COMMISSION

COMMISSION RECOMMENDATION

of 22 April 1997

on improving and simplifying the business environment for business start-ups

(97/344/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to the Council Resolution of 10 October 1994 on giving full scope to the dynamism and innovatory potential of small and medium-sized enterprises, including the craft sector and micro-enterprises, in a competitive economy [1],

Having regard to the Commission Report presented to the Madrid European Council of 15 and 16 December 1995 on small and medium-sized enterprises: a dynamic source of employment, growth and competitiveness in the European Community [2],

Having regard to the Commission Communication on an integrated programme in favour of small and medium-sized enterprises (SMEs) and the craft sector [3] and the Council Resolution of 9 December 1996 [4],

Having regard to the Council Resolution of 8 July 1996 on legislative and administrative simplification in the field of the Single Market [5],

Having regard to the European Parliament Legislative Resolution of 19 September 1996 embodying Parliament's opinion on the proposal for a Council Decision on a third multiannual programme for small and medium-sized enterprises (SMEs) in the European Union (1997 to 2000) [6],

Having regard to the Commission Action Plan for Innovation [7] which *inter alia* underlines that cumbersome administrative formalities can have a negative effect on businesses' potential for innovation,

Having regard to Council Decision 97/15/EC of 9 December 1996 on a third multiannual programme for SMEs in the European Community (1997-2000) [8],

Whereas:

I. INTRODUCTION

(1) Improving and simplifying the business environment is considered by European business organizations to be of the highest priority as business today has to operate in a complex and ever changing environment. Many regulations have been brought into force over the last twenty years and, together with administrative procedures, they have a cumulative effect on enterprises which stifles their daily operations and affects their competitiveness. Moreover, the burden is disproportionately heavy on smaller enterprises which, in comparison to large enterprises, do not have the human or financial resources to cope with it [9]. Since it is widely acknowledged that SMEs [10] are the greatest potential job creators, public authorities should now consider, as a matter of priority, ways of reducing the administrative burden on these enterprises. It is vital that their potential for growth and job creation is encouraged and supported.

[1] OJ No C 294, 22. 10. 1994, p. 6.
[2] CSE(95) 2087, European Commission, DG XXIII, 1995.
[3] COM(96) 329 of 9 July 1996.
[4] OJ No C 18, 17. 1. 1997, p. 1.
[5] OJ No C 224, 1. 8. 1996, p. 5.
[6] OJ No C 320, 28. 10. 1996, p. 163.
[7] COM(96) 589 of 20 November 1996.
[8] OJ No L 6, 10. 1. 1997, p. 25.
[9] According to three studies, the average cost of administrative burdens is between 6 and 30 times higher for SMEs than that for larger businesses (EIM: *Administratieve lasten bedrijven 1993*; G. Barbieri and V. Lo Moro: *Utenti e Pubblica Amministrazione*, il Mulino, 1996; Institut für Mittelstandsforschung: *Bürokratie — ein Kostenfaktor: eine Belastungsuntersuchung bei mittelständischen Unternehmen*, 1995).
[10] Defined by the Commission recommendation of 3 April 1996 concerning the definition of small and medium-sized enterprises, OJ No L 107, 30. 4. 1996, p. 4.

II. A FRAMEWORK FOR A SIMPLIFICATION POLICY

(2) Regulatory and administrative burdens stem mainly from the Member States' regulations. Through the application of the subsidiarity principle, decisions and measures are taken at all levels, national, regional and local. The number of regulations issued by Member States is higher by far than the number of Community regulations and directives.

(3) A framework for a simplification policy therefore requires coordination between the public authorities in the Member States, not only between the central departments but also between them and local authorities. France, Portugal and the United Kingdom have set up a specific department, under the responsibility of the Prime Minister, whereas most of the other Member States have set up advisory committees which often do not have the same authority. The task of simplification is difficult and requires authority and power with respect to ministerial departments, as well as adequate financial and human resources ([11]). The awareness of officials should be raised with the help of information campaigns and officials who handle SME matters should receive appropriate training ([12]). There needs to be a change of culture towards a more customer-oriented approach between administrations and businesses with public administrations proactively thinking more about how to help business rather than how to control it ([13]). Finally, a successful simplification policy is dependent on continuous and systematic assessment and the monitoring of the results achieved in consultation with business organizations.

III. THE REGULATORY ENVIRONMENT

(4) A difficult or complex regulatory environment can discourage entrepreneurship and the creation of new businesses. This is particularly the case when a business decides to develop its operations in another Member State, where it is not so familiar with the language, the culture, or how foreign administrations work. Whereas the need for appropriate regulations is not questioned, it is the cumulative effect of regulations, their complexity and their compliance costs which cause concern, and risk making the impact on business disproportionate to the objective of the regulations. In the end, complex and costly regulations are difficult to implement and lead to criticism and avoidance.

(5) Member States should therefore be more aware of the effects of regulation on business. The aim should be to identify the improvements that are necessary, bearing in mind that a balance has to be struck between the need for changes and the burden imposed on business because it has to assimilate the change, even if it is a positive one.

(6) When proposing new legislation, the legislator should have full knowledge of the impact the regulation will have on businesses in terms of compliance costs and administrative burdens. Business-impact assessments and cost-benefit analyses, where appropriate, should be carried out in close cooperation with the business community. In doing so, the legislator should give special attention to the compliance requirements for SMEs. If SMEs can comply with the regulation at a reasonable cost, then so too can large firms, whereas the reverse is not necessarily true. This 'think small first' principle should act as a litmus test ([14]).

([11]) An interesting example is the United Kingdom's Deregulation Unit which is charged with coordinating the UK Government's deregulation policy between all government departments and ensuring that the business community's point of view is taken into account and that compliance costs and administrative burdens are minimized. The Unit comes under the responsibility of the Deputy Prime Minister and the Cabinet office, which gives it the necessary authority *vis-à-vis* other ministerial departments.

([12]) The Flemish Institute for Self-employed Entrepreneurs — VIZO — in Belgium is a government institution founded in 1991. Its mission is to promote and stimulate free and creative entrepreneurship, notably by training and by simplifying administration. VIZO gives advice, undertakes research and takes initiatives in raising awareness among those concerned, while at the same time developing methods and techniques for simplifying administrative tasks. For example, VIZO has organized a training course for civil servants who handle SME matters within the Flemish administration. The aim is to provide these civil servants with an insight into, and knowledge of, the basic principles and techniques involved in simplification and quality services, and to demonstrate how they themselves can function as initiators within their administration.

([13]) The Municipality of Korsør, in Denmark, is a municipality with a population of 20 000. The municipality has set up a development department which acts as a consultancy partner providing qualified know-how and expertise to the business sector. This requires both training for the employees and changes in the organizational set-up in order to meet demands. The department functions as the coordinating body for all business matters with the local authority.

