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**III WORKING GROUP ON IFRS IMPACT AND
CBSO DATABASES**

Document n° 3

**Monitoring the EU initiative on the
reduction of the reporting burden
on non financial corporations**

European Committee of Central Balance Sheet Data Offices (CBSO)

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EXECUTIVE SUMMARY

The Lisbon summit defined in 2000 the main goals that Europe should face in the coming years in order to improve its competitiveness. Among different areas, specific actions were defined to simplify the business environment. European Commission (EC), the European institution that has to lead the process, where demanded to identify specific actions to achieve this aim. Answering this demand the EC (DG Internal Market) submitted its Communication of July 2007. The summary prepared by this DG of the comments received to the Communication (one of them, of the ECCBSO), as well as the opinion settled by the HLG (monitoring group created by the EC, the High Level Group of Independent Stakeholders on Administrative Burdens), show some lights and shadows in the Reduction of Reporting Burden Process (called RRBP in this document). The opinion of the HLG (July 2008) determine some actions to afford the RRBP totally in line with some experiences carried out by members of the European Central Balance Sheet Data Offices, like the “pull model” (to obtain the information once, to be reused by all administrations) or the use of new IT tools to ease the fulfilment of reporting obligations. But both, EC (DG IM) and HLG still define the elimination of annual accounts and/or its legal deposit, for the smaller corporations in Europe, as one of the possible actions to reduce the reporting burden¹. About this precise measure, not only ECCBSO and some European Governments have reacted negatively, also other European institutions have done: European Parliament, European Council, European Central Bank and Eurostat have declared the need to well focus this objective, to balance adequately the benefits of such a measure, and the subsequent costs for users of this big portion of the European businesses’ information.

Precisely this document, besides giving detail of the actions defined by EC and the reactions of the institutions aforementioned, highlights the inefficiency of this measure: reviewing the current tax declarations used in Europe, in all countries they are based mostly on accounting data; it is unlikely that European Governments will refuse to demand to all corporations, independently of its size, the necessary information to calculate the tax income, information based in accounting.

The initiative on the reduction of the reporting burden of entities in Europe has been welcomed by the ECCBSO. However, some of the steps (eg. the elimination in practice of annual accounts publicly available for micro entities and other small corporations) proposed by the EU Commission imply a loss of the financial information produced by entities damaging for the economy as a whole. Thus the proposals that implicate a total loss of information have to be rejected; in counterpart, a well focused objective should be defined, some of them identified by ECCBSO, in this document. The analysis of RRBP currently in progress in some European countries and panEuropean projects, determine some possible actions:

¹ In February 2009 European Commission has outvoted a proposal of Directive that allowed Member States to exempt micro-entities from the obligation to draw annual accounts (a new proposal is awaited).

- Analysis of the real reduction obtained with this measure. As long as taxation and accounting rules are linked closely together for the majority of companies, the dropping of the reporting requirement eg for micro entities, will not lead to a substantial reduction in the reporting burden.
- Definition of the information currently provided that could be easily eliminated not affecting the users of data (like some details on the annexes to the annual accounts).
- Development of IT tools is a key factor to be considered in the harmonization and the common use of financial information amongst official institutions in European countries. The projects launched in Belgium, the Netherlands, Portugal and Spain are based on these principles and have contributed to the reduction of the reporting burden, by means of a unique and centralized mechanism for the submission of financial information and/or the correct use of the IT tools available (as XBRL). E-administration, e-filing and other technological initiatives are the correct way to balance the needs of users of data and the RRBP.
- Develop common standards frameworks of information, following the example of European projects: FINREP, COREP, JEGR and Statistical taxonomies.

To sum up, a reduction of the reporting burden should not imply a loss of the financial information. The III WG of ECCBSO considers as an option to achieve this important goal through the harmonization of the information required to entities (since the same information is often required by several regulators and institutions, what creates redundancies in general terms, and an increase of costs and reluctance in the reporting units), and the use of the appropriate IT tools.

I. INTRODUCTION

The reduction of the reporting burden of companies in the European Union was first mentioned in the Lisbon Strategy in 2000, although no significant actions have been implemented until 2005. The European Commission believes that “simplification of EU legislation can make a significant contribution to improve the regulatory environment, update and modernize rules as well as reduce administrative burden in order to enhance the state of the European economy...”². On that purpose, a number of actions in different fields of activity have been performed, being one of them the reduction of the reporting burden of companies.

European Commission, giving a boost to the process, published in July 2007 a Communication on a simplified business environment, including an impressive number of actions on the fields of company law, accounting and auditing. At the same time created a High Level Group of Independent Stakeholders on Administrative Burdens (HLG), to advice in the monitoring of the action programme. Some of the measures proposed in the Communication, from the view point of the ECCBSO could damage seriously the availability of data of non financial corporations; in general, the actions proposed in the communication were not well focused. For these reasons, in October 2007, the European Committee of Central Balance Sheet Data Offices (ECCBSO), to which the III WG belongs, submitted some comments on this Communication. Also, given the enormous impact this initiative has in the activities of CBSO, it was decided to monitor the RRBP via the III WG, entrusted its members to prepare an annual report on RRBP.

This document monitors the process of reduction in reporting burden that currently affects non-financial entities that need to follow the EU Directives. In order to make easy the reading of the document, It has been agreed to concentrate in the novelties of the year and in the information by country. Those interested in obtaining more information, please address to document delivered last year where the following information is included (and omitted this year):

- Opinions of the ECCBSO and of the European Parliament (Committee on economic and monetary affairs) on the proposal of the European Commission on reduction of administrative burden.
- Assesment of the population affected by these measures.
- Involved parties in financial information reported by non financial corporations.

The document is organized in an executive summary, with the most outstanding findings and conclusions reached from this work and five chapters including this introduction. The second chapter makes a brief description of the process at a European level focusing on the legal steps taken by the European Union and some experiences currently used at an European level. The third chapter shows

² As stated in the Commission Working Document: First progress report on the strategy for the simplification of the regulatory environment: http://ec.europa.eu/enterprise/regulation/better_regulation/docs/simplification/2006/com_06_690_final_en.pdf

a report on taxation, paying special attention to the relationship between taxation and accounting in the countries belonging to the III WG, as a way to identify to which extent the reduction is feasible (those countries with taxation based on accounting, would reduce their reporting burden only to some extent). Chapter four describes how the technology can help in RRBP process (the use of XBRL, for example) to that aim. Lastly chapter five is devoted to the situation in each country taking stock of the precise measures defined at country level in the reduction on reporting burden process, including a new table summarizing the projects (XBRL or not) operating and under development in the field of reduction of reporting burden by country.

II. THE REDUCTION OF THE REPORTING BURDEN PROCESS (RRBP) IN EUROPE

II.1. LEGAL STEPS TAKEN AT A EUROPEAN LEVEL

European Commission (Internal Market and Services DG)

In November 2006, the European Commission started to assess the administrative costs in order to reduce the administrative burden in company law and accounting. This work gave rise to a Communication for the Commission³ in July 2007, where some simplification actions were proposed. This paper opened a period for comments until October 2007. The main actions foreseen in the Communication which have a direct impact on accounting are the following⁴:

- Micro-entities (defined according to the following thresholds: less than ten employees, balance sheet total below 500.000 € and turnover below 1.000.000 €) are exempted from the application of the accounting directives.
- Currently, an entity must apply accounting and auditing requirements of a medium-sized entity if it trespasses the thresholds during two consecutive years. This period of time is proposed to be five consecutive years.
- Small entities are not required to publish financial information since users of financial information can obtain it directly from the entity. The same applies to those medium sized entities which either are owned by the manager or fall under the scope of the second subparagraph of Article 1 and under paragraph 1a of Article 47 of the Fourth Directive.
- Small (and even medium) sized subsidiaries are excluded from the scope of consolidation in the financial statements of the parent.

