

Published on 1 March 2014



Soulhier Bunch, Cabinet d'avocats d'affaires basé à Paris et Lyon

[Read this post online](#)

Reduction of the accounting burden imposed on micro-companies and small businesses: the “shock of simplification” continues

They had promised it; they have made it: the Executive Order on the simplification of the accounting requirements imposed on micro-companies and small businesses^[1] and its implementing Decree^[2] have just been published.

For the record, Law n°2014-1 of January 2, 2014 (the “Law”) had empowered the Government to take measures that are a matter of law by way of executive orders^[3].

In particular, in order to bring French standards in line with the accounting requirements applicable within neighboring European countries and to adapt to the new rules laid down by Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of companies, Article 1 of the Law empowered the Government to take, by way of executive orders, any measures that are a matter of law in order to relax the obligation to prepare and publish financial statements / accounts imposed on very small businesses (VSBs or micro-companies) and the obligation to prepare financial statements / accounts imposed on small businesses.

This has now been done: Executive Order on the simplification of the accounting requirements imposed on micro-companies and small businesses and its implementing Decree were published on January 30 and February 17, 2014, respectively.

The newly adopted provisions shall apply to financial statements and accounts for financial years ended on or after December 31, 2013 and filed as from April 1, 2014.

SOULIER & BUNCH

1. Targeted companies: so-called “micro-companies” and “small businesses”

“Micro-companies” are traders, either natural persons or legal entities, who/which, for the last ended financial year and on an annual basis, do not exceed the limits **of two of the three following criteria**^[4]:

- Balance sheet total: **350,000 Euros**;
- Net turnover: **700,000 Euros**;
- Average number of employees during the financial year: **10**.

“Small businesses” are traders either natural persons or legal entities, who/which, for the last ended financial year and on an annual basis, do not exceed the limits of **two of the three following criteria**^[5]:

- Balance sheet total: **4,000,000 Euros**;
- Net turnover: **8,000,000 Euros**;
- Average number of employees during the financial year: **50**.

It being specified that:

- The balance sheet total means the sum of the net assets;
- The net turnover means the amounts derived from the sale of products and the provision of services in the ordinary course of business, after deducting sales rebates, value added tax and other taxes directly linked to turnover;
- The average number of employees during the financial year means the arithmetic average of employees at the end of each calendar quarter, or at the end of the financial year if the financial year does not coincide with the calendar year, who are bound to the company under an employment contract;
- When a company exceeds or ceases to exceed the limits of two of the three aforementioned criteria, that fact shall affect the application of the newly adopted rules only if it occurs in two consecutive financial years.

The following are expressly **excluded** from the scope of application of the new rules: credit institutions and financing companies, payment institutions and electronic money institutions, insurance and reinsurance companies, social security bodies, welfare bodies, private health insurance funds, people and entities whose securities are admitted to trading on a regulated market and people and entities who appeal to the generosity of the public^[6].

2. Measures applicable to micro-companies

Micro-companies – to the exception, however, of those expressly excluded from the scope of the new rules (as listed above) and of those whose activity is to manage shareholding interests and securities – (i) **have no longer the obligation to prepare a note to the financial statements / accounts**^[7], and (ii) **when filing their annual financial statements / accounts with the clerk of the commercial court, can henceforth**

declare that such accounts must not be disclosed the public^[8].

3. Measures applicable to small businesses

Small businesses are now entitled to adopt a simplified layout for the preparation of their annual financial statements / accounts^[9], under terms and conditions set forth in a regulation of the French Accounting Standards Authority.

[1] Executive Order n° 2014-86 of January 30, 2014 on the simplification of the accounting requirements imposed on micro-companies and small businesses.

[2] Decree n° 2014-136 of February 17, 2014 setting the thresholds provided for under Articles L.123-16 and L.123-16-1 of the French Commercial Code.

[3] Cf. *The law empowering the Government to simplify and secure the life of businesses marks the starting point for the implementation of the “shock of simplification” announced by the Government* published in [Soulier’s January 2014 e-newsletter](#).

[4] Articles L.123-16-1, as amended, and D.123-200 of the French Commercial Code.

[5] Articles L.123-16, as amended, and D.123-200 of the French Commercial Code.

[6] Article L.123-16-2 of the French Commercial Code.

[7] Article L.123-16-1, as amended, of the French Commercial Code.

[8] Article L.232-25 of the French Commercial Code. Judicial and administrative authorities, as well as the French Central Bank will be entitled to access to such accounts.

[9] Article L.123-16, as amended, of the French Commercial Code.

Soulier Bunch is an independent full-service law firm that offers key players in the economic, industrial and financial world comprehensive legal services.

We advise and defend our French and foreign clients on any and all legal and tax issues that may arise in connection with their day-to-day operations, specific transactions and strategic decisions.

Our clients, whatever their size, nationality and business sector, benefit from customized services that are tailored to their specific needs.

For more information, please visit us at souliebunch.com.

SOULIER • BUNCH

This material has been prepared for informational purposes only and is not intended to be, and should not be construed as, legal advice. The addressee is solely liable for any use of the information contained herein.