

EFAA for SMEs – Position on Impact of recent EU Omnibus Proposals on SMPs and SMEs

May 2025

EFAA for SMEs welcomes the [Omnibus Proposals](#) (26th February 2025) designed to simplify EU rules, boost competitiveness and unlock additional investment capacity.

EFAA for SMEs sees competitiveness and sustainability as complementary. Sustainability can be a competitive advantage for the EU, which can gain a mover advantage by being the first region to embrace sustainability fully. This will have favourable long-term impacts on the EU's competitiveness.

EFAA for SMEs members will continue to play a crucial role as trusted advisers in ensuring that SMEs across the EU participate in the overarching sustainability objective.

EFAA for SMEs, as the umbrella federation of all medium- and small-sized accountants and auditors, is in favour of the objective set by the European Commission in launching the Omnibus package, which claims to protect SMEs ["from excessive sustainability information requests that they receive when they are included in the value chains of larger companies or from financial institutions, such as banks, which fall in the scope of the CSRD and the CS3D"](#).

The Omnibus proposals seem to be a good starting point, but there is still a way to walk, which means that all the actors must be involved in the changes. Small- and Medium-sized Practitioners (SMPs), represented by EFAA for SMEs, play a vital role in making real the proposals included in the Omnibus packages.

One of the main changes proposed by the European Commission (EC) is related to the value chain disclosure requirements and the voluntary standard developed by non-listed SMEs (VSME). The new value chain cap will be a delegated act based on the VSME, limiting the information that undertakings falling in the CSRD scope or banks can request from undertakings not obliged by the CSRD.

Sooner than later, the EC plans to publish a recommendation based on the VSME finalised by EFRAG last December 2024.

Therefore, the importance of the VSME is undiscussable, and we must ensure the VSME remains clear, legally robust, and without loopholes.

EFAA for SMEs speaks for SMPs and, as SMPs are themselves usually SMEs, it supports these plans and is willing to help and participate in the process to succeed.

As part of the Omnibus package, the ["Stop-the-Clock" Directive, published on 16 April 2025"](#), postpones by two years the second and third stages of the CSRD, the reporting obligation for large undertakings and listed SMEs (although listed SMEs will be taken out of the CSRD scope if the proposed revised scope is also approved). The Stop-the-Clock also postpones by one year the transposition deadline and the first application phase of the Corporate Sustainability Due Diligence Directive (CSDDD) to the largest undertakings. EFAA for SMEs points out that the deadline for transposition of this Stop-the-Clock Directive into each Member State is 31 December 2025.

We need clarity for undertakings, the market and stakeholders alike. The Omnibus package should not be used as an excuse to delay all the progress achieved so far.

Impact

EFAA for SMEs notes that the Omnibus proposals will significantly expand the number of undertakings outside the CSRD scope. Therefore, the changes will also expand the number of undertakings that will theoretically report voluntarily, although the value chain can ask them to report. The value chain threshold is also under discussion in the Omnibus proposals. This means that the assurance market will be affected because the scope of voluntary assurance will also be increased. EFAA for SMEs considers that the market, in the broader voluntary scope, will determine the need for reporting and assurance of sustainability information.

VSME and “Think Small First”

In line with its previous positions, EFAA for SMEs strongly supports the increasing visibility for and use of the VSME and its use as the value chain cap, establishing the maximum amount of information that undertakings in CSRD scope can ask of SMEs.

However, EFAA for SMEs continues to call for a different approach in EU standard setting, namely a “think small first” principle and a bottom-up approach, to take full account of the smaller SMEs and SMPs who play such a significant role in the EU’s economy.

Simplification doesn’t mean compromising ambition. The VSME must remain simple, digital, flexible, and understandable.

EFAA for SMEs notes that the current VSME was designed for SMEs up to 250 employees and considers that undertakings having between 250 and 1000 employees are very different entities from most of those below 250. EFAA for SMEs continues to call for an adapted standard for undertakings with more than 250 employees that will be included in the voluntary scope according to the proposals of the Omnibus packages.

Potential impact on the audit and assurance market

The reporting and assurance market will be impacted given the proposed reduction in the scope of undertakings obliged by the CSRD, both in terms of the number of undertakings and the intention to revise the ESRS set 1 to reduce the number of mandatory data points. If the number of undertakings out of the reporting scope increases due to the proposed reduction of scoped-in undertakings, mandatory assurance will decrease, and the voluntary assurance will depend on the market and value chain requirements.