In July 2008, the High Level Group of Independent Stakeholders on Administrative Burdens (HLG), group created by the European Commission in August 2007 to advise the Commission with regard to the Action Programme for Reducing Administrative Burdens in the EU (to reduce burdens in 25% by 2012)⁵ and composed by 15 representatives of a broad panoply of institutions⁶ issued an opinion on this process⁷. The opinion of HLG, although paying great attention to the use of IT tools, e-government solutions (even XBRL is mentioned) and to the coordination of administrations creating a “pull model”, regretfully insisted on the idea of eliminating the obligation to report annual accounts for small companies, and not only micro corporations.

³ COM (2007) 394, available at http://ec.europa.eu/internal_market/company/docs/simplification/com2007_394_en.pdf

⁴ See Document 3 of the IIIWG delivered in 2008 to obtain more information of this communication

⁵ The action programme was adopted by EC on 24 January 2007.

⁶ Chairs the HLG Mr. Edmund Stoiber, former Minister-president of Bavaria; the members are: Roland Berger Management Consultancy, and representatives of PME Portugal, UK Better Regulation Commission; European Environmental Bureau, Dutch Advisory Board on Administrative Burdens, European Trade Union Confederation, International Road Transport Union, European Federation of Accountants, European Policy Centre, Assembly of European Regions

⁷ Please refer to http://ec.europa.eu/enterprise/policies/better-regulation/files/080710_hlg_op_comp_law_final_en.pdf

During 2008 and 2009, the HLG has issued more opinions on different fields of the initiative towards the reduction of the reporting burden: invoicing, public procurement, agriculture, food safety, transport... Amongst all of them, the opinions on financial services and statistics, issued on July 2009 must be highlighted⁸. The latter opinion, referred to statistics, proposed simplifications in Intrastat and agricultural statistics and contained the following recommendations on Structural Business Statistics (SBS) and Short-Term Statistics (STS):

- The Caggemini, Deloitte and Ramboll Management Consortium (hired by the European Commission to help in the measurement of reporting burden in 13 areas) recommended reducing the frequency of SBS from annual to every second year in some sectors. They also suggested using an eGovernment solution, explicitly mentioning XBRL, what could reduce the reporting burden. The HLG agreed with this proposal.
- The HLG also recommended harmonization of the nomenclature used in SBS, Prodcorn and Intrastat.
- Regarding STS, it is recommended to use VAT data for turnover and to deliver data on a two digit NACE level.

In September 2009, an intermediate report on HLG activities was published⁹, summarizing all the work performed by this group in its first two years.

In February 2009, the European Commission issued a proposal for a Directive amending Directive 78/660/EEC on the annual accounts of micro-entities¹⁰. According to the proposal, Member States could provide an exemption from the obligation to draw annual accounts in the case of micro-entities. This proposal was outvoted in the European Commission and a new proposal is being awaited at the moment.

Next paragraphs present other opinions, from European Commission itself (Eurostat), European Parliament and the European Council, that better balance the position of the European Union institutions. There are other administrations that defence to advance in the RRBP, without destroying the legal and organisational current framework in which the reporting of non financial corporations is based.

⁸ The opinion on statistics is available at http://ec.europa.eu/enterprise/policies/better-regulation/files/hlg_opinion_070709_statistics_en.pdf and the opinion on financial services at http://ec.europa.eu/enterprise/policies/better-regulation/files/hlg_opinion_070709_finser_en.pdf

⁹ Please refer to http://ec.europa.eu/enterprise/policies/better-regulation/files/180909_hlg_ab_intermediate_report_incl_annexes_en.pdf

¹⁰ Please refer to <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0083:FIN:EN:PDF>

European Commission (Eurostat) and the statistical field

Focusing on the statistical field, the process to reduce the reporting burden has been clearly defined. Precisely the Lisbon Strategy meant the starting point of further Communications, which will lead to concrete actions that can be grouped under two main topics: simplification and new IT tools:

- Simplification: the European Commission, amongst other actions, is in favour of the use of already existing administrative sources (such as Mercantile Registries) and of the generalization of the statistical processes, understood as an integrated analysis of the different fields within the statistics in order to define new processes of direct collection of the information needed (by harmonized electronic means).
- New IT tools: the actions on the use of administrative registers, the application of accounting-based information from the companies and its treatment using electronic means via standards (XBRL is explicitly mentioned) are to be highlighted here.

Therefore, the simplification target defined in Lisbon summit, in the statistical domain, will be based on the use of administrative and more precisely on accounting data. The elimination of this currently available information, as a result of the RRBP, would mean a contradiction with the approach defined by EC in the statistical domain.

European Parliament

In February 2008 the Committee on Economic and Monetary Affairs of the European Parliament published an opinion highlighting:

- Simplification must be balanced against the interests of all stakeholders, keeping transparency requirements for all limited liability companies, independently of its size.
- Coordination with tax authorities in order to standardise the information requested
- The RRBP should be based on modernising publication and use of electronic distribution channels.
- Make easier for companies to register and to prepare, file and publish statutory information, by the use of new technology such a XBRL
- They propose the abolition of the deferred tax entries because are disproportionate burden on SMEs and provide no information of recognisable value to the reading the annual accounts.
- Finally, it recommends the application of the once-only principle so that enterprises do not have to provide the same information more than once or to more than one recipient and that consultation be held on the necessity and possibility of creating an accounting and audit service regulator.

In March 2009, the European Parliament approved a resolution on the Small Business Act¹¹, supporting the Commission Communication of 25 June 2008 which aims at promoting SMEs at an European level. Among many other provisions, the following paragraphs related to company law must be highlighted:

- 77. (The European Parliament) Calls on the Commission to stimulate simplification and harmonisation of company law and, in particular, accounting rules within the internal market in order to reduce the administrative burden for SMEs and increase the transparency for all relevant stakeholders; urges the Commission to promote strongly the use of new technology such as eXtensible Business Reporting Language (XBRL) by presenting a roadmap for introducing XBRL reporting in the European Union with a view to making it mandatory within a reasonable time frame and to promote and support wide use of this open standard;
- 78. (The European Parliament) Encourages the setting up of a "statistics holiday" for micro enterprises, granting them temporary exemptions from mandatory statistical surveys, the broad application of the "only once" principal with regard to information provided by undertakings to public authorities, and the further development of e-government;

Council of the European Union

In the Council meeting held in Brussels, 22 and 23 November 2007, the Council adopted several conclusions on the simplified business environment defined in the EC Communication. The Council demanded to the EC the definition of proposals, before the end of 2008, based on impact assessments. But, at the same time, the Council recognized that: "Regulation and practices in the areas of company law, accounting and auditing should therefore be adapted to this new reality in a way which makes the most of the added value and possibilities of modern information technology".

This is totally in line with the opinion of ECCBSO: to take advantage of IT tools (like XBRL, among others), electronic filling and synergies of sharing data among different users.

II.2. SOME EUROPEAN EXPERIENCES IN RRBP (JEGR, FINREP-COREP AND STATISTICAL TAXONOMIES PROJECTS)

FINREP and COREP: a European effort to reduce the reporting burden on financial institutions

CESB, the European Committee of Banking Supervisors, in order to reduce the reporting burden, has created a common framework of information for credit institutions in Europe, with a precise definition of standard formats and its IT transcription, on XBRL. FINREP defines precisely the standard formats for prudential reporting, while COREP does exactly the same for reporting capital requirements, establishing links between both projects.

