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European Commission
Brussels
Belgium

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Submitted online via: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13912-Adjusting-SME-size-criteria-for-inflation_en

Re.: Proposal for a Commission Delegated Directive (EU) .../... of XXX amending Directive 2013/34/EU of the European Parliament and of the Council as regards the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups

Dear Madams or Sirs,

Thank you for the opportunity to comment on the proposal for a Delegated Directive amending the Accounting Directive referred to above.

The proposal would increase the monetary thresholds for balance sheet total and net turnover, which, together with the average number of employees, comprise the criteria used for the classification of undertakings as micro, small, medium-sized and large, or of groups as small, medium-sized and large, by approximately 25%. This increase is intended to take account of the cumulative inflation over the last ten years, and in particular the last two years. We support the proposal, as it makes fundamental sense to adjust the monetary thresholds regularly in line with inflation to prevent those undertakings and groups whose business volume has not actually expanded from becoming subject to more extensive reporting, auditing and disclosure requirements simply due to the impact of inflation.

GESCHÄFTSFÜHRENDER VORSTAND:
Prof. Dr. Klaus-Peter Naumann,
WP StB, Sprecher des Vorstands;
Melanie Sack, WP StB,
stv. Sprecherin des Vorstands;
Dr. Torsten Moser, WP

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Nevertheless, we would like to point out that raising the thresholds by 25% in one step will exempt a considerable number of undertakings from their current statutory audit requirement. Unlike the cost of an audit, the benefits of an audit for the undertaking itself, but above all for its stakeholders, is extremely difficult to quantify in monetary terms. However, the benefits of an audit should not be underestimated, and in many cases, are likely to exceed the costs. We acknowledge, however, that it is ultimately for the legislator to decide which undertakings it considers should be subject to a statutory audit.

Pursuant to Article 3, paragraph 10 of the Accounting Directive, an undertaking will only move to a lower size category if it no longer exceeds at least two of the three size criteria on either two reporting dates or for two financial years in succession.

In our view it is important for the legislative process to ensure that undertakings and groups with calendar year reporting cycles will benefit from the increases in the monetary thresholds for their financial reporting for the year ending on 31 December 2024. Should the Delegated Directive enter into force after 31 December 2023, e.g., due to unexpected delays, at least the recitals to the Directive should clarify that the increased thresholds are applicable (only) for the purpose of determining whether at least two of the three thresholds were not already exceeded on the immediately preceding reporting date, even though these reporting dates precede the date the Amending Directive enters into force.

Some public interest entities (PIEs) currently classified as large pursuant to the extant thresholds will become classified as medium-sized under the increased thresholds. PIEs whose employees exceed 500 are required to report non-financial information under the Non-Financial Reporting Directive (NFRD) up to and including 2023, and – if they remain classified as “large” – will have to report sustainability information under the Corporate Sustainability Reporting Directive (CSRD) for the year ending 31 December 2024 (Article 5, paragraph 2, subparagraph 1, point a i) CSRD). The clarification suggested above would prevent a situation whereby a PIE would have to report under the CSRD for 2024, but on becoming reclassified as medium-sized would no longer be required to prepare a sustainability report for 2025 (Article 5, paragraph 2, subparagraph 1, point b i) CSRD). Assuming continued PIE status, however, the undertaking would again become subject to sustainability reporting requirements from 2028 at the latest (Article 5, paragraph 2, subparagraph 1, point c i) CSRD in conjunction with Article 19a, paragraph 7 of the Accounting Directive).

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Should you have any questions regarding our comments, please do not hesitate to contact us (by email to stibi@idw.de and weiser@idw.de).

Yours truly

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