

## **SME**

**APRIL 2019**

### **HIGHLIGHTS**

- European Commission launches a new association to bring SMEs together
- European Parliament validates agreement on access to capital market for SMEs
- IAASB publishes a discussion paper on audits of less complex entities

### **EUROPEAN COMMISSION**

#### **THE EC CALLS FOR SHARE PRICES FOR INVESTORS – 2 APRIL**

A 'consolidated tape' for the Europe's fragmented stock markets is more than needed, [calls](#) vice president Valdis Dombrovskis. It appears that asset managers have become less willing to pay as much for research for picking stocks to buy under MIFID II, which forces brokers to scale back their coverage of SMEs.

Mr. Dombrovskis assures that the Commission has heard the SMEs' complaints, and plans on assessing how the unbundling of investment research from brokerage has worked out, and how to adjust these rules.

A study on this is currently being conducted by the consultancy Risk Control Limited. On the basis of the study's results, the European Commission may consider further steps.

#### **THE EU LAUNCHES INTERNATIONAL ASSOCIATION OF TRUSTED BLOCKCHAIN APPLICATIONS – 3 APRIL**

Commissioner for Digital Economy Mariya Gabriel [announced](#) the launch of a new association that aims to bring together SMEs, industry startups, regulators and standard setting bodies to bring blockchain and distributed ledger technology into the mainstream.

The new organisation should promote the use of decentralised technologies by establishing a dedicated regulatory framework.

#### **HORIZON 2020 OFFERS €300.000 TO SMES IN THE PRINTING INDUSTRY – 8 APRIL**

The EU investment [programme](#) for research and innovation tends to accelerate the adoption of additive manufacturing with this new €300.000 grant, provided with new connections to carry out application experiments for innovation in the 3D printing sector.

The EU tries to drive competitiveness in the European manufacturing sector by enabling SMEs to innovate. This project 'AMable' is one of the many financed by Horizon 2020. The call for proposals is open until 1<sup>st</sup> June.

## EUROPEAN PARLIAMENT

### EUROPEAN PARLIAMENT VALIDATES AGREEMENT ON ACCESS TO CAPITAL MARKETS FOR SMES – 18 APRIL

The European Parliament [voted](#) with 448 votes in favour on the [interinstitutional](#) agreement on the proposal for a regulation to facilitate access of SMEs to capital market and SME Growth Markets.

The text aims at reducing administrative burden for SMEs and allowing them, after two years, to transfer shares from a growth market to a regulated market. This legislation will help SMEs to obtain financing on the stock markets and raise the number of SMEs listed on the stock exchange.

## OECD

### FINANCING SMES AND ENTREPRENEURS 2019 SCOREBOARD – 12 APRIL

The OECD published its [scoreboard](#) to assess how the SME landscape has evolved since the financial crisis. In countries most affected by the 2008 crash of the global economy, SMEs still struggle to access finance. However, alternative sources have increased in these last years, and non-performing loans continue to decline at a global scale.

Factoring volumes, leasing activities, private debt, venture capital investments and online alternative finance developed against the backdrop of broadly positive economic conditions and improvements in the business environment. Across the assessed countries, the OECD underlines policy trends emerging, like credit guarantees, payment delays, fintech developments and support to the venture capital industry.

## NATIONAL NEWS

### MAKING TAX DIGITAL IN THE UK HAS LONG-TERM POSITIVE EFFECTS FOR SMES – 1 APRIL

According to the association of accounting technicians, UK VAT-registered businesses [welcome](#) the Making Tax Digital (MTD) implementation. Digitalisation will make complying with tax return filing obligations easier for small business individual taxpayers. Digital accounting will empower businesses to proactively plan their finances more effectively.

MTD should help businesses reduce errors leading to tax overpayment or underpayment. The new bill applies to businesses with a taxable turnover of more than £85.000. Non-compliant businesses can be charged penalties. The [downside](#) of the new regulation remains digital exclusion, for companies located in areas with poor connectivity. However, accountants can play a key role offering new services to help companies comply with the MTD.

### UK SME FUNDING SCHEME NOT FIT FOR PURPOSE – 29 APRIL

The UK launched in 2016 the Bank Referral Scheme, requiring banks to refer businesses they turn down for funding to alternative financing online platforms.