¹¹ Please refer to <http://www.europarl.europa.eu/oeil/FindByProcnum.do?lang=en&procnum=INI/2008/2237>

On December 2005, CEBS stated about FINREP and COREP:

“The Committee of European Banking Supervisors (CEBS) today published guidelines establishing a standardised financial reporting framework (FINREP) for credit institutions operating in the EU. This framework will enable credit institutions to use the same standardised data formats and data definitions for prudential reporting in all countries where the framework will be applied. CEBS believes that this will reduce the reporting burden for credit institutions that operate cross-border, and lower barriers to the development of an efficient internal market in financial services. FINREP is designed for credit institutions that use International Financial Reporting Standards (IFRS) for their published financial statements, and that have to provide similar information in the periodic reports they are required to submit to their supervisory authorities. The introduction of international accounting and reporting standards provides an opportunity to converge and ultimately harmonise prudential reporting in Europe”.... “CEBS has accommodated most of the concerns expressed by industry in the public consultation. The volume of data requested has been reduced almost by half. The framework has been linked as much as possible with the common framework for reporting the solvency ratio (COREP) under the Capital Requirements Directive (CRD)”.

Joint Expert group on reconciliation (JEGR)

In March 2008, the joint Expert Group on Reconciliation (JEGR) was set up under the sponsorship of the Statistics Committee of the European System of Central Banks (STC), the Banking Supervision Committee (BSC) and the Committee of European Banking Supervisors (CEBS). The main target of this mixed group of supervisors and statisticians was to explore the potential for reconciliation of supervisory and statistical reporting requirements addressed to credit institutions with a view to reducing reporting burden. In this reconciliation exercise, the reporting requirements considered by the JEGR are (1) the framework established by the CEBS for the reporting of financial information compliant with international accounting standards (FINREP); (2) the capital adequacy data requirements (COREP); and (3) the ECB statistical reporting framework based on the European System of Accounts (ESA95).

In its final report, the JEGR has listed a number of cases for which there is room for reconciliation since differences between the statistical and supervisory frameworks are not justified by differences in the analytical use of the data. In particular, the following nine reconciliation proposals were made:

- Proposal 1: to include in the definitions of products of FINREP template 6 a link to Annex II of the BSI Regulation and, symmetrically, to include in the BSI definition of loans some elements (e.g. factoring, project finance loans, etc.) which are not explicitly mentioned so far. As future work, links with COREP should be further investigated. [follow-up by STC, CEBS]

- Proposal 2: to link the FINREP definitions of three balance sheet items (“cash”, “debt securities” (assets side), and “debt certificates” (liabilities side)) with the corresponding BSI definitions. Subject to further analysis, an additional item (holdings of equity instruments – assets side) may be linked in the future. [follow-up by STC, CEBS]
- Proposal 3: to reconcile the FINREP “retail” sector with the relevant statistical categories. In this respect, rather than using in FINREP the statistical definition of “households and non-profit institutions serving households” sector, the JEGR favours the option of using the COREP approach i.e. positions vs. the retail sector = positions vs. HH and NPISH + SMEs which is preferred by the reporting agents and supervisory authorities. This choice also stems from the fact that EGFI has accepted the JEGR proposal to enhance further the sectoral classification of counterparties and is considering splitting the current FINREP items “non-financial corporates” and “retail” in four line items, in order to reconcile them with the statistical categories. [follow-up by CEBS]
- Proposal 4: to clarify the treatment of cooperative shares repayable upon demand, by amending the FINREP guidelines and the BSI provisions. [follow-up by STC, CEBS]
- Proposal 5: to invite the IASB to address the issue of the timing of recording of financial instruments during the forthcoming process amending IAS 39 with a view to apply a single mandatory approach. [follow-up by STC, BSC, CEBS]
- Proposal 6: in order to improve the cross-country comparability of FINREP data, to adopt one of the following solutions: 1) to use a common consolidation basis for all countries or 2) to expand the variables included in FINREP template 26 in order to include all balance sheet and income statement items. However, the first solution is now likely to be endorsed by the EGFI and is likely to entail even greater merits. [follow-up by BSC, CEBS]
- Proposal 7: to amend the description of the BSI item “capital and reserves” by including a number of valuation adjustments whose classification is currently not specified there. [follow-up by STC]
- Proposal 8: to enhance the BSI definitions of “capital and reserves” and “remaining assets/liabilities”, by clarifying in the Manual on MFI balance sheet statistics the classification of certain instruments, as specified in FINREP. [follow-up by STC]
- Proposal 9: to clarify in the Manual on MFI balance sheet statistics and in the MIR Manual the statistical classification of hybrid deposits, by establishing a link with the IAS 39 approach as followed in FINREP. [follow-up by STC]

In addition, the JEGR put forward four recommendations for the future.

First and foremost, the JEGR recommended continuing the fruitful dialogue that it has opened between statistical and supervisory experts (recommendation n. 1), in particular to fully develop issues of joint interest as well as the relational database and to maintain the classification system whenever necessary (for instance due to possible changes to COREP and IAS 39). Indeed, the work of the JEGR would be wasted if the classification system were not maintained on a regular basis. Moreover, carrying on this dialogue will be crucial in view of the future data needs of the European Systemic Risk Board and the European System of Financial Supervisors.

Second, the JEGR recommended encouraging a wider application of FINREP at the solo accounting level, subject to a number of caveats (recommendation n. 2).

Third, it recommended fostering the gradual harmonization of supervisory reporting requirements currently outside of FINREP and COREP (recommendation n. 3);

Fourth, as lower priority, it recommended re-using the JEGR classification system for other categories of reporting agents (recommendation n. 4).

Finally, the JEGR invited the sponsor committees:

- to mandate the WGMFS, WGMA and EGFI to implement the nine reconciliation proposals;
- to endorse the publication of the classification system on the ECB and CEBS web sites;
- to prepare a new draft mandate, in accordance with recommendation nr. 1;
- to inform the EU Commission about the recommendations nr. 2 and 3 and to take note of recommendation nr. 4.

The final report of the JEGR was submitted to the three sponsor committees in September 2009. The above lines have been prepared before the report obtained final approval from the sponsor committees. The most important outstanding issue is the specification of the follow up to the JEGR recommendations as well as whether the JEGR will indeed be granted a renewal of its mandate as recommended in the final report.

Project on a statistical taxonomy of Structural Business Statistics (SBS)

This project shall be placed in the framework of the initiatives taken by the European Union towards the reduction of the reporting burden of enterprises as well as among the efforts aimed at the harmonization of statistics at an European level, by means of the creation of an statistical dictionary containing the enumeration and definition of the elements required by European Statistics (first at an European level, and afterwards in the national one).

In 2007, Eurostat and ECB DG-Statistics decided to elaborate a list of key variables reported by Small and Medium-sized Enterprises (SME) in Europe, focusing firstly on Structural Business Statistics (SBS) and Short-Term Statistics (STS). According to the usual distribution of the statistical field between the two institutions, ECB DG-Statistics was in charge of the financial modules of SBS and Eurostat worked with STS and the non-financial modules of SBS.

SBS, defined by Regulation 295/2008 of the European Parliament and of the Council, are aimed at both financial and non-financial corporations, containing different modules for sectors of activity. The information collected by SBS, not consolidated, is mainly based on accounting principles and practices as defined on a national basis. STS are defined by Regulation 472/2008 of the European Parliament and the Council, containing 23 variables, some of them of accounting nature, which are collected on a monthly or quarterly basis.

Eurostat will make public the results of its project on the matching between IFRS and STS and the non-financial modules of SBS in October 2009. The taxonomy and the mapping exercise of the financial modules of SBS were finished in April 2009 and presented at the 57th Session of the International Statistical Institute. The following paragraphs briefly describe this project.