([14]) As part of its task the United Kingdom Deregulation Unit is responsible for ensuring that new regulations and administrative procedures are introduced only when strictly necessary. Before any new regulation is made the Government must assess its cost to business and publish the results. Ministers must satisfy themselves that the cost is justified by the benefits. Because SMEs are most vulnerable to overregulation and red-tape, Ministers must also carry out the 'small business litmus test'. This means that small businesses must be consulted on every new regulation to ensure that they will be able to cope. In Germany, it was recently decided that a similar assessment be made relating to the administrative costs imposed by new legislation, in particular on SMEs.

(7) The compliance costs for business resulting from necessary regulations have to be balanced against other policy requirements, for example in respect of health and safety or the environment. Member States should consider introducing, where appropriate, derogations or simplified procedures to help SMEs which do not unacceptably reduce the objective of the regulation. For example, in regulations dealing with taxation, company law, statistics or the environment, the introduction of threshold levels or reduced monitoring and reporting requirements can significantly reduce the burden and compliance costs for SMEs. Threshold levels should not, however, act as a disincentive to growth and should be applied with some flexibility. For example, enterprises should be allowed to remain in a specific SME scheme as long as their turnover does not exceed the turnover threshold level of the scheme by a certain percentage ([15]).

IV. SIMPLIFYING BUSINESS START-UP FORMALITIES

(8) In addition to the general principle mentioned above, the Commission wants to highlight some practices which it considers useful to promote in the Member States because they are important elements in facilitating the start-up phase of a business. The first part concerns better coordination of the way public authorities deal with the start-up process and simplification of the administrative procedures.

(9) Most Member States require a number of different kinds of registration, (tax, social security, statistical, business and trade registers, and so forth). The number of different contact points for registration purposes varies from one Member State to another, but can easily be in as many as ten different locations which makes registration time consuming for the businessman/woman, particularly when the same registration point has to be revisited. At each registration point a form has to be filled in, often containing similar requests for information. The number of formalities and procedures depends on the legal structure that a business chooses. It is the highest for limite companies, for which in one Member State, for example, 23 different procedures and forms are necessary ([16]). In addition, authorizations to start up a business are delivered by different authorities, which again makes it complicated for the new businessman/woman to find his/her way quickly. As a result, it can take weeks or even months before a business can actually start operating. This first exposure to bureaucracy, together with the cost of registration which varies from one Member State to another but can be as high as ECU 2 000 ([17]), is very discouraging and sets the scene for future relations between the new business and the administration.

Single contact points

(10) The Commission proposes that Member States should indentify all the formalities at all levels that are required when starting up a business and consider ways to coordinate and simplify them. A good example is the Belgian Auditform project which includes an inventory of all the procedures and administrative formalities imposed on business, with a view to assessing their efficiency and the burdens they cause for SMEs. A further example of coordination can be found in the French system of Enterprise Formalities Centres, (Centres de formalités des entreprises — CFEs) ([18]) and in the German 'Gewerbeämter'. These systems are based on the principle of a single contact point or communication point between business — according to their type and/or nature — and public authorities at all levels.

(11) Experience shows that administrative start-up formalities in Member States can be dealt with in between one and five days, as compared to a delay of 120 days which is the longest period reported to the Commission.

(12) Such a single contact point for business start-ups can play an even more important role if it becomes an intermediary for all the formalities that have to be complied with during the life of a business, e.g. change of address or statutes, transfer of ownership,

([15]) An example of this is the United Kingdom annual accounting scheme for VAT where there is flexibility in the upper threshold of £ 300 000 so that firms can remain in the scheme until their turnover exceeds £ 375 000.

([16]) Study by Logotech *Étude comparative des dispositions légales et administratives nécessaires pour la formation de PME dans six pays de l'Union européenne* (FR, DE, GR, IT, IRL, UK) and IDEM CD-ROM by the Paris Chamber of Commerce and Industry.

([17]) Id.

([18]) The *Centres de Formalités des Entreprises* were set up in France in 1981 with a view to simplifying the completion of some of the formalities that an enterprise has to comply with, for example, legal, fiscal, social and statistical formalities linked to events in the lifetime of a business, including the creation or start-up phase. The CFEs act as single contact points to the various administrations, such as the local trade register, the taxation office, the administrations in charge of social security and pensions, the statistical office, etc. Once the enterprise has given the required information to the CFE, the latter transmits this information to the other relevant administrations, including the Statistical Office (Insee). Insee also plays an important role as it is in a charge of the national enterprise discretory (Sirene) and gives a national identification number (Siren) to the new enterprises.

employment issues, permits and licences, etc. In France, for example, discussions are underway to integrate into the CFEs the formalities relating to employment. While reaching such a level of coordination between public authorities requires a high degree of determination and persuasion, the Commission knows from its contacts with business that such a single contact point is very welcome.

A single registration form

(13) Another important element is the need to coordinate the information that is requested from business, not only in the start-up phase, but also in the development phase. France has interesting experience to share in this area as well. Information requested from a new business is incorporated into a single questionnaire managed by the CFEs ([19]). This questionnaire is developed by CERFA ([20]) which is the central authority responsible for all information-gathering formalities.

(14) A single form constitutes a major simplification for the new entrepreneur as it gathers all the information required by any part of the administration to register the new enterprise. The advantage of such a system is that the information necessary for registration purposes is given only once and queries about the filling-in of the form can be answered by the CFE. However, the single form system in France has a drawback in that the form has to be accompanied by supporting documents which take time to gather and authenticate. Administrations should avoid sending a newly registered business large numbers of forms and questionnaires from different authorities as this significantly reduces the avantages of the single form.

(15) Public administrations should be encouraged to share information and to make greater use of available databases and information technology and should adapt, where appropriate, their regulations regarding data protection ([21]). It is to be understood that this sharing of information relates to non-confidential data. In Italy, Law No 241 of 1990 introduced various administrative simplification measures. For example, it states that whenever a person who is being asked for specific information declares that the information is contained in documents which are already in the hands of the administration that is asking for it, or in another branch of the administration, then the administration itself must obtain the information. Similarly, in Denmark, a Bill is in preparation which would prohibit public authorities from requesting information from a business if that information can be obtained elsewhere in the administration. It would seem to follow that businesses are allowed to remain silent if information requested has already been given to another public authority.

A single identification number

(16) In line with the proposals for a single contact point and a single form, a single identification number for enterprises is a useful simplification measure. Such a system exists in France, Sweden, Portugal, and Denmark ([22]). The basic advantage for business is that it can use the same number for all its contacts with different administrations. It is also very useful for public authorities as it simplifies the management of databases and the sharing of information.

