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Commission initiatives to cut red tape and reduce regulatory burdens – Questions and Answers

The Commission's efforts to reduce regulatory burdens, including administrative burdens, are part of its smart regulation agenda. Smart regulation should ensure that European laws bring maximum benefit to people and businesses at the least cost. This is essential if the EU is to deliver the ambitious objectives for smart, sustainable and inclusive growth set in the Europe 2020 Strategy. The Commission evaluates the impact of legislation during the whole policy cycle: when a policy is designed, when it is in place, and when its performance is reviewed. The reduction of administrative burdens by 25% between 2007 and 2012, supported by the High Level Group on Administrative Burdens, is expected, in the medium-term, to lead to an increase of 1.4% in EU GDP, equivalent to €150 billion.

Why is the Commission trying to reducing regulatory burdens?

The EU's growth strategy, **Europe 2020,** highlights the importance of improving the business environment, including through smart regulation and the reduction of regulatory burdens, in order to make European enterprises more competitive on a global scale. Regulating at the EU level, rather than at 28 different national levels, has proven to be an effective way of creating new opportunities.

The Commission puts particular emphasis on **minimising regulatory burdens for small and medium sized enterprises** because SMEs play a key role in generating economic growth. SMEs account for 99% of all enterprises and number more than 20 million in the EU. They create 85% of all new jobs in Europe, employ two-thirds of the private sector workforce in the EU and contribute significantly to innovation. Unleashing their growth potential will be of particular benefit to the European economy (IP/11/1386).

How does the Commission decide how to cut red tape and reduce the regulatory burden?

The Commission's efforts to reduce the regulatory burden, including the administrative burden, are part of its **smart regulation agenda**. "Smart regulation" means delivering EU policies and laws that bring the greatest possible benefits to people and businesses in the most effective way. As smart regulation is a shared responsibility of all those involved in EU policy-making, the Commission works with the European Parliament, the Council and Member States to encourage them to apply smart regulation in their work.

In its **Communication on EU regulatory fitness** of December 2012 (IP/12/1349) the Commission committed to strengthening its various smart regulation tools (impact assessments, evaluations, stakeholder consultations) and launched the Regulatory Fitness and Performance Programme (REFIT).

Through **REFIT**, the Commission's services have mapped the entire stock of EU legislation, looking to identify burdens, gaps and inefficient or ineffective measures and possibilities to simplify, reduce or repeal them. Initial results of the mapping were published on 1 August 2013. The Commission will publish a Communication in October which will review and set out the next steps in the REFIT.

What has the Commission done to reduce the burden of EU legislation on SMEs and micro-enterprises?

The Commission applies a **"think small first"** approach when designing policy. In November 2011, it set out a strategy to adapt EU regulation to the needs of micro-enterprises. Policies are now designed under the assumption that micro-entities are excluded from the scope of new or revised legislation, unless there is a demonstrable need for them to be covered. Specific operational guidance was prepared to assess this during the impact assessment process.

The Commission also engages with businesses directly to seek their views on excessive regulatory burdens. In a broad consultation from October to December 2012, around 1000 SMEs and business organisations identified the **Top 10 most burdensome EU laws** (IP/13/188). The results show that SMEs see the biggest difficulties and costs stemming from legislation on chemicals (REACH), value added tax, product safety, the recognition of professional qualifications, data protection, waste, the labour market, recording equipment for road transport, public procurement and the customs code.

In June 2013, the Commission presented a **follow-up to the Top 10 consultation**, (IP/13/558). The communication details the action taken or to be taken in each area to address the concerns of businesses. In each area where business have registered the greatest concern, the Commission has reviewed these concerns, taken action where it can be done, or made proposals to the European Council and Parliament to ease the regulatory burden on SMEs. For example, in December 2011, the Commission proposed a revision of the public procurement regime, which will have a direct impact on the access of SMEs to public procurement tenders. In February 2013, the Commission proposed to replace the general product safety directive by a regulation on consumer product safety, which includes a simpler set of common requirements for companies.

What is the state of play on the savings achieved through the Action Programme for reducing administrative burdens in the EU?

The Commission's initiative for **administrative burden reduction** (Action Programme 2007-2012), which was supported by the High Level Group on Administrative Burdens (MEMO/13/787), aims to reduce the administrative burden stemming from EU legislation imposed on businesses by 25% by 2012 in 13 priority areas[1]. The **25% reduction goal** has been achieved and exceeded with the adoption, to date, of measures worth €32.3 billion (26.1%) by the European Parliament and the Council. This is expected, in the medium-term, to lead to an increase of 1.4% in EU GDP, equivalent to €150 billion.

The Commission itself has gone **beyond the target** by tabling proposals with a burden reduction potential of close to €41 billion (33%). Some of this potential - estimated at more than €3 billion - was lost in the legislative process as the Commission proposals were amended.

Pending proposals could generate additional savings worth €5.1 billion (4.1%) if adopted by the European Parliament and the Council. This would raise the total savings to €37.5 billion, cutting the total burden – which is estimated at about €124 billion - by almost a third.

General overview (September 2013)

	Adopted	Pending adoption by co-legislator	Total
Reduction potential (in million €)	- 32 341.5	- 5 120.7	**- 37 462.2**
Reduction potential (in %)	- 26.1 **%**	- 4.1 %	**- 30.3%**

[1] Agriculture and agricultural subsidies, Annual accounts/Company law, Cohesion policy, Environment, Financial services, Fisheries, Food safety, Pharmaceutical legislation, Public procurement, Statistics, Taxation / Customs, Transport, Working environment / employment relations.