The project on the financial modules of SBS was carried out by ECB-DG Statistics in two stages. In the first one, all the items in each SBS module were listed in a taxonomy¹².

Table 1. Taxonomies of the financial modules of SBS

	Credit institutions	Pension funds	Insurance corporations
Items in Regulation 295/2008	62	89	159
of which, optional	9	7	3
of which, pilot study		19	
of which, not of accounting nature	27	35	29
of which, of accounting nature	35	54	130
Items in the taxonomy	571	220	4601

The differences in the number of items between Regulation 295/2008 and the taxonomy arise from the fact that some items in Regulation 295/2008 require the opening of further breakdowns by country, by product or by legal status, among others. These items account for 1 in the first row of the table above; but as several in the taxonomy. Besides, around 30 of the items in the financial modules of SBS refer to information which is deemed not to be of accounting nature, such as the number of employees or the number of enterprises.

¹² A spreadsheet which would easily allow the creation of an XBRL taxonomy was created as well, containing all the necessary information on the calculation, label, reference and presentation linkbases.

The final number of items in the modules for credit institutions and pension funds is, in general terms, manageable and well-balanced when providing valuable information to users. On the contrary, the module for insurance corporations is much more complex, with a higher number of items. Two facts mainly explain the high number of items in the taxonomy for insurance corporations (around 4600): i) all the items must be reported by activity: life, non-life, composite (often split in life and non-life business) and reinsurance; and ii) two items (“Gross direct premiums written under the right of establishment” and “Gross premiums written under the right of freedom to provide services”) open a breakdown by product and by country, implying each one of them more than 1500 items in the taxonomy.

The second stage of the project entailed a mapping exercise of those SBS items of accounting nature to similar external reporting schemes, with the aim of identifying common items which could be re-used, taking advantage of the synergies generated this way. In the exercise, only if the item in the SBS exactly matched with the definition in the external reporting scheme, the SBS item was mapped.

Table 2. External reporting schemes considered in the mapping exercise and results

	Domain	Institution	Scope	Data model used	Results
IFRS	Accounting	IASB	All kind of entities	IFRS XBRL Taxonomy (2008)	Credit institutions 23% Pension funds 11% Insurance corp. 11%
IFRS SME	Accounting	IASB	Non-publicly accountable entities	Not applicable to credit institutions, insurance corporations and pension funds	
FINREP	Supervision	CEBS	Credit institutions (EU)	FINREP XBRL Taxonomy (2007)	Credit institutions 63%
CEIOPS templates	Supervision	CEIOPS	Insurance corporations and pension funds (EU)	Templates not made public at the time the project was carried out	
BSI	Statistics	ECB	Monetary Financial Institutions (EU)	Guidelines ECB/2007/9	Credit institutions 11%
ICPF network	Statistics	ECB	Insurance corporation and pension funds (EU)	ICPF templates	Pension funds 9% Insurance corp. 3%
Insurance Yearbook	Other	OECD	Insurance corporations (OECD plus Singapore)	OECD Insurance Yearbook 2008	Insurance corp. 6%

The results of the mapping exercise for insurance corporations are in the interval of 3-10%. Similarly, not many items in the module for pension funds could be mapped. These low results are the consequence of a certain lack of similar reporting schemes in the case of pension funds, and of the complexity itself within the module for insurance corporations, whose requirements are much more detailed than in the other schemes considered (especially, the ICPF network and the OECD Insurance Yearbook, which do not disclose more than 35 items). On the other hand, a significant number of items in the module for credit institutions were successfully mapped to the other reporting schemes.

The results are especially encouraging for FINREP, for which 63% of the accounting items could be mapped.

As main conclusions of the work with the financial modules of SBS, the following must be highlighted:

1. A taxonomy is an useful tool for regulators when assessing the reporting burden of a set of statistics
2. There is room for further convergence between SBS and supervisory reporting (FINREP and CEIOPS templates).

III. TAXATION AND ACCOUNTING: REVISION OF THE SITUATION IN EUROPEAN COUNTRIES

Income taxes are based in the profit generated by the reporting entity throughout a year, often according to the accounting principles subject to slight adjustments. In order to understand the role of accounting in the global economic reality, the relationship between taxation requirements and accounting must be correctly assessed and considered as a keystone of it. The knowledge of the relation between accounting and taxation in a country level, can help to foresee the feasibility of the reduction on reporting burden that will be obtained from the elimination of the legal deposit of annual accounts: the thicker it is the relation, the lower the reduction on reporting burden will be obtained. Anyway, although the link between accounting and taxation is important, one should keep in mind that the notes to financial statements are as well a reporting burden, which usually do not play a big role for taxation; therefore, at least the reduction on the information provided in the annex, could always be done with a direct positive impact on reporting burden on companies. The requirement for consolidated figures should also be observed in this respect as tax authorities do not rely on worldwide consolidated figures.

The next paragraphs summarize the current relation between taxation and accounting in the countries belonging to the III WG.

Austria

In Austria there is a strong link between accounting and tax declaration. The individual annual accounts under the national GAAP are basis for the calculation of the fiscal liability. The obligation for accounting applies to all companies with limited liability and for all companies/entities whose turnover exceeds the amount of EUR 400.000.

The submission of the tax declaration and the accompanying documents (i.e. book keeping documents / financial statement) to the tax authority has to be in an electronical form (§§ 42(1), 44(1) and 44(8) EStG). There is an exception only for those companies who do not have the respective technical means (paper form).

Basis for the electronical submission is a XML file. There are several compulsory formats for the tax declaration depending on the legal form of the company (forms for limited companies, partnerships, sole proprietorships).

In addition companies have to submit V.A.T. declaration also in electronical form.

Belgium

In Belgium, tax declaration and accounting are strongly connected. Individual annual accounts are a mandatory annex to join to the fiscal declaration that is used to check the amounts declared.

Tax declaration has a legal format for non financial companies but also for other legal entities (liberal professions, ...) and sole proprietorships. Belgian authorities have developed a series of electronic declarations to reduce the burden of companies. For most of them, it is still possible to declare on paper but the e-filing is strongly recommended.

Each application is accessible with a **digital certificate** or the EID (electronic identity card):

- as identifier of the submitter and to protect him against unauthorized use,
- to check that the files have not been altered during their time on the Internet,
- to ensure the automatic monitoring.

The **following declarations** are accessible via Internet:

- VAT declaration (monthly/quarterly),
- Tax withholding for the employees,
- Long term saving for companies,
- Tax declaration for companies (annual).

Application

Companies are able to fulfil the data into a web form. Data can be validated, corrected and locally saved before submitting the xml file. Annexes can be sent as PDF files with the principal declaration.

Companies receive an acknowledgement of receipt by e-mail.

Project

The Federal Service Finance has recently developed an XBRL taxonomy for the tax declaration in order to reduce administrative burden for companies. Annual accounts are a part of the tax declaration and the use of XBRL will exempt the companies from sending their annual accounts again. Using the same format will also simplify the comparison of data coming from tax declaration and from annual accounts.

France

In France, the strong connection between accounting regulation and tax requirements must be pointed out. The production of accounting information is the basis for the compute of taxation.

Besides, the national institute for statistics (INSEE¹³) and Banque de France use tax formats to collect information on non financial companies and to produce statistics or studies.