Authorizations, licences and permits

(17) Apart from the abovementioned registration formalities, a new business also has to obtain a number of authorizations giving it the right to start-up an activity and/or access to a specific occupation. This can be a general authorization to start an economic activity, as is the case in Luxembourg, or a more specific authorization to pursue a particular occupation, e.g. tourist guide, hairdresser, or travel agent. Permits or licences are also often needed for construction works, environmental protection purposes or health and safety reasons, etc. The type and complexity of authorizations necessary vary

([19]) The French questionnaires M0 and P0 (one for individual entrepreneurs, one for corporate bodies) issued by the Centre for the registration and revision of forms (CERFA) gather, on a single page, all the information required by any administrative body to register the new enterprise and to apply the relevant rules to this new enterprise. The applicant must attach to the completed questionnaire a number of relevant documents. These documents, which may be the original or a certified copy, are usually the birth and nationality certificates for natural persons and members of a partnership and articles of association for corporate bodies. They may also be proof of preliminary registration for regulated professions.

([20]) Cerfa: Centre d'enregistrement et de révision des formulaires administratifs/Committee for the registration and revision of forms.

([21]) For example, the Business Register in Italy, administered by the Chambers of Commerce, gives information about all enterprises (name, address, statutes, annual accounts). Part of this information was previously stored, in paper form, at the local court. This new register offers in a single database information regarding business which should systematically be used by the public administration. This is unlikely to raise any concern regarding data protection principles. See also Directive 95/46/EC of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data, OJ No L 281, 23. 11. 1995, p. 31.

([22]) In Sweden, a single identification number has existed since 1975. This number is used by the enterprise from the start-up phase until its dissolution. The number can be kept by the company even if it changes its name and is used for administrative purposes in areas such as taxation, insurance, banking and telecommunications. In France, the single number 'Siren' was established by decree in 1974.

considerably from one to another. Sometimes, establishment criteria have to be satisfied, e.g. good repute, financial soundness, professional qualifications or experience. The Commission is concerned to ensure the general freedom of establishment in the Single Market, notably through the mutual recognition of professional qualifications. It considers that the Member States should regularly review and simplify, where appropriate, their authorization procedures in order to maximise the potential for the creation of new business.

(18) Lengthy procedures, the need to obtain authorizations, and the number of different awarding authorities can constitute a disincentive to business. Italy has adopted two laws ([23]) which set out in general terms, principles designed to simplify authorization procedures. These include the possibility of starting an economic activity without an explicit authorization order, and the principle of consent by silence ([24]). This means that if the administration concerned fails to take a decision before a fixed deadline, the application for an authorization is deemed accepted. In January 1996, Germany adopted a series of laws to speed up authorization procedures with the objective of reducing the length of time taken for planning procedures. This was seen as making Germany more attractive as a business location, and part of its programme to generate higher investment and more jobs.

(19) It is difficult to assess the results of the laws in Italy. On the other hand, some positive experience is reported from Baden-Württemberg which launched such simplification reforms in 1992. The underlying principles of these initiatives in respect of authorizations are worth promoting in other Member States (see Annex I). The simplification of authorization procedures often requires a change of working practices and culture in the civil service, and a move towards more self-regulation on the part of business.

(20) The aforementioned proposals should greatly simplify the development of trading activities in the European Community. It will be much easier for a businessman/woman to start operating in another Member State if he/she can turn to a single contact point, only has one form to fill in, receives a single identification number in that Member State, and is quickly granted the necessary authorizations to start operating. Moreover, the single identification number could be used for other policy areas, such as VAT, which is the case in France and would be a relatively easy simplification measure for other Member States. Finally, these measures should greatly facilitate the work of any private or public organizations which are advising businesses interested in establishing an activity in the European Community.

V. STIMULATING NEW BUSINESS

(21) There are other areas where best practice could be promoted from one Member State to another. These relate to taxation, social security, accounting and statistical requirements as well as company law. Some Member States ([25]) have introduced incentives or simplification measures in these fields, notably for new enterprises as well as with a view to encouraging self-employment (see Annex II). Most of these measures relate to the first years of development of a business rather than the start-up phase. These measures are important bearing in mind that although approximately 80 % of new firms are still in existence after the first year, only 65 % are still in business after three years, and only 50 % after five years ([26]). Measures in this field are also of importance because very often the legislation they cover (taxation, company law, employment issues, etc.) discourages those who wish to start up a company. For example, taking-on an employee means filling in over ten different forms. Mandatory filing requirements vary from one field of regulation to

([23]) Law No 241 of 1990 and Financial Law No 537 of 1993.

([24]) In the view of the Commission, this possibility would not cover authorizations dealing with such issues as emissions of dangerous substances. In this case, according to Community law and national law, an explicit authorization is necessary and is in the interests of the business itself.

([25]) In the framework of the Danish 'new business creation' policy, the Danish Government has proposed an action plan, including actions to lighten the administrative burdens by:
- removing or simplifying existing administrative regulations,
- removing or simplifying taxes and duties,
- setting up a single information point,
- developing new procedures to assess the administrative consequences of new legislation.

([26]) *Enterprises in Europe — Fourth Report*, p. 62.

another ([27]), and procedures required in company law for shareholders' meetings are often inappropriate for small companies. This is why Germany adopted legislation simplifying procedures in the *kleine Aktiengesellschaft* ([28]).

(22) In respect of improving the fiscal environment, a large number of Member States have introduced some kind of tax relief for SMEs or for new business ([29]) (see Annex III). In addition, France, the United Kingdom and the Netherlands have introduced tax reductions for private individuals investing in start-ups, rather similar to the Business Angels concept in the United States ([30]).

(23) Tax administration is also an area which needs reform as the number of different taxes that have to be paid, the different dates for payment, the long delays for reimbursement of taxes, the use of stamps and other administrative procedures are time consuming and cumbersome.

(24) In the view of the Commission, tax obligations will be substantially simplified by the implementation of the proposals set out in its Programme for the introduction of the New Common System for VAT ([31]). The cost of compliance with tax obligations borne by all businesses should be reduced by these proposals, and proportionally to a greater extent for SMEs. In this respect, the most significant element in the proposals is the principle of a single place of supply. This will mean that any business trading in more than one Member State will need to account for the tax on all its activities to the Member State in which it is established, thus eliminating the need to deal with more than one tax authority. In addition, it will be accompanied by a radical review of reporting and accounting obligations which will achieve a better balance between the needs of the tax administration and those of business.

(25) In the current VAT system, there is scope to alleviate the burden on SMEs. Most Member States exempt micro-enterprises from VAT liability, although the threshold for such an exemption varies widely, e.g. a turnover of ECU 2 500 in Denmark and ECU 56 850 in the United Kingdom.

(26) For those enterprises which are liable for VAT, the frequency of VAT declarations and payments can be a great burden. Some Member States have introduced simplification measures including a VAT declaration on an annual basis for small companies and/or a payment term which is identical to the declaration term. In the case of monthly payments, small enterprises are often paying VAT on invoices where payment has not yet been received from their client. This is why many Member States require only quarterly and, for micro businesses, yearly payments ([32]). In addition a number of Member States permit small enterprises to pay VAT after receipt of the client's payment rather than when establishing the invoice (cash accounting) ([33]). The European Parliament has published a working paper on the impact of VAT and Intrastat obligations on SMEs ([34]) which gives an outline of potential measures including switching to a system of quarterly VAT declarations.