The Corporate Finance Network has now assessed the scheme and [found](#) that it is a harmful policy that generates too much cost and bureaucracy. Indeed, only 900 out of 19.000 UK SMEs were successful at getting funding through the system. The reality of the scheme appears to be that SMEs spend up to six months in the funding process and are getting desperate for finance.

The Network highlights what SMEs really need: advice to address their rising costs and how to implement some type of restructuring of their business. Accountants should ensure that these SMEs are getting independent expert advice.

## OTHER NEWS

### SMES' INTERNATIONALISATION NEEDS A COMPREHENSIVE LEGAL FRAMEWORK – 2 APRIL

SMEUnited continues its campaign towards the EU elections, and [highlights](#) how SMEs need right conditions for their internationalisation.

Administrative procedures, identifying business partners and financial investments constitute barriers policymakers need to address. SMEUnited calls for trade policies taking into account the SMEs' needs, for example through providing better information about global opportunities. A comprehensive impact assessment on SMEs should become the standard in trade agreement negotiations.

### AUDIT OF THE EU'S INNOVATION SUPPORT SCHEME FOR SMES – 11 APRIL

The European Court of Auditors (ECA) has [announced](#) the audit of the innovation support scheme for SMEs. ECA will assess the relevance and effectiveness of the SME instrument.

The aim is to examine whether the instrument is properly designed and monitored to address the needs of SMEs, and if the European Commission has taken appropriate action to address the challenges facing SMEs with high innovation potential. The final ECA report should be published at the end of 2019.

### ETHICS STANDARDS BOARD FOR ACCOUNTANTS PUBLISHES ITS PRIORITIES – 9 APRIL

The International Ethics Standards Board for Accountants (IESBA) has [published](#) its board's strategy and priorities for 2019-2023, in which it underlines the importance to take into account the particular perspectives of SMEs and SMPs. The set priorities recognise the need to balance the burden of change to the Code.

The board raised the suggestion to leverage the work of the International Accounting Standards Board (IASB) in its definition of 'public accountability' when developing IFRS for SMEs.

### UNLOCKING THE POTENTIAL OF SMES IN EMERGING MARKETS – 4 APRIL

SMEs have limited prospects for growth and short life cycles, [reports](#) the Financial Times. Larger companies should consider to foster relationships that will benefit both sides and various benefactors.

SMEs still face three main challenges: access to finance, lack of expertise and barriers to cross-border trade. However, the data revolution is helping ambitious lenders to find SMEs worth investing-in, and technology is bringing new ways to get business development advice.

The chief executive of Agility, a global logistic business focused on emerging markets deplores policy maker false promises to remove cross-border barriers, and calls for large companies to give SMEs a voice at the negotiating table. These companies can benefit from SMEs' ideas and energy and such partnerships would enhance free trade.

### QUALITY MANAGEMENT STANDARDS SCALABLE FOR SMPS – 28 MARCH

The International Auditing and Assurance Standards Board (IAASB) has [issued](#) a suite of international standards on quality management for firms and audit engagement teams.

Due to evolving corporate governance practices and new expectations from stakeholders, the standards will require the firms to proactively manage quality with a renewed focus on engagement quality reviews. SMPs should take these into account as the proposals change the way they are expected to manage quality

Scalability will be improved as the new risk-based approach will require from SMPs more professional judgement in designing a system that is tailored to the nature of the firm.

### **HOW CAN SMES ATTRACT TALENTS AND RESOURCES – 26 MARCH**

According to the financial service provider MetLife UK, attracting talent appears to be the second biggest concerns of SMEs – just after Brexit uncertainty. To compete with the higher salaries offered by larger firms, SMEs need to offer a competitive employee benefits package. Indeed It appears that employees are willing to take a pay cut to receive better benefits.

Wellbeing benefits like private medical insurance can be highly influential in attracting talent. Flexible working and an enhanced pension are also of great importance. The benefits offered should reflect the personality of the firm.

### **IAASB PUBLISHES A DISCUSSION PAPER ON AUDITS OF LESS COMPLEX ENTITIES – 29 APRIL**

The International Auditing and Assurance Standards Board (IAASB) recognises the global call for action to address issues of complexity, length, and proportionality related to the use of ISAs in audits of SMEs. To continue the debate, IAASB published a discussion paper to explore how the IAASB and others could support auditors working in the always evolving environment of the less complex entities

Inputs are welcome until 12 September. Accountancy Europe intends to take the opportunity to respond to the consultation.