ACCOUNTING AND TAX REQUIREMENTS FOR NON FINANCIAL COMPANIES

Accounting requirements for legal entities - Thresholds			
Net turnover	Net turnover ≤ 0,534 M€	0,534 < Net turnover ≤ 7,3 M€	Net turnover > 7,3 M€
Total assets	Total assets ≤ 0,267 M€	0,267 < Total assets ≤ 3,65 M€	Total assets > 3,65 M€
Employees	Employees ≤ 10	10 < Employees ≤ 50	Employees > 50
Financial statements	<i>Under two of these criteria at least: balance sheet, income statement and annex are abridged.</i>	<i>The annex only is simplified.</i>	<i>Above two of these criteria at least: balance sheet, income statement and annex.</i>

Fiscal requirements for legal entities - Thresholds		
Net turnover	Net turnover < 0,763 M€ (0,230 M€ for service activity)	Net turnover ≥ 0,763 M€ (0,230 M€ for service activity)
Financial statements	<i>Simplified system: around 200 items</i>	<i>Normal system: with an income statement, a balance sheet and the annex: around 800 items</i>

Accounting and fiscal requirements for sole proprietorships - Thresholds			
Net turnover	Under 80 K€ (0,32 K€ for service activities)	Under 0,763 M€ (0,23 M€ for service activities)	Above 0,763 M€ (0,23 M€ for service activities)
Fiscal status	Micro-entities	Simplified	Normal
Accounting requirements	<i>Only basic book keeping with sales and purchases.</i>	<i>Abridged balance-sheet and income statement; annex is optional</i> <i>Above thresholds applied for legal entities: normal balance-sheet, normal income statement, and simplified annex</i>	<i>Balance sheet and income statement; simplified annex</i> <i>Under thresholds applied for legal entities: abridged balance-sheet and income statement</i>

Germany

For companies required to follow the EU Directives (ie entities with limited liability) the tax return must be based on accounting.¹⁴ As a result the reporting burden on the requirement of setting up tax is closely combined with the requirement to set up financial statements for those companies. An exception applies for tax groups, for which German subsidiaries are combined to the tax reporting of a mother company.

There is no format required so far for the tax return based on accounting. As formats provided by the companies (mainly on paper) can differ quite significantly (based on legal form, size, sector or entity specifics), the fiscal authorities do not enter them into a common database but only some key figures like the final profit. This situation is likely to change in 2012, when the German Tax Authority will receive tax returns from companies based on XBRL.

¹³ http://www.insee.fr/fr/nom_def_met/sources/pdf/SUSE.pdf

¹⁴ However, the majority of German business entities - in the form of sole proprietors or belonging to freelance professions (like advocates or medicals) - set up their tax return based on a simple cash-in and cash-out calculation.

Greece (referred to 2008 situation)

The accounting obligations of companies for tax purposes vary according to their legal status. Law 2238/1994 and all its up-to-date amendments describe in great detail these accounting obligations for all the different legal forms of companies.

Every fiscal year, companies are obliged to fill in a certain accounting form and submit it to the tax authorities for taxation purposes. The date of the submission varies every year and it is announced well in advance by the Ministry of Finance. According to their legal form companies must fill in a different form as follows:

- Public Limited Companies and Limited Liability Companies (with the exemption of Monetary Financial Institutions and Insurance Corporations): Φ01-010
- Non Profit Organizations that are legal persons: Φ01-012
- Public Limited Companies and Limited Liability Companies that use IFRS (with the exemption of Monetary Financial Institutions and Insurance Corporations): Φ01-013
- Personally Owned Companies (General Partnership Companies and Limited Partnership Companies): E5

All the above forms (with the exemption of E5) have not yet been computerized and therefore cannot be submitted electronically. However, an effort has been initiated for their computerization that will enable companies a lot in the annual submission of their accounting data.

In addition, companies have to submit V.A.T. statements, through specific forms that are computerized and can be submitted electronically to the responsible tax authorities.

Italy

Current situation

The profit (loss) calculated in the accounting financial statement is the basis for the compute of taxation. The companies fulfil a transition table between accounting profit and fiscal profit to determinate the basis for the calculation of income taxes.

The fiscal requirements are the same for all the companies, except for sole proprietorships and non profit organisation: no simplification is foreseen for micro or small companies.

The fiscal declaration is mailed only via internet directly by the company or by authorized entities. The format for the submission to the tax authority ("modello UNICO") is available by internet and is accessible for the following declarations:

- Income taxes (IRES)
- VAT declaration (IVA)
- Regional taxes (IRAP)

The format includes a special table deepen the relationships between accounting and fiscal value for the companies IFRS compliant.

Future developments

Future simplifications will be possible by XBRL use: three groups are currently working on the definition of taxonomies (financial statements of listed companies, non-listed companies, annexes) and the use of XBRL is compulsory starting from march 2009 for the deposit of the financial statement (only balance sheet and income statement). XBRL will be use to reduce the burden of the relationship with Public Authorities, and the Tax Authority will be involved.

Portugal¹⁵

In Portugal, there is a close link between accounting rules and taxation in order to reduce the reporting burden on companies. Since the new national GAAP was published in July 2009, to become effective in 2010, the Portuguese government introduced changes in taxation rules to calculate taxable profit in accordance with IFRS. Decree-Law n.º 159/2009 of 13 July regulates these changes.

An example of the close link between accounting and taxation is the partial dependency model. This model accepts accounting rules when taxation rules do not exist as well as the elimination of specific taxation rules since the new accounting rules are in line with taxation principles. However, in some domains, in order to preserve taxation principles, accounting and taxation have different rules. That is the case, for example, of amortizations and gains / losses in assets sells.

Spain¹⁶

In Spain, when calculating the taxable base, the taxable income is determined from the year's results adjusted by the differences between tax and accountancy regulation. These differences, also known as "book-to-tax adjustments" are established within the corporation tax legislation.

When calculating the year's results, Spanish corporations should follow the rules established by the Spanish Commerce Code (Código de Comercio), the public limited company's law (LSA), the Spanish Generally Accepted Accounting Principles and its sectorial adjustments (PGC), the

¹⁵ Tax formats (in Portuguese only) can be found in: <http://www.e-financas.gov.pt/de/jsp-dgci/main.jsp>

¹⁶ Tax formats (in Spanish):
http://www.aeat.es/AEAT/Contenidos_Comunes/La_Agencia_Tributaria/Modelos_y_formularios/Declaraciones/Modelos_200_al_299/201/mod201.pdf

resolutions published by the Spanish Institute of Accountancy and Auditing of Accounts (ICAC), and the rest of applicable laws.

The corporation tax is submitted in a model form that requires a lot of accountancy data.

Specifically:

- A detailed balance-sheet, presented in a similar format to the one required by the Spanish general accounting system.
- A detailed profit and loss statement
- Additional information about the debt/loan capital and the profit and loss statement.
- Determination of the corporation tax. The corporation adjusts its book income by the differences in assets and liabilities between tax and accountancy legislation to arrive at taxable income.
- Calculation of the tax liability net of all credits and allowances.

The corporation's accountancy is considered to be the starting point of the tax reviews made by the tax authorities.

Therefore, it is an essential requirement for all corporations subject to the business tax to do the accounting. In fact, doing the accounting is a formal requirement established by the General Taxation Law (Ley 58/2003, General Tributaria. Art. 29; 2d)

According to the Spanish General Taxation Law, in case of substantial infringement of the accounting obligations, the tax authorities will be able to apply the "Direct Evaluation Technique" in order to calculate the taxable base.

Accountancy is also used as a starting point for the calculation of the value added tax, as well as for the tax reviews regarding such calculation.

IV. HOW XBRL COULD CONTRIBUTE TO RRBP

What is XBRL?

XBRL is a licence-free electronic format for the communication of business and financial information that could ease the preparation, sharing and analysis of financial reports, statements and audit schedules. With XBRL, the set of accounting principles (i.e. national GAAP, IFRS...) is converted in an electronic format (called taxonomy) which will be used to create an instance document. Being incepted in 2000, XBRL is today widely adopted all over the world and most of software tools are already XBRL compatible.