(27) Administrative obligations arising from intra-Community trade is another field for possible simplification. France and Italy have integrated the Intrastat obligation and the recapitulative statement required by the Sixth Council Directive on VAT ([35]). This means that enterprises only have to fill in a single form which can be used by both competent authorities. The French and Italian system is not at present ideal because both can require monthly returns for the combined Intrastat/VAT declaration, and the threshold below which SMEs are exempted is still quite low. Another simplification relates to consolidation of the time periods adopted for returning the Intrastat declarations and VAT recapitulative statements following the implementation of different kinds of regulations. Where Member States still apply different time periods for Intrastat declarations and VAT recapitulative statements using different threshold levels, they are invited to align these requirements and to adopt quarterly or annual returns for SMEs.

([27]) According to a publication entitled *Überprüfung von administrativen Pflichten für Unternehmen* by the German Independent Commission *Rechts- und Verwaltungs-vereinfachung des Bundes,* the so-called *Waffenschmidt-Kommission* (Federal Ministry of the Interior, 1994) there is a large variety of requirements for maintaining records. For example, in the area of personnel and salary administration, the publication indicates that the conditions for maintaining 119 different records could be alleviated.

([28]) See also Article 4 (b) of the Commission Recommendation on the transfer of SMEs of 7 December 1994, OJ No L 385, 31. 12. 1994, p. 14.

([29]) In Belgium, a system of reduced corporation tax is available for SMEs. Provided certain conditions are met, a company whose assessable profit does not exceed ECU 25 733 is charged at the reduced rate of 28,84 % instead of the standard rate of 40,17 %. In addition, there is some flexibility in the system for advance payment of income tax for persons aged under 35 setting up in business as a sole trader or as an active member of a company. They pay no penalty during the first three years for unpaid or insufficient advance payments.

([30]) Commission Communication on the improvement of the fiscal environment of small and medium-sized enterprises, OJ No C 187, 9. 7. 1994, p. 5, paragraph 6.

([31]) COM(96) 328 of 22 July 1996.

([32]) The United Kingdom annual accounting scheme allows one VAT return each year (rather than quarterly). There is flexibility in the upper threshold of £ 300 000 so that firms can remain in the scheme until their turnover exceeds £ 375 000.

([33]) The United Kingdom cash accounting scheme allows SMEs with a turnover below £ 350 000, to account for VAT on the basis of payments made and received, rather than on invoices. Germany has a similar scheme. See also Article 2 (3) (a) of the Commission recommendation on payment periods in commercial transactions of 12 May 1995, OJ No L 127, 10. 6. 1995, p. 19.

([34]) European Parliament, Directorate-General for Resarch, Economic Affairs Series W-25, 5-1996.

([35]) OJ No L 145, 13. 6. 1977, p. 1.

(28) Member States should consider the benefit of specific cooperation between the social security and taxation departments. These departments constantly interact with business and impose most of the administrative burdens on enterprises. Such cooperation can result in both administrations using a common identification number, sharing information and criteria, deciding to fix the same payment dates or to collect income tax and social security contributions through one system ([36]). The fact that employment is the major priority for the European Community and the governments of the Member States makes it all the more important that time is devoted by public authorities to examining why employers are discouraged from taking on employees. Member States should take the necessary steps to remove the administrative burdens which accompany taking on employees ([37]) and encourage a more flexible labour market ([38]).

(29) Some Member States have also introduced schemes where businesses which take on one or more employees for the first time ([39]) have their social security contributions reduced or even waived.

(30) Most of the Member States have regulations limiting access to certain occupations, such as hairdressing, plumbing, operating travel agencies or taxis, etc., which often act as a barrier to entry. Often these regulations have been requested by business themselves as a form of protection against bad or illegal operators. The Commission recommends that these regulations should be re-examined on a case-by-case basis, and assessed to see that the right balance exists between protection for the consumer and necessary competition.

([36]) In the UK and Ireland, separate departments are responsible for income tax and social security contributions, but both contributions are collected together via the payroll system 'PAYE'.

([37]) Since January 1996, businesses in France only have to fill in one form, *(déclaration d'embauche unique)*, instead of the eleven that were previously necessary when taking on an employee. A single contact point for social security contributions dealing with all the formalities required in this field is also planned. Moreover, a pilot scheme is currently underway where seasonal or part-time work within enterprises can be paid for with a 'service voucher'. There is no need for a contract and the formalities with the authorities are reduced because the voucher is both a means of payment and an instrument for informing the relevant authorities.

([38]) Germany has raised the threshold below which the unfair dismissal law is inapplicable from five to ten employees with a view of increasing micro-enterprises' propensity to take on employees.

([39]) In Belgium, the *Plan Plus Un* grants reductions in employer's social security contributions for businesses who hire a first employee. No social security contributions are due for the first year, 75 % and 50 % reductions are foreseen for the second and third years respectively. A similar scheme exists when a second and a third employee is taken-on *(Plan plus-deux, plus-trois)*. The *Plan Avantage à l'embauche* involves cuts in employer's social security contributions for the hiring of long-term unemployed.

(31) Micro enterprises, in particular self-employed entrepreneurs, face particular problems and probably represent the category of SMEs which, proportionately, suffer most from administrative burdens and regulations, because they have to deal with both the relevant legislation and the attendant administrative burdens on their own. This, together with the financial risks and the lack of social security, discourages many young people from starting a business on their own. Some Member States have specifically addressed this problem and have adopted tax incentives, accounting simplifications, and pension schemes, with a view to encouraging young people and the unemployed to develop their own businesses ([40]).

VI. CONCLUSION

(32) The exchange of best practice on improving and simplifying the environment for new businesses showed that there is substantial interest from public authorities and business representatives concerning simplification measures experienced elsewhere. Although similar simplification initiatives in Member States are implemented in different ways and the regulatory environment for business start-ups differs widely in the Member States, it is possible to identify some best practice which can be used as a benchmark by the other Member States. Some general principles were identified and should be brought to the attention of the Member States and other interested parties. Concrete measures should therefore be adopted by the Member States to reduce and simplify the administrative and regulatory burdens imposed on new firms, with the practical effect of saving time and reducing the costs that are imposed on these enterprises,

HEREBY RECOMMENDS:

Article 1

Objectives

Member States should take the necessary measures to improve and simplify the business environment, in particular relating to the establishment of new businesses and their first years of development, thus stimulating their potential for innovation and encouraging the growth of enterprises and subsequent job creation.

([40]) In Belgium and Finland, for example, self-employed persons who start a business for the first time can maintain the right to unemployment benefit. In France, self-employed persons can benefit from simplified accounting rules which are harmonized with the taxation requirements. As a result, only one accounting book has to be kept instead of three.

Member States are invited to take the most appropriate measures to reorganize, simplify and update their own administrative, legal and fiscal systems, in order to:

(a) improve the interface between the administration and the business community, become more customer-oriented, reduce the time taken to process requests from businesses, and give authorizations within a specified time;

(b) encourage business start-ups by means of a favourable regulatory environment and simplify, amend or abolish existing regulations that hamper the creation of businesses and their first years of existence.