Overview by area (September 2013)

Priority Area	Proposed by Commission	A = Adopted/ Completed	B = Pending adoption by co-legislator	D=A+B Total reduction potential
1. Agriculture	-1 891.4	-1 891.4	-	-1 891.4
2. Annual Accounts / Company Law	-10 043.5	-6 470.8	-	-6 470.8
3. Cohesion Policy	-234.9	- 179.9	-55.0	- 234.9
4. Environment	-302.7	- 302.7	-	- 302.7
5. Financial Services	+29.5	- 141.5	+171	+29.5
6. Fisheries	-33.4	- 25.9	-	-25.9
7. Food Safety	+78.8	+79.2	-0.4	+78.8
8. Pharmaceutical Legislation	-101.1	- 101.1	-267.4	- 368.5
9. Public Procurement	-216.6	- 60.1	-156.5	-216.6
10. Statistics	-329.6	- 329.6	-	- 329.6
11. Taxation	-26 334.3	- 21 936.9	- 4 397.4	- 26 334.3
12. Transport	-1 263.3	- 748.3	- 415	- 1 163.3
13. Working Environment	-232.5	- 232.5	-	- 232.5
(million Euro)	**-40 875**	**-32 341.5**	**-5 120.7**	**-37 462.2**
% of the total AB (123 760.8)	**33**	**26.1**	**4.1**	**30.3**

Examples of measures already adopted

Electronic VAT Invoicing: With billions of **VAT invoices** submitted annually in Europe, the switch to a **fully electronic VAT invoicing system** will save much time and money for more than 22 million taxable enterprises. New rules which entered into force on 1 January 2013 will remove obstacles to companies' electronic billing, including additional requirements in the Member States, to make invoices VAT-compliant. The maximum mid-term reduction potential of the new rules is estimated at **€18 billion** a year, if all businesses send all their invoices electronically.

Simplification of Financial Reporting: In the past two years, the European Parliament and the Council have agreed on two major initiatives to simplify the drawing up of annual accounts. The measures, agreed in March 2012, will allow more than 5 million **micro-companies** (with max. 10 employees) in Europe to benefit from a **simple system of financial reporting**. Although the final compromise falls short of achieving the estimated annual savings of about **€6.3 billion** in the Commission's original proposal, substantial savings worth several billion euro remain. New measures agreed in June 2013 will further simplify accounting rules for small companies (with max. 50 employees), with estimated savings of about **€1.5 billion**.

Food Labelling: Fruit and vegetable producers used to spend around two hours in labelling and grading a tonne of produce. In 2008, 26 specific marketing standards were repealed and replaced with a General Marketing Standard. This means that operators no longer face costs for ensuring that their products meet predefined size, weight or firmness standards. The 26 repealed standards represent 25% of the trade in fresh fruit and vegetables. Labels will indicate origin, but no longer class, size or variety. This measure can save up to **€970 million** annually.

VAT Refund Procedure: The rules for VAT refunds for taxable persons established in one Member State and incurring VAT in another Member State were cumbersome, requiring the completion of paper forms in the language of the Member State where the refund was due. In the new system, applicants file their applications electronically in their own Member State, which pass the information on to the other Member States. This speeds up and simplifies the refund procedure for enterprises applying for refunds in other Member States, saving them up to **€447 million** annually.

Biocidal Products: Measures simplifying the authorisation procedures for the placing of biocidal products on the market, applicable from 1 September 2013, can save businesses up to **€140 million** annually and up to €2.7 billion over a period of 10 years (IP/13/796).

Trade Statistics: In order to produce trade statistics ('Intrastat'), enterprises have to report on their imports and exports of goods within the EU. The EU allowed Member States to increase their reporting thresholds, as long as the national statistics transmitted to the Commission cover the value of at least 97% of dispatches and at least 95% of arrivals. This reduces the number of reporting enterprises by a third (from 540,000 in 2005), saving up to **€134 million** annually, particularly for SMEs.

Other adopted measures that reduce the administrative burden for businesses are in the areas of Structural Funds, pharmacovigilance reporting obligations, tourism statistics and transport.

Examples of measures pending final adoption

Digital tachographs in road transport record driving time and rest periods of professional drivers. New rules proposed by the Commission in July 2011 improve the tachograph technologically, and will allow road hauliers and bus operators to **save more than €400 million a year**, for example **by reducing the number of manual recordings** and roadside checks. The legal text is currently being finalised following the successful conclusion of negotiations between European Parliament and Council on 14 May 2013.

Public procurement: The increased use of **self-certification** in public procurement procedures could result in savings of about **€169 million** annually, since only the winning enterprise will need to provide original certificates to prove eligibility for the tender. Details are currently being finalised following a political agreement on 26 June 2013.

Other pending measures that could reduce the administrative burden for businesses are in the areas of plant and animal health, plant propagating material and official controls for food and feed, clinical trials, clearing houses for structural funds, bovine identification procedures and voluntary beef labelling.

Further information

Visit the Commission's website on smart regulation

http://ec.europa.eu/smart-regulation/index_en.htm

Visit the Commission's website on administrative burden reduction

http://ec.europa.eu/dgs/secretariat_general/admin_burden/index_en.htm

Visit the High Level Group's website

http://ec.europa.eu/dgs/secretariat_general/admin_burden/ind_stakeholders/ind_stakeholders_en.htm

MEMO/13/787 "The High Level Group on Administrative Burdens – Questions and Answers"