XBRL and the RRBP

Before addressing individual benefits, let's focus on two global ones: translation and "information on demand". By tagging individual concepts, there can't be any argument on the meaning of a tagged accounting principle. XBRL allows then, when tagging one element, to provide its definition in any language and by then, converting by a simple click a financial statement from one language to another one. The concept of "information on demand" refers to getting ad-hoc information with the ad-hoc taxonomy from the issuer to the filing agency (supervisor, bank, investor...).

By providing an electronic interface to automate exchange of business and financial information, XBRL offers respective benefits to the three supply chain players:

- The issuer
- The accountant
- The supervisor

Thanks to XBRL, and having the technology directly embedded in the accounting software, the issuer, or the filing company, will produce the required information on a faster way. Indeed, a continuous mapping between the company chart of account and the required set of data will ease the production of the instance document.

For the accountant, any update coming from the supervisor in the required set of information could be automatically transferred in the accounting system and limiting the human intervention to some checks. Furthermore, the assurance and audit review could also be enhanced thanks to adequate XBRL tools.

Last but not least, the supervisor will get the benefits of using XBRL not only by streamlining the data processing but also by confirming filers the quality and the consistency of the filed information and by offering data users, faster than before, a reusable set of data.

But XBRL has not only advantages and here are the issues that need to remain in mind when considering this emerging format:

- Adoption by SME: except the Belgian case, the number of XBRL projects around the world for non-public companies is yet quite limited¹⁷.
- Cost: again, except the Belgian case where the National Bank of Belgium considered cost as an issue (and not making filing more expensive), implementation cost could not be neutral¹⁸
- Global adoption: today, most projects around the world are focused on financial and prudential supervision but rarely on i.e. tax or statistical reporting. The more usage, the higher will be the benefits.

¹⁷ Number of projects are in development in i.e. the Netherlands, Australia, UK

¹⁸ Even if in the worst case, the implementation cost should be as limited as a few hundreds EUR

V. MAIN STEPS TAKEN BY COUNTRY

The following table shows the main projects (XBRL or not) that reduce reporting burden by country:

COUNTRY: Austria			
		Projects	Scope / Content
XBRL projects	In operation	No projects	
	Under development	No projects	
Other projects	In operation	1. Tax authority	The submission of the tax declaration and the accompanying documents (i.e. book keeping documents / financial statement) to the tax authority has to be in an electronical form. There is an exemption only for those companies who do not have the respective technical means (paper form). Basis for the electronical submission is a XML file.
		2. Mercantile Registry	Annual accounts with fiscal years ending 31/12/2007 must be submitted electronically (via XML; exemption if turnover is < EUR 70.000; in this case also submission in paper is allowed).
		3. Oesterreichische Nationalbank FINREP / COREP	OeNB is going to offer a XBRL-cut surface by end of 2009 for FINREP purposes. This surface is going to be a volunteer option, e.g. the banks can use the current means of transmission (XML, text files) also after 2009.
	Under development	No projects	

COUNTRY: Belgium			
		Projects	Scope / Content
XBRL projects	In operation	1. Legal deposit of annual accounts from Belgian non-financial companies	As from April 2007, Belgian non financial companies are allowed to file their statutory annual accounts drawn up according to BE-GAAP in XBRL format. In 2008, this possibility was extended to the non for profit organizations. In 2009, more than 90% of annual accounts are in XBRL.
		2. FINREP/COREP	Taxonomies for financial entities to send data on public financial statements, confidential information, data on solvency and for supervision matters.
	Under development	1. Business survey (National Institute for Statistics)	As from September 2009, companies will be able to fulfil their business survey directly via Internet. Data coming from annual accounts are pre-recorded
		2. Corporate tax declaration	An XBRL taxonomy for the corporate tax declaration has been developed. As from 2011, companies will be allowed to fulfil their tax declaration in XBRL through the Internet
Other projects	In operation	1. Crossroads bank of enterprises	Belgium has developed a central data bank that stores all basic data regarding enterprises and their individual business locations. This tool satisfies all information needs from different levels of the public administration, avoiding them to ask companies the same information several times.
	Under development	No projects	

COUNTRY: France			
		Projects	Scope / Content
XBRL projects	In operation	1. Banque de France (Banking commission: FINREP/COREP)	Taxonomies for credit institutions, confidential information, data on solvency and for supervision matters.
		2. Mercantile Register	<p>Non financial companies can deposit annual accounts electronically on www.i-greffes.fr since July 2009</p> <ul style="list-style-type: none"> • JPEG or PDF files with an XBRL conversion by the mercantile register • XBRL files • Free tool on the web application to fill in annual accounts, with an automatic conversion in XBRL
	Under development	1. Banque de France (Banking commission: SURFI)	Taxonomies for credit institutions, confidential information, all reporting documents addressed to the banking supervisor for prudential controls and monetary statistics. The project should be operational in June 2010
		2. AMF (Stock exchange commission)	Taxonomy for listed companies on the recommendation of the AMF (stock Exchange commission) on the "Executive earnings"
		3. Mercantile Register	<ul style="list-style-type: none"> - Taxonomy for consolidated accounts (French GAAP and IFRS) - Taxonomy for general identification data of companies ("K-Bis") - Taxonomy for "statement of privilege and collateral security"
Other projects	In operation	No projects	
	Under development	No projects	

COUNTRY: Germany		
Projects		Scope / Content
XBRL projects	In operation	<p>1. Mercantile Register (electronic federal gazette for financial statements)</p> <p>Companies can deposit annual accounts electronically on www.ebundesanzeiger.de</p> <p>Several tools are available to use XBRL, which is the format with the lowest costs. E.g. Datev (market share of more than 50%) offers an interface in its bookkeeping and accounting software in order to send XBRL financial statements to the electronic mercantile register.</p>
	Under development	No projects
Other projects	In operation	<p>1. German Institute of Statistics</p> <p>The German Institute of Statistics uses XML for the collection of some statistical information from bookkeeping systems (eSTATISTIK.core).</p>
	Under development	No projects

COUNTRY: Italy			
		Projects	Scope / Content
XBRL projects	In operation	1. Legal deposit (phase 1)	Companies not IFRS compliant should deposit financial statements (balance sheet and income statement) beginning from march 2009. The taxonomy has been developed by XBRL Italy.
		2. Banca d'italia FINREP/COREP	Taxonomies for financial entities to send data on public financial statements, confidential information, data on solvency and for supervision matters.
	Under development	1. Legal deposit (phase 2)	The second phase of simplification of the legal deposit will regard a specific taxonomy for the annexes of financial statement, currently filled in PDF files.
		2. Consob (Italian stock exchange commission)	Use of XBRL to upload and to validate information in the scope of the adoption of the EU Directive 2004/109/CE (transparency).
Other projects	In operation	e-government	134 projects, 121 of them finished in 2008
	Under development	Fiscal register	Informatisation of the public register

COUNTRY: Portugal			
		Projects	Scope / Content
XBRL projects	In operation	No projects	
	Under development	No projects	
Other projects	In operation	1. Legal deposit	IES (Simplified Corporate Information) is submitted through the site of “electronic declarations” of the Ministry of Finance using XML.
	Under development	No projects	