Article 2

Framework for a simplification policy

A long-term and coherent policy is needed to implement simplification measures successfully and to ensure effective coordination between public administrations. To this end, the Commission recommends that Member States and public authorities at all levels develop in consultation with the business community a simplification policy to which they are strongly committed and which should comprise:

(a) the setting-up of a specific department or unit at the appropriate level with the authority to coordinate the simplification policy and measures;

(b) proper information and training of officials with a view to developing a service-oriented attitude towards business, thus improving the interface between public administrations and enterprises.

Article 3

Regulatory environment

1. The impact of regulation on businesses, in particular on SMEs, should be continuously assessed in full consultation with the business community and in particular:

(a) Member States should apply 'the think small first' concept which takes account of the interests of SMEs at the earliest stage of considering new legislation and its accompanying administrative procedures;

(b) where appropriate, derogations, thresholds or simplified procedures benefiting SMEs should be introduced. However, thresholds should allow the necessary flexibility so that they do not act as a disincentive to growth;

(c) the effects of regulation and administrative procedures on enterprises should be assessed wherever appropriate with the assistance of a Committee composed of government and business representatives.

2. Member States should consider introducing a systematic evaluation procedure to asses the impact on business of regulatory proposals to ensure that the appropriate balance between the objectives and the means is achieved and the compliance costs and administrative burdens understood.

3. Business impact assessment systems should include cost-effectiveness analysis or cost-benefit analysis as appropriate, and there should be comprehensive consultation procedures with business organizations, including those representing SMEs.

Article 4

Simplifying business formalities at the start-up phase

1. Administrative procedures which are required for starting up a new business should be simplified and made more user-friendly, so that entrepreneurs can obtain a quicker and more efficient service and are encouraged in their new business venture. The Commission therefore recommends that Member States, or any appropriate level of public authority, consider the advantages of:

(a) introducing a single business registration form;

(b) setting up single contact points where enterprises can deposit the single registration form mentioned in point (a). The contact points would be responsible for forwarding the information contained in the application to all other administrative departments within a fixed period of one or two working days;

(c) introducing a system whereby a business is identified by a single number which it can use with any public or government department;

(d) ensuring that the different government departments avoid introducing duplicated or superfluous forms and/or contact points;

(e) allowing business to reject a demand for non-confidential information, if this information is available from another government department;

(f) using information technology and databases as much as possible for the transmission and authentication of the information supplied and for the sharing of information between departments, subject to appropriate safeguards protecting private data;

(g) setting clear targets in terms of deadlines for the processing of enterprises' requests and the granting of licences or authorizations;

(h) introducing, where appropriate, a system whereby an application is deemed to have been automatically granted if the administration has not responded within a fixed deadline.

2. Member States are also invited to examine the possibility of extending the scope of the contact points so as to cover the whole life cycle of an enterprise, not only the start-up phase, and any administrative interface between public authorities and enterprises.

Article 5

Stimulating businesses in their first years of development

1. Constraints of a tax, social, environmental and statistical nature that hamper the establishment and first years of development of an enterprise should be alleviated or abolished. Member States are invited to:

(a) examine any possible improvements in the fiscal treatment of newly established enterprises;

(b) take the appropriate fiscal measures to encourage outside investment in start-ups, e.g. the 'business angel' concept;

(c) alleviate employers' social security contributions, at least for a certain period, when employees are taken on;

(d) examine possible improvements to the administrative or legal provisions which can discourage companies from taking on employees in order to promote a more flexible labour market;

(e) establish a dialogue between social security and taxation offices with a view to reaching a coordinated interface with business;

(f) examine the different reporting requirements to which SMEs are subject, e.g. the nature of the reports, their frequency, and the period of time that records have to be kept, in order to simplify and consolidate requirements as much as possible;

(g) examine existing administrative or legal provisions with a view to simplifying or abolishing those which unnecessarily limit access to certain occupations.

2. Member States are invited to reduce the impact of VAT and/or Intrastat obligations on SMEs. Small enterprises should be allowed to make quarterly VAT returns, and an optional VAT exemption should be offered.

3. Member States are invited to examine ways of improving the situation for micro-enterprises, in particular for self-employed entrepreneurs, in the fields of taxation, social security and pension schemes.

Article 6

Coordination at Community level

1. The Commission will continue its coordinating role with the Member States and the European business organizations within the framework of the group on improving and simplifying the business environment, to establish benchmarking of best practice.

2. To enable the Commission to evaluate the progress that has been made, Member States are requested to report to the Commission, on a yearly basis, concerning the measures which they have adopted in order to put this Recommendation into effect.

The Commission will keep the European network of Euro Info Centres fully informed of those developments in order to enable them to supply information to enterprises required to comply with administrative formalities in other Member States.

Article 7

This Recommendation is addressed to the Member States.

Done at Brussels, 22 April 1997.

For the Commission

Christos PAPOUTSIS

Member of the Commission

ANNEX I

SEVEN BASIC PRINCIPLES FOR PROMPT AUTHORIZATION

— The decision should be 'centralized' at one point (for example, the single contact point).

— Where appropriate, the principle of, 'consent by silence', should be applied.

— The licensing authorities should operate strict management systems, in particular:

  — someone must be appointed to take specific charge of the licensing procedures and should be responsible for completing them on time,

  — a target deadline must be set for the completion of the procedures and should be binding on the decision-making authorities. Unless otherwise stated, the deadline should be 30 days,

  — advice should be given to the entrepreneur even before his application has been submitted. This includes advice on the type and extent of the documents required for the application.

— The licensing authorities should have adequate staff and resources to be able to attend to procedures quickly. Provision should be made so that flexible human-resource allocation is possible for authorization procedures for large projects.

— The licensing authorities should hold regular discussions with their 'clients' to receive feedback about how the procedures are going, to identify weaknesses in the authorization procedures and to receive suggestions for improvement.

— The central authorities should support the local licensing authorities when they are implementing difficult administrative procedures. An especially effective way of doing so is by producing clear internal rules, guidelines and check lists.

— The legal provisions on which the authorities base their decisions must allow authorization to be as rapid as possible.

ANNEX II

IMPROVING THE BUSINESS ENVIRONMENT: BEST PRACTICE FOR START-UPS

Overview of measures taken by Member States

A. POLICY COORDINATION

	B	DK	D	EL	E	F	IRL
Coordinating department/committee for improving the business environment	Comform and Auditform	Simplification committee (interdepartmental)	Commission *'Schlanker Staat'* and *Waffenschmidt Kommission*	New special committee for contact with the public	Proposal for an interdepartmental committee	Cosiform (41) chaired by the Prime Minister's Office	Government policy programme — small business division — committee in parliament — small business forum
Business impact assessment system		Operational	Administrative compliance costs at federal level — impact assessment system is also operational in some Länder (Bavaria)	Proposal	Proposal	Operational in principle	Pilot project
Training of officials/civil servants	Training courses provided by VIZO (42) and by federal authority	Guidance on business impact assessments			Guidance provided by the Ministry of Public Administration		
Use of new information technologies		Project for electronic filling of financial reports	Federal Government Programme (1996-2000) promoting the development and availability of databases on technical and scientific information, notably for SMEs	Enterprises may deliver information via computer discs — data info base on public sector procedures	Telematic transmission use accepted in principle	Telematic transmission between CFE partners being tested. Use of Minitel. Electronic transfer of data allowed for a number of procedures	Companies Registration Office on-line

(41) France also has a private institution 'institut national pour la simplification'.
(42) Flemish institute for self-employed.

