considers sustainability reporting a necessary tool to meet the Green Deal and ESG objectives. Furthermore, where SMEs are concerned, EFAA would like to stress that it is essential that the sustainability reporting standard for voluntary use by non-listed SMEs (VSME) be recognised by the various market players e.g., large companies in their value chain, banks, etc without imposing any additional requirements. EFAA for SMEs will continue to proactively contribute to the development of the VSME by the EFRAG Sustainability Reporting Board and urges the European Commission to help promote and assist in the implementation of the VSME, both as a tool for external reporting and as an internal management tool.

**1. *The Commission is looking for indications of the areas where inefficient requirements are particularly problematic, with quantitative data on the burden induced by those requirements. Please provide as much information as possible.***

- **Human resources**

In some countries it is necessary to report regularly on several statistical data related to employment (labour contracts, payroll and contributions to the social security public fund, salary). Business should not be obliged to submit this data to more than one public authority (once-only principle).

- [Directive \(EU\) 2018/822 concerning the mandatory automatic exchange of information in the field of taxation on reportable cross-border arrangements \(DAC 6\)](#)

According to EFAA member organisations, the obligation introduced for intermediaries of cross-border tax planning to ensure an exchange of information of legal aggressive tax planning between the member states constitutes a duplication.

Furthermore, due to the broad and abstract definitions and in view of professional secrecy there is still a lot of uncertainty about what to report or not to report. This uncertainty causes a lot of internal communication and knowledge requirements. The scope of DAC 6 should be limited to typical cases based on experiences gained. Excessive regulatory and administrative burden hinder the competitiveness and of our SMEs.

- [Directive \(EU\) 2021/2101 with regard to the disclosure of income tax information by certain companies and branches \(CbCR\)](#)

The publication of country-specific income tax information means a considerable administrative burden, but has no impact apart from potential damage to the image of the publishing company. The extent to which citizens and consumers are actually interested in the publications is unknown.

In view of the implementation of the OECD agreement on the introduction of a global minimum tax for companies at a minimum tax rate of 15 per cent, the public CbCR should be repealed.

- [Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax](#)

One of the first requirements for companies holding operations in another EU member state is obtaining a number of identification. This procedure can take up to 4 months.

VAT obligations for intracommunity sales of goods or services are too complicated and are often subject to different rules in Member States. Even invoicing obligations are different in Member States.

**2. *The Commission is also looking for concrete ideas for rationalisation, modernisation or optimisation, such as eliminating redundant requirements, adjusting the frequency of reporting, proposing options for digitalisation, applying the ‘once only’ principle, making better use of other data sources, or other possible efficiency gains. This should however not undermine policy objectives or standards of conduct and protection.***

- **How much time and resources are devoted generally to fulfilling the reporting requirements? Please detail to the extent possible the hours per month/year or the full-time equivalent staff needed to fulfil them.**  
While we cannot provide a precise reply to this question, it is useful to note that it is not the reporting as such that requires time, since SMEs can be helped with this by both SMPs and accountancy software. What requires time for SMEs is to identify, prepare and compile the information. Furthermore, much of the information is often repetitive.
- **Are these requirements only originating from EU law?**  
Reporting requirements originate at different levels, international, EU and national, but also from difficulties in aligning requirements and interoperability of the obligations introduced by different authorities.
- **Are there specific areas (type of reporting requirements or policy areas) that are particularly problematic?**
- **Among those, which specific reporting requirements are considered difficult to fulfil? Which take the most time? Please detail to the extent possible the hours per month/year or the full-time equivalent staff needed to fulfil these requirements in specific areas.**
- **What are the reporting requirements that you consider obsolete or of limited usability or not proportionate? Is the purpose of collecting some information unclear?**  
In some countries, there are privacy/data protection issues in relation to data accessible from e-invoice (XML): the details on several consumption made by companies might allow access to rightfully business commercial secrecy. In Portugal, for example, OECD-statistical-information requirements ask for data extraction from accountancy software (audit file extraction known as SAF-T) which raises privacy/business security concerns to the economic agents.
- **Which reporting requirements could be (further) digitalised and how? Please consider both the data collection and the submission of the report itself.**  
While we think that the current digital reporting systems should be carefully assessed and reviewed for efficiency and effectiveness before introducing new reporting systems, we would also suggest trying to interconnect the reporting requirements from different sides, for example, if a company has to comply with corporate governance requirements and other sustainability requirements, some information should be automatically taken into account. The second step could be a digitalized elaboration of the report, with some kind of template that could be adapted to the different companies. Another very important point, if we really want SMEs and even SMPs to help efficiently in this new step of digitised reporting, is to understand that this can only be possible through a clear development plan and by keeping in mind that an SME cannot have the same resources as a larger company, so it is imperative to develop clear incentives as well as proportionate requirements.
- **For which requirements could the reporting frequency be decreased?**  
We consider that the annual frequency is necessary for corporate reporting. It could even be increased for large companies as it is necessary, for example, for listed companies. To identify additional areas in which the reporting frequency could be decreased, we suggest a case-by-case approach.
- **Which reporting requirements overlap with other requirements and could be consolidated?**  
Some data required in tax declarations and in financial statements overlaps. Also some VAT communication/declaration overlaps with e-invoice reporting requirements.
- **Are some reporting requirements unnecessary in the sense that the information provided is already accessible to public authorities / EU via other communication channels or information systems /databases?**  
We consider that the European and National Authorities should cooperate more closely to rationalise and optimise reporting obligations.