COUNTRY: Spain			
Projects		Scope / Content	
XBRL projects	In operation	1. CNMV	For listed corporations to send quarterly information. Corporations have available an XBRL conversor to send data to the Spanish SEC.
		2. Mercantile Registry	To deposit annual accounts by means of using both the DGI taxonomy (general identification data) and the Spanish GAAP Taxonomy (PGC 2007). By law, annual accounts of 2008 deposited in electronic format must be sent in XBRL format. Free download of a software to fulfil annual accounts (D2 - digital deposit). A conversor is also available for companies that directly produce XBRL format.
		3. Banco de España CBSO	For contributing companies, the electronic questionnaire has a facility to import / export XBRL files. The CBSO taxonomy is an extension of both the DGI and the Spanish GAAP Taxonomies.
		4. Banco de España FINREP/COREP	Taxonomies for financial entities to send data on public financial statements, confidential information, data on solvency and for supervision matters. The entities have available and XBRL conversor and a facility to validate and see online the information to be sent to Banco de España.
	Under development	1. AECA (Spanish Association of Management and Accounting)	Taxonomy for helping to prepare and present the "Report on Corporate Governance" and similar reports on Corporate Social Responsibility of large Spanish corporations. Free download of a software to fulfil the reports.
Other projects	In operation	1. Plan Avanza	Plan carried out by the Ministry of Industry, Tourism and Trade to promote the use of Informtaion Tecnology by the companies paying special attention to SMEs.
	Under development	No projects	

Austria

The Austrian government has undertaken a number of efforts to reduce the administrative burden of enterprises and especially of SME. It plans to achieve a cost reduction of at least 25% for enterprises in connection with their information and reporting requirements against official bodies. Examples of improvement are:

- the reduction of the number forms to be filled in relation with information requirements of official bodies
- the higher IT efficiency and data exchange between official bodies
- some easing in the calculation of payrolls
- and some other rather sector specific relief

One specific improvement especially for SME is the recognition of electronic bills by tax authorities. Bills can be signed with an electronic signature with more cost efficiency for the overall accounting.

Besides the submission of the tax declaration and the accompanying annual accounts to the tax authority in electronic form, also the submission to the commercial register was changed recently. Annual accounts with fiscal years ending 31/12/2007 must be submitted electronically (exemption if turnover is < EUR 70.000; in this case also submission in paper is allowed). This measure has facilitated the former physical handling of financial statements and auditors reports. At the same time the charges for the submission of the annual accounts were reduced significantly.

Further initiatives to reduce the reporting burdens are:

- firms below a turnover of € 400.000 are completely exempted from bookkeeping and accounting requirements (except companies with limited liability which are always obliged to bookkeeping)
- increase of thresholds for turnover and balance sheet total for determining small, medium and large companies with limited liability (turnover: EUR 9.860.000 and EUR 38.500.000; balance sheet total: EUR 4.840.000 and EUR 19.250.000) for the publication of an abridged format

Belgium

Since the end of the nineties, great progress has been accomplished in Belgium as regards administrative burden. Many regulations were abolished or simplified, resulting in more than 1,7 billions EUR of cost reduction for corporations.

In their fight against red tape, the Belgian authorities made the choice of instruments generally considered as best practices in this field, such as

- the set up in 1997 of an institution at the core of the government to ensure coordination and long term commitment to the administrative simplification strategy, the so-called **Agency for Administrative Simplification**
- the implementation of a user-focus approach, with the online "Kafka contact point" centralising complaints and proposals from citizens and businesses
- the systematic implementation of regulatory impact assessment focusing on administrative burden reduction, with the "Kafka-test tool"
- the development of efficient data collection procedures involving the creation of "one-stop shops", the application of the "only-once principle" and the use of information and communication technologies, such as the Internet and the XBRL technology. Concerning XBRL, the National Bank of Belgium played a role of pioneer in the country introducing XBRL for the gathering of annual accounts on a transparent way for the end user and participating in developing the synergies with other regulators.

France

The reporting burden on non financial corporations is a major concern for authorities. The narrow connection between accounting rules and fiscal requirements already contributes to a rationalization of the reporting requirements for non financial companies.

The reduction of the reporting burden will probably pass by the development of new technology. It is possible since July 2009 to deposit the annual accounts and to implement most of legal procedures by electronic way (see <https://www.i-greffes.fr/>): this application has been operational since July 2009.

In terms of actions taken, the main decision is the new law of August 2008: the LME ("law of economic modernization: LOI n°2008-776 du 4 août 20 08")¹⁹. Under this law, several decisions have been implemented to lighten administrative burden on enterprises, mainly on the smallest firms: creation of the new status for "self entrepreneur", exemption of auditing in some small companies, The aim is to reduce administrative burden: registration procedure, tax or social requirements, deposit obligations. Yet, no radical accounting simplification is planned for the moment.

Germany

The modernization of German GAAP (Bilanzrechtsmodernisierungsgesetz, BilMoG)

In November 2007 the German ministry of Justice presented a draft for modernizing German accounting laws. In May 2008 the German government agreed on a corresponding draft law with only minor amendments. The bill was passed by the parliament in spring 2009 with some modifications. The changes will come into effect for the balance sheet year 2010. Early adoption is allowed.

Besides several changes regarding the accounting rules, the proposals to change German GAAP includes two specific steps to reduce the reporting burden:

1. Exemption for micro sole proprietorships

Micro sole proprietorships, which would have been obliged so far to comply with bookkeeping and accounting requirements through being a “merchant”²⁰, are exempted from these duties from now on. The exemption is for those sole proprietorships with turnover less than EUR 500.000 and net profit less than EUR 50.000 in two consecutive years. The thresholds follow similar tax rules.

The ministry draft included even an additional exemption for micro partnerships, but because of legal doubts this proposal was delayed for the time being.

2. Increase of thresholds for entities with limited liability

The thresholds on turnover and balance sheet total for determining small, medium-sized and large companies with limited liability is increased by 20% (turnover: EUR 9.860.000 and EUR 38.500.000; balance sheet total: EUR 4.840.000 and EUR 19.250.000). This step is following the change in the EU Directives (Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006).

3. Strengthening the information function of German GAAP

The changes will strengthen considerably the information function of German GAAP. With these changes the future German GAAP is considered as a better alternative for German SMEs compared to IFRS or the suggested IFRS for SMEs as the latter are perceived in Germany as a heavy increase in the reporting burden. A part of the accounting profession even considers the future

¹⁹ http://www.legifrance.gouv.fr/affichTexte.do?sessionId=8ED7C04709CBEF389C1D6C76C66E393C.tpdjo16v_3?cidTexte=LEGITEXT000019284897&dateTexte=20090315

²⁰ The concept of being a “merchant” in the German corporate laws means that certain rights and obligations must be followed by a business entity. Among these obligations has been so far bookkeeping and the requirement to set up financial statements. A merchant is incorporated in the trade register (but this incorporation does not mean limited liability). By definition entities with limited liability as well as partnerships are “merchants”. Larger sole proprietorships are also “merchants”, this depends on several non specified conditions, eg turnover > around EUR 250.000 (depending on sector of activity).

German GAAP as superior to IFRS, as IFRS will probably introduce more and more fair values, which raise doubts mainly on reliability.

In this respect it is interesting to note that the ministry draft included an option to set up individual accounts based on IFRS. However, in the IFRS notes the disclosures of the balance sheet and income statement according to German GAAP would have been required. These would have been necessary in order to establish a legal basis for dividend distributions (thus the exemption of this option would have been applicable only for the German GAAP notes). This option was heavily criticised in the comment period as only few companies would have been expected to use it. As a consequence this option was deleted without substitution in the government draft.

Minor chances for a German central system of combined reporting

Although the general idea is favourable, the approach to combine the reporting to only one official institution which is consecutively shared by other institutions would be difficult to realize in Germany for several reasons.

First, the German publication requirements are limited to the mere balance sheet for small corporations and to only an abridged income statement without turnover information for medium-sized corporations. Such financial statements are not sufficient for statistical purposes and the analysis of creditworthiness eg at the CBSO at Deutsche Bundesbank.