A. POLICY COORDINATION (continued)

	I	L	NL	A	P	FIN	S	UK
Coordinating department/committee for improving the business environment	Committees studying specific aspects	Inter-ministerial committee including business organizations and chambers of commerce	Inter-ministerial committee		Secretariat (SMA) ([43]) and committee (CEA) ([44])	SME advisory committee (policy planning)	Simplification Committee (Ministry of industry and trade, inter-ministerial group)	Cabinet committee, central deregulation unit, business task force, departmental deregulation units
Business impact assessment system		Under examination	Operational	Informal cost/benefit assessment of legislative proposals		No official system but case-by-case studies	Operational	Operational, with specific small firms test
Training of officials/civil servants		Reform of the administration in process, including a better service to the public	Operational		Guidance about legal formalities provided by SMA, l'IAPMEI ([45]) and DGC ([46])	No special training but cooperation between different administrative units of the public sector		Guidance on best deregulatory practice. A 'Guide to Regulatory Appraisal Incorporating Risk Assessment'. 'Checking the Cost of Regulation: A Guide to Compliance Cost Assessment'
Use of new information technologies	New Business Register administered by the Chambers of Commerce with information in a single database previously kept in paper form at the local court or chamber	Computerisation in process — Interdepartmental database under examination — Self-training systems available for enterprises at the 'Chambres des métiers'	Operational for reporting illness of employees; tax returns; statistics and other fields.	On-line access to data from the Austrian Patent Office — computer supported company index — central computerized trade register in process	Information service based on 4 databases ('Infocid', 'SIAE', 'InfoPME' and 'Dataempresa') ([47])	Databases for company registers, industry and enterprises' statistics	Telephone service: The Start-Up-Line; the EMAS-Line ([48])	Pilot service launched on the Internet for a one-stop-shop for regulatory information and forms called 'Direct Access Government': http://www.direct.gov.uk:8080

([43]) SMA: Secretariado para a Modernização Administrativa.
([44]) CEA: Commission of Enterprises and Administration.
([45]) IAPMEI: Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento.
([46]) DGC: Directorate General for Commerce.
([47]) Infocid: database including information on formalities and procedures relating to the creation of a business;
SIAE: Interactive database on the main support measures and subventions for business;
InfoPME: Off-line information, E-mail and VTX, including information for start-ups;
Dataempresa: On-line information on business markets, business opportunities, subventions, regulations.
([48]) The EMAS-Line is a telephone service offered free of charge on management issues in the area of the environment.

B. COMPANY REGISTRATION AND FORMS

	B	DK	D	EL	E	F	IRL
Simplification of forms (e.g. language, detail, number)	Auditform project	Project on inter departmental coordination	Waffenschmidt-Kommission		By individual ministries and IMPI	Use of single form when establishing new businesses — Centralization role for CERFA (49) for new and revised forms	General policy of simplifying the language and detail on forms
Single contact point for start-up formalities		One contact point for small businesses (tax registration) — two contact points for limited companies		Creation of one stop shops and of a network of intermediaries	Proposal	*Centre de formalités des entreprises* (CFE)	Single company registration — single tax registration
Single identification number		Central Business Register with single identification number expected to be established in 1998				Single identification number	
Simplification of authorization procedures			Legal proposals will be adopted in the Autumn 1996 with a view to speed up new plants' approval and authorization procedures	Decentralization of licensing procedures			

(49) CERFA: *Centre d'enregistrement et de révision des formulaires administratifs.*

B. COMPANY REGISTRATION AND FORMS (continued)

	I	L	NL	A	P	FIN	S	UK
Simplification of forms (e.g. language, detail, number)	Handbook on simplification of administrative language and forms — Single form for environmental certification (MUD) administrated by the chambers of commerce	Under examination	In the fields of taxation and social security		Forms are reviewed and simplified regularly	Simplification of forms relating to statistics and taxation	Forms are reviewed regularly	Administrative and survey forms reviewed regularly. New surveys require ministerial approval. Use of plain English encouraged.
Single contact point for start-up formalities	Only at the stage of pilot-action: single contact point for start-up formalities for young entrepreneuers ([50])				Proposal to extend the notaries' role as an intermediary between business and administration	National Board of Registration Taxation offices	Registration at the patent & registration office and at the national tax board	Single point of notification for newly self-employed for tax and social security purposes
Single identification number			Cooperation between revenue offices, statistical bureau and chambers of commerce	Under discussion in connection with the creation of a Central Trade Register	Operational (NIPC) ([51])	Under examination	Operational	
Simplification of authorization procedures	Authorization is deemed granted if the administration has not responded within fixed time period	Under examination	Simplification of authorization procedures for limited companies; authorization delays will be limited to 48 hours	Simplified procedures for certain activities — Notification is enough for new activities which are not regulated — Further improvements in process	Authorization is deemed granted if administration has not responded within fixed deadline			Pilot project looking at this issue

([50]) *Punti Nuova Impresa FORMAPER.*
([51]) Identification number for companies.

C. SIMPLIFICATION OF REGULATIONS AND DEROGATIONS FOR SMEs

	B	DK	D	EL	E	F	IRL
Simplification of accounting requirements	Simplified book-keeping for small traders (turnover < Bfr 20 million) Simplified annual accounts for SMEs		Proposal	Simplification of annual accounts		Simplified book-keeping (Loi Madelin)	Legislation to remove auditing requirements for companies under £ Irl 100 000 turnover
Simplification of statistical requirements	Specific thresholds for SMEs	Increasing use of existing databases	Simplification of statistics ([52])			Permanent simplification under the control of the national council for statistics	
Simplification of tax requirements (formalities, reduced frequency of returns etc.)	For VAT: Exemption for turnover < Bfr 225 000 — Lump sum (for certain sectors) or quarterly notification for turnover < Bfr 20 million	Simplified systems in use	Simplification of income tax requirements	New simplified system on VAT	For VAT	Simplification of requirements for micro and small enterprises	VAT simplification
Tax relief	Reduced corporate tax on profit not exceeding Bfr 1 million — three year tax relief for self-employed (up to 35 years old) who start a business for the first time				For unemployed starting a business	For individuals investing in start-ups (Loi Madelin)	Fiscal incentives for unemployed who set-up own business
Simplification of company law requirements			Yes, for small public limited companies	Single person company	Proposal for a single person company	Several formalities and provisions imposed on public and private limited companies have been simplified or abolished (Loi Madelin)	Legislation being prepared
Minimizing licensing requirements for start-ups		Simple standards for SMEs 'start up kits'	Comprehensive up-date of the list of professions in the craft sector ([53])			Freedom of trade (Loi Le Chapelier) — New project in process ([54])	

([52]) for example, by eliminating some characteristics, extending periodicity and reducing spot checks.
([53]) with the objective of strengthening the competitiveness of — and increasing the attractiveness for — start-ups in the craft sector.
([54]) Project for reducing the number of authorizations still needed for certain activities and for rendering some authorizations automatic in cases where the administration does not reply.