EFAA for SMEs notes that SMPs are the most trusted advisers working with SMEs daily. Thus, they are a vital part of this sustainability journey and have to be taken into account in all the next steps to fully participate in the EU’s overarching sustainability vision and develop their sustainability reporting capacity. The goal of sustainability in Europe cannot be achieved without SMEs, which are the backbone of the European economy.

EFAA for SMEs notes that its constituent member Professional Accountancy Organisations (PAOs) play a vital role in training and providing resources to their SMP members in sustainability reporting and

assurance.

Role of the External Professional Accountants in Voluntary Sustainability Reporting

For voluntary sustainability reporting, the involvement of an external professional accountant — who can assert that they apply standards set in the public interest, including quality management, ethics, and independence — is essential to ensuring quality. Primary users of the information, such as large companies within the value chain or banks providing finance, are more likely to trust the reliability of the information when a publicly recognized accountant has been involved in its preparation. The professional's role and responsibilities are governed by the International Standard on Related Services (ISRS) 4410, which applies to compilation engagements. Where something more is required — short of assurance — SMPs might offer an agreed-upon procedures engagement in accordance with ISRS 4400 (Revised).

Need for Consistency

EFAA for SMEs emphasises the importance of consistency and legal clarity in implementing directives across EU, providing certainty to SMEs, all the market and their external stakeholders and allowing SMPs expertise to be transferrable between EU countries.

While EFAA for SMEs supports the aim of the Proposals to reduce reporting requirements, it notes that, for example, undertakings in countries where the EU's Corporate Sustainability Reporting Directive (CSRD) has already been implemented will be treated differently from those where implementation has not yet happened. This goes against the principle of consistent implementation.

Undertakings and SMPs have been preparing for the CSRD for some time. Delays and limitations in the scope of application may give the impression of an unstable policy, especially as the legislation is already in force in several EU member states. Therefore, clear guidance on changes is essential to avoid unnecessary costs and inappropriate signals to the market. The market needs clarity and certainty, and it needs it quickly. Simplification cannot mean dismantling existing frameworks. Instead, EFAA for SMEs calls for highlighting the value of a strong sustainability culture and adequate information, which undoubtedly brings significant benefits for competitiveness. It is necessary to provide certainty, and above all, to give undertakings the time to implement it rationally and proportionally. EFAA for SMEs stresses the importance of finalising the decisions on what the omnibus package proposes as soon as practicable, and stress that it should also be an opportunity to avoid duplication and address the lessons learned, establishing a fair playing field. However, this path began long ago and now requires definitive clarification.

EFAA for SMEs, therefore, highlights the need for the EC to ensure that European norms, regardless of the Member State's right to make rational decisions, allow for the avoidance of further market fragmentation in sustainability. EFAA for SMEs asks the EC to monitor and assess the use of options and the effective harmonisation achieved by implementing the different Directives. Uniformity and consistency are crucial to ensure comparability in sustainability reporting across Europe.

EFAA for SMEs has always supported the implementation of robust frameworks and standards for sustainability reporting and has argued for appropriate proportionality of standards for SMEs. Large undertakings, SMEs and the market as a whole need consistency, clarity and certainty. The Omnibus packages should provide these - not undermine them. EFAA for SMEs remains fully committed to maximum interoperability and harmonisation, as we have always said and done on financial reporting. The same commitment continues in our current work. What is needed is a comparable framework, clear quantitative and qualitative data. Then, having gained experience, the data collected on a voluntary basis can evolve. However, the core required set of data must be clear, precise, comparable and measurable from the start.

A closely related issue surrounds the International Standard on Sustainability Assurance (ISSA 5000), whose Final Pronouncement & Basis for Conclusions were published in [November 2024](#) by the International Auditing and Assurance Standards Board (IAASB) to establish baseline requirements for sustainability assurance. EFAA for SMEs proposes applying the International Standard on Sustainability Assurance 5000 (ISSA5000) to avoid the development of different sustainability frameworks across Member States as much as possible, and that this guidance be based clearly upon ISSA 5000, to be consistent with similar approaches elsewhere. Alternatively, the Commission might instead take the simple option of requiring the application of ISSA 5000 to sustainability assurance engagements.

Carbon Border Adjustment Mechanism (CBAM)

EFAA for SMEs supports the efforts included in the Omnibus Proposals to lighten the burden of reporting requirements under the CBAM and provide more time for SMEs to prepare. The ability to use default values to calculate embedded emissions, the introduction of a threshold of 50 tonnes of imported CBAM goods above which the CBAM applies, and greater targeting of fines are all welcome measures.