Second, general economic statistics including national accounts are based mainly on surveys and not on statutory financial statements. In addition, there are significant conceptual differences between these figures needed for economic statistics and those for accounting purposes.

Finally, the sharing of information between different government institutions (e.g. the tax returns of the fiscal authorities) would be considered by the German public as a concentration of sensitive personal data (big brother scenario)²¹ and would be therefore a further highly political sensible issue.

Besides, one should keep in mind that the largest part of the reporting burden in Germany is to set up the sophisticated information which is required by the different accounting and tax rules. The transfer of the data to the respective official institutions is only a smaller part of the burden. Thus the reporting burden can only be reduced to a minor extent through more efficient uses of IT systems in transferring the data electronically eg to the fiscal office. Nonetheless the German tax authorities uses naturally such electronic forms for transferring tax declarations for different taxes (eg VAT declaration).

²¹ Which was forbidden in 1983 by the constitutional court (decision on population census).

Greece (referred to 2008 situation)

No initiative has been so far undertaken for the reduction of the reporting burden of corporations. However, it must be mentioned that Greek authorities (Ministry of Development), in a reply to the Communication from the EU Commission on a simplified business environment for companies in the areas of company law, accounting and auditing – COM(2007) 394 Final, agree with the introduction of the term “micro entities” and with the possible different treatment of these entities in the fields of accounting and supervision, as this could lead to the improvement of the comparability of their financial data and their competitiveness in a European level.

Italy

The main initiative taken by Italian authorities in the field of reducing burden for accounting purpose is a new proposal of changes of the Civil Code in line with EU Directives 2001/64, 2003/51 and 2006/46. The objectives of the proposal are the harmonisation of national GAAP with the IFRS and the reducing of the reporting burden. The most important options are the following:

- presentation of a compulsory standard format (reduced than the current) for financial statement;
- increasing of the limits for abridged financial statement;
- special exemption for small companies;
- increasing of the limits for consolidation;
- introduction of fair value

Moreover, significant reductions are foreseen with the compulsory use of XBRL for the deposit of financial statements, see dedicated paragraph in this document.

Portugal

Two examples of close cooperation among public entities are SICAE and FUE-SEN.

SICAE is an integrated system for assigning and disseminating the CAE-Rev3 (the Portuguese equivalent of NACE-Rev2) and was established by Decree-Law n.º 247-B/2008. This system consists of a single register managed by 3 public entities which are in charge of assign and change the classification of economic activities of companies: Statistics Portugal, a division of Ministry of Justice and a division of Ministry of Finance. This register is accessed on-line by the public at large, entities involved in the statistical production and for all other purposes, such as fiscal and administrative.

FUE-SEN is another project running at a national level and involving public entities (several Ministries), Statistics Portugal (including regional statistical agencies) and Banco de Portugal. Under the aegis of the High Statistical Council, FUE-SEN is a project for the improvement of the Portuguese integrated register of companies to be used by the national statistical system. All entities involved in the statistical production will have to contribute to the maintenance of a complete and unified register of companies which will serve as the single source for the assessment of the total population of companies in Portugal and the respective statistical classification in terms of institutional sector, number of employees, turnover, legal nature and economic activity code (linked to the SICAE mentioned above).

Spain

The new accounting framework, in line with IFRS, was approved in November 2007 and came into force in 2008. The new Spanish Chart of accounts has in mind the reduction of the reporting burden of SMEs in three different ways:

- By means of the General Chart of accounts: companies of less than 50 employees are able to present their annual accounts in a reduced format; that is to say, financial statements (the cash-flow statement is not compulsory) and the notes to them with a minor degree of detail than those applicable to medium and large corporations.
- By means of a specific SMEs Chart of accounts: companies meeting two of the three following criteria: less than 50 employees, total assets less than 2.850.000 € and/or net turnover less than 5.700.000 € are able to apply less sophisticated valuation and disclosure rules.
- And additionally, the so-called “micro-corporations”, (meeting two of them thresholds, number of employees less than 10, total assets less than 1 million € and/or net turnover less than 2 millions €) can apply for simpler ways of accounting income tax (only the amount to be paid to the Treasury) and financial lease (recorded as it were operational)

In 2008 the new standard formats were created and published throughout a collaborative schema among Ministry of Economy, Ministry of Justice and Banco de España. The royal decree that obliges companies to use these formats prescribes the use of these formats, on its paper version, or in two optional versions, pdf or XBRL. Mercantile Registry has developed an electronic system (D2 - Digital deposit: <https://www.registradores.org/registroVirtual/descargas.do>) provided through its web that allows companies to fulfil its annual account (with the formats corresponding to its size) and to deposit by converting the information uploaded in a XBRL file.

In order to reduce burden companies, the Spanish XBRL jurisdiction, under the aegis of Ministry of Economy and Banco de España, prepared and published in May 2008 a comprehensive taxonomy for the deposit of the individual annual accounts of non-financial corporations to be

deposited in the Mercantile Registry from January 2009, including the appropriate modularisation, depending the size of the company (large, medium, small and micro-corporation).

It has been developed a project “Plan Avanza 2009-2012” as an incentive to the Spanish economy. It strengthens the business development placing particular emphasis on key sectors of the Information Technology Industry.

This project gives priority to support SMEs that develop new IT products, process, applications, contents and services, promoting the industrial participation in the improvement of the internet and in the development of digital contents. The SMEs will receive public helps.

Document Management

Document name **Monitoring the EU initiative on the reduction of the reporting burden**
 This document monitors the EU initiative on the reduction of the reporting burden. It provides an overview on the process itself, some theoretical issues related to it and the actions taken at a national level. The annexes disclose the opinion on the topic already submitted by the ECCBSO and the formats available for taxation purposes.

Release Doc3 - WGIII_reportingburden_2009_F
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Revision History Each distributed document forms a "final version".
 List of successive "final versions"

Revision version	Revision date	Summary of Changes
WGIII_reportingburden_2009_D1	22/05/2009	First draft version of the document including some national updates, for revision in Paris meeting
WGIII_reportingburden_2009_D2	24/07/2009	Second draft version of the document with amendments agreed in Paris meeting
WGIII_reportingburden_2009_F	13/10/2009	Final version of the document to be distributed in the ECCBSO meeting

Distribution This document has been distributed to:

Version	Date of issue	Name
WGIII_reportingburden_2008D1	22/05/2009	Members of the III WG
WGIII_reportingburden_2009_D2	24/07/2009	Members of the III WG
WGIII_reportingburden_2009_F	13/10/2009	Members of the IIIWG Members of the ECCBSO

Version management

Key dates: For each final version of the document, key dates for the national revisions or corrections
 Name and date of revised document sent by each member

Members	Draft		Revision		Approval
	Name	Date	Name	Date	Date
Austria	Sabine Wukovits	28/07/2009	Sabine Wukovits		14/10/2009
Belgium	Camille Dümm	20/08/2009	Camille Dümm		14/10/2009
ECB	Carlos Sánchez	28/09/2009	Carlos Sánchez		14/10/2009
France	Jean-Luc Cayssials	28/07/2009	Jean-Luc Cayssials		14/10/2009
Germany	Dominik Elgg	5/08/2009	Dominik Elgg		14/10/2009
Italy	Vincenzo Favale	6/8/2009	Vincenzo Favale	6/10/2009	14/10/2009
Portugal	Ana Bárbara Pinto	28/08/2009	Ana Barbara Pinto		14/10/2009
Spain	Jesús M ^a Martínez Antonio Sánchez	24/07/2009 10/09/2009	Manuel Ortega Antonio Sánchez Jesús M ^a Martínez	13/10/2009	14/10/2009