



Mr Sven Gentner, DG FISMA  
European Commission  
Rue de la Loi 200  
B-1049 Brussels  
Belgium

Brussels, 6 October 2023

**Subject: Adjusting SME size criteria for inflation**

Dear Mr Gentner,

PwC International Ltd, on behalf of its network of member firms (PwC IL), welcomes the opportunity to provide feedback on the European Commission's initiative to amend the thresholds for determining a company's size category to account for the impact of inflation.

We are supportive of this initiative to increase the size criteria for micro, small, medium and large companies and groups. We acknowledge that the current Accounting Directive (2013/34/EU) size criteria have been in place for 10 years. A review and subsequent adjustment of company size criteria, that takes account of the impact of inflation since the categories were set, is therefore appropriate.

Increasing company size criteria by a similar amount as cumulative inflation in Europe over the last decade, with a relatively small amount of rounding up, seems a fair and reasonable approach. We note that this places the increase at 25% for all but micro companies, where a slightly greater (28.6%) increase in size criteria appears reasonable for reducing the burden for the smallest size of company. More broadly, relieving an estimated 6% of companies at the smaller end of the scale of some reporting requirements as a result of threshold increases will be a positive result.

We understand that individual and specific territory concerns can be dealt with at territory level by adjusting the thresholds, within certain limits, where they wish to do so.

While no application date is provided at this stage, we highlight the importance of clarity around first time application and transition to the new criteria. We assume that this would include clarifying that the new criteria would apply to both balance sheet dates (current and prior year) in the year of application.

Finally, amending the size criteria is also consistent with the European Commission's aim to 'rationalise and simplify reporting requirements' without 'undermining the related policy objectives'. We are supportive of this broader reporting simplification objective - indeed we set out a number of suggestions for achieving a 25% reduction in corporate reporting requirements in our [letter](#) of 8 August 2023. Other initiatives that contribute to more balanced reporting



requirements for certain (smaller) entities are important, such as in the area of sustainability reporting or (endorsement of) IFRS for subsidiaries without public accountability. We are looking forward to the legislative package announced by President von der Leyen in this regard.

If you would like to discuss any points that we have raised in this letter, please do not hesitate to contact me ([gillian.lord@pwc.com](mailto:gillian.lord@pwc.com)) or Jacomien van den Hurk ([jacomien.van.den.hurk@pwc.com](mailto:jacomien.van.den.hurk@pwc.com)).

Yours sincerely,

A handwritten signature in black ink that reads 'Gilly Lord.'

Gilly Lord  
Global Leader for Public Policy and Regulation, PwC

PwC IL is registered under number 60402754518-05 in the EU Transparency Register.