C. SIMPLIFICATION OF REGULATIONS AND DEROGATIONS FOR SMEs (continued)

	I	L	NL	A	P	FIN	S	UK
Simplification of accounting requirements	Simplified accounting requirements for companies under Lit 360 million turnover		Reduction of record keeping from ten to seven years	Exemption for SMEs to keep books	For single person company under Esc 30 000 000	Simplified bookkeeping in small private companies (most run by single person)	Some auditing exemptions	Auditing exemptions for SMEs and annual pre-printed return forms
Simplification of statistical requirements		Under examination by a sub-group of the inter-ministerial committee	Action programme — central bureau of statistics	Data collection through spot checks — Simplification of the information requested (55)	Data collection concentrated by national statistics institute	Data collection concentrated as much as possible by Statistics Finland that has a simplified questionnaire for micro enterprises	Data collection through sample based surveys	Monitoring of business surveys to minimize burdens. Small firms exempted from registrations and official returns where possible
Simplification of tax requirements (formalities, reduced frequency of returns, etc.)	'Tremonti Decree' one tax will replace six; 'single contact point' at the chambers of commerce	Under examination by a sub-group of the interministerial committee	Specific Committees on tax simplification — legislation is in progress	Lump sum	System based on three taxes: corporate tax, income tax and VAT	Reduced number of payments under preparation	VAT simplifications	Employee income tax/social security insurance paid monthly by employers (quarterly for smaller businesses). VAT exemptions for smallest SMEs, cash accounting and annual VAT return for SMEs above the threshold
Tax relief			Tax relief for SMEs and start-ups	Specific thresholds for SMEs	For micro and small companies	VAT exemptions for small firms	For private individuals investing in start-ups	Reduced rate of corporate tax for small companies
Simplification of company law requirements			Possible improvements are being examined	Incorporation possible for small and micro businesses		Simplified personal company for small firms		Law applicable to private companies currently under review

	I	L	NL	A	P	FIN	S	UK
Minimizing licensing requirements for start-ups	Abolition of authorization for new private activities (Law No 537 of 1993)	Reform in process of the right to establishment	New business licensing Act in 1996	Relief regarding the notification of certificate of proficiency and more freedom for doing business	For single person company	Number of registration and permissions reduced during last few years	Very few businesses need a license	General review of business licences being undertaken. Over 130 so far identified to be abolished or simplified

([55]) SMEs will receive a floppy disk with explanations and help — Accounting data can be saved directly on the floppy disk.

D. LABOUR MARKET FLEXIBILITY

	B	DK	D	EL	E	F	IRL
Single contact point dealing with formalities relating to employment						From 1 January 1996 single contact point for formalities relating to employment and later in the year single contact point for social security contributions (*Plan emploi* of Prime Minister Juppé)	
Incentives for start-ups or new employees	Right to unemployment benefit maintained for self-employed who start a business for the first time — 'unemployment loans' possible for unemployed who start a business — reduction of social security contributions when taking-on an employee for the first time	Job rotation schemes with financial support				30 % reduction on the payment of health insurance — One year reduction of social security for first three employees in certain regions	Two years exemption of social security charges for new employees and reduced rates for low wage workers
Privatization of employment agencies		Any individual/company can conduct employment placement services	Yes				
Flexibility in labour law	Possibility to undertake successive temporary work contracts		Flexible rules regarding working time, protection against unlawful dismissal and labour law			Chèque emploi-service used for people employed at home with possible extension for short term contracts in enterprises — *Chèque emploi-premier salarié* (Plan PME-PMI of Prime Minister Juppé)	

D. LABOUR MARKET FLEXIBILITY (continued)

	I	L	NL	A	P	FIN	S	UK
Single contact point dealing with formalities relating to employment		Single contact point for social security matters — use of single form when taking-on employees	Single contact points for social security matters are in progress	For social security contributions	Single contact point for social security matters — use of single form when taking-on employees	In operation	Only tax registration	Single notification when taking on first employee. Integrated national Helpline and single audit visit for tax and social security deductions from payroll
Incentives for start-ups or new employees	Vocational training contracts aimed at encouraging long term unemployed to start-up a business		Experiments are taking place	Possible incentives are being examined	Exemption of social security charges for the first three years when taking-on unemployed and young people looking for first job	Unemployment benefit for entrepreneurs possible — Reduced social security charges for small firms		Social security insurance exemptions where long-term unemployed taken on, to be introduced
Privatization of employment agencies	Project of law is being examined	New regulation for temporary work contracts		Liberalization of employment agencies		Yes, subject to permission	Yes	Recently removed need for licence for private employment agencies
Flexibility in labour law	Flexibility in labour agreements concerning hours of work, part-time and temporary work		Government plans are in progress	Working group on working time flexibility	Significant changes in several domains took place during the last year	Flexibility in labour agreements	The Government is reviewing Labour Laws	Flexible rules for hours of work, conditions of part-time and temporary work, and redundancy

ANNEX III

SIMPLIFYING TAX ADMINISTRATION IN THE MEMBER STATES

Member State	Simplifying VAT	Integrating Tax and Social Security Administrations	Simplifying Taxation for Self-Employed and SMEs
BELGIUM	1. VAT exemption if turnover < Bfrs 225 000 (ECU 5 790). 2. VAT returns: abolition of the system of annual returns if turnover < Bfrs 3 million (ECU 77 200); Quarterly returns if turnover < Bfrs 20 million (ECU 500 000); Monthly returns if turnover > Bfrs 20 million. 3. Flat-rate liability for companies dealing directly with consumers in certain sectors and with a turnover < Bfrs 20 million (ECU 500 000).	Only plans to merge VAT and Revenue Departments	1. Reduced rates of corporation tax: — If annual profits < Bfr 1 million (ECU 25 733) the rate is 28,84 % instead of 40,17 %. — Tax credit of 7,5 % up to a maximum of Bfrs 800 000 (20 590 ECU) for increases in own capital — Tax credit of 10 % up to a maximum of Bfrs 150 000 for the self-employed. 2. Flexibility on the system of advance payment of tax for persons < 35 setting up in business for the first time: no penalty is due the first three years for unpaid or insufficient advance payments.
DENMARK	1. Optional exemption for turnover < DKR 20 000 (ECU 2 500). 2. VAT returns: quarterly, in addition VAT declaration and payment can be made by using the same form. 3. Only one rate covering the supply of goods and services. 4. VAT identification number required by the Sixth Directive is the same as the business's normal registration number used in all dealings with administrations.		1. Special tax arrangement for the self employed (Business Scheme), including possibility for the self employed to retain profits in a business under the same conditions as applying to companies. A simpler Business Scheme was introduced in 1993. 2. Since 1996, tax exemptions and simpler formalities with respect to the taxation of estates of deceased persons or gifts 3. Gradual abolition of the wealth tax: reduction in the tax paid and simplification of the income tax form. 4. User groups within taxation departments 5. Electronic data transfer possible.
GERMANY	1. VAT: optional exemption if turnover < DM 32 500 (ECU 17 200). 2. VAT returns: quarterly if VAT payable from the previous year < DM 12 000 (ECU 6 350).		1. Legal basis for laying down flat-rate sums for operating expenditure in certain branches. 2. Abolition of the wealth tax and capital trade tax proposed from 1 January 1997. 3. Drastic simplification of personal tax and corporate tax planned (lower tax rates and elimination of derogations)
SPAIN	1. VAT returns: quarterly.	Ongoing discussions with a view to encourage close cooperation between the two administrations, including a common identification number, the use of information technologies and the sharing of identical criteria.	

Member State	Simplifying VAT	Integrating Tax and Social Security Administrations	Simplifying Taxation for Self-Employed and SMEs
GREECE	1. VAT exemption if turnover < Dr 500 000 (services) and < 1,5 million (goods) (ECU 2 000 / 6 000). 2. VAT returns: quarterly		
FRANCE	1. Optional VAT exemption if turnover < FF 70 000 (ECU 10 800). 2. VAT declarations and payments: quarterly (small companies) or yearly (flat-rate system). 3. VAT registration done through the Enterprise Formalities Centres (CFE).		1. Either special flat-rate system or administrative assessment for turnover < FF 500 000 / ECU 77 160 (sale of goods) and < FF 150 000 / ECU 23 150 (provision of services) — The system includes less onerous accounting obligations. 2. Micro-enterprise system for turnover < FF 70 000 (ECU 10 800) including simplified taxation of income from professional activity which can be included in the individual income-tax declaration — This system limits accounting obligations to keeping receipts. 3. Simplified taxation scheme for turnover < FF 5 million / ECU 771 600 (sale of goods) or turnover < FF 1,5 million / ECU 231 500 (supply of services) involving simplified fiscal obligations (five documents instead of 16). 4. Enterprises can submit their declarations of results and related accounting annexes by telematic means.
IRELAND	1. VAT exemption if turnover < £Irl 40 000 (ECU 50 000). 2. VAT returns: yearly for small companies.	Income tax and social security contributions are collected via the payroll system 'PAYE'. Further integration is being considered.	1. Self assessment scheme for the self employed (since 1988) and plans to introduce a very simple assessment form. 2. Advice given by revenue commissioners to new traders in relation to their tax obligations.
ITALY	1. Consideration of total exemption from VAT for certain types of activity 2. VAT returns: yearly for small companies.	Law No 549/1995 gives the government specific power to harmoinise tax requirements and social security (documentation, procedures and payments).	1. Abolition of 60 tax headings for government licences. 2. Abolition of requests for information which tax authorities can readily obtain elsewhere. 3. Abolition of superfluous obligations. 4. Proposals to simplify returns and filing requirements and to allow deferred payments up to thirty days after due date. 5. Consideration of a flat-rate income assessment system for some types of activity.
LUXEMBOURG	1. VAT exemption if turnover < Lfrs 400 000 (ECU 10 000). 2. VAT returns: quarterly (small companies) or yearly (very small companies).		

Member State	Simplifying VAT	Integrating Tax and Social Security Administrations	Simplifying Taxation for Self-Employed and SMEs
NETHERLANDS	VAT returns: quarterly (medium companies) and yearly (small companies).	Since 1990, common basic value for the levy of the wage tax and an important part of the social security contributions — Discussions are being held about the coordination of income tax and social security contributions.	1. Reduction of recordkeeping requirements (from 10 to seven years) 2. Legislation in preparation to streamline the tax treatment of expenses for employees. 3. Proposal to streamline various requests and thresholds in tax laws. 4. Proposals to simplify income tax system.
AUSTRIA	1. Exemption from VAT liability if turnover < ÖS 300 000 (ECU 22 550) and no requirement to submit returns if turnover < ÖS 100 000 (ECU 7 500). 2. VAT returns: quarterly (small companies) or yearly (very small companies). 3. Option of determining input tax as a flat rate average percentage if turnover < ÖS 5 million (ECU 376 250). For capital goods with a purchase price over ÖS 15 000 (ECU 1 130), input tax may also be calculated separately. 4. Special regulations for flat-rate input tax calculation in the case of certain branches and if turnover < ÖS 5 million (ECU 376 250). 5. Possibility to calculate VAT on the basis of payment received if turnover < ÖS 5 million (ECU 376 250).	Plans to administer under a single authority the collection of tax on earned income and social security contributions.	1. Simplified account-keeping for turnover < ÖS 5 million (EC 376 250). 2. Option of a flat-rate system for turnover < ÖS 3 million (ECU 225 730) — This system removes the need to register operating expenditure for VAT.
PORTUGAL	1. VAT returns: quarterly for small companies.		
FINLAND	1. VAT returns: monthly payments (no special scheme for SMEs).	Plans to develop a system for combining the various deductions from salaries (tax, social security, insurance), and reducing the number of payments made by business to the State.	
SWEDEN	VAT returns: monthly (normal) and yearly (for SMEs with a turnover less than Skr 1 million (ECU 115 340).		Proposed simplified regulation for self-employed if gross income < Skr 1 million (ECU 115 340). — one page tax return form limited to a few headings so that it can be filled in without assistance. — possibility to fulfil annual accounts obligation by using the tax return form.

Member State	Simplifying VAT	Integrating Tax and Social Security Administrations	Simplifying Taxation for Self-Employed and SMEs
UNITED KINGDOM	1. VAT declarations and payments: quarterly (normal) and yearly (for small businesses). 2. VAT: exemption if turnover < £ 47 000 (ECU 56 850)	Separate departments are responsible for income tax and social security contributions but both are collected together in one payment via the payroll system (PAYE). A specific programme aims at improving the contact between fiscal, social security administrations and the employer. — Single notification by business when starts to employ for the first time, — combined national telephone helpline, — single audit visit, — streamlined integrated annual guidance pack, — regulatory information made available on internet, — pilot automatic 24-hour telephone service for new employers to calculate payroll deductions.	Self assessment system to apply from tax year 1996-1997: — taxpayer responsible for supplying information and calculating tax liability (optional), — simpler computation of earnings for sole proprietors and partners, based on profits of accounting period ending in the current tax year, — simpler basis of calculation of income from real property, — alignment of dates on which any underpayment of tax is payable and standardised dates for payments on accounts.