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From:	Presidency
To:	Delegations
Subject:	Lunch discussion note on: “Single Market Strategy: A paradigm shift to a digitalised and data-based Single Market” - Lunch debate at the Competitiveness Council on 29 September 2024

Delegations will find attached a Presidency discussion paper on: Single Market Strategy: A paradigm shift to a digitalised and data-based Single Market with a view to the lunch debate at the Competitiveness Council on 29 September 2025

DISCUSSION PAPER

Meeting of the Competitiveness Council

Brussels, 29 September 2025

Lunch debate

Single Market Strategy: A paradigm shift to a digitalised and data-based Single Market

The Single Market is a key driver of competitiveness in the EU, but much potential is still untapped. In its Single Market Strategy, the Commission highlights the significant potential of digitalisation to enable the swift and effective operation of businesses, national authorities, and the Commission creating a true digital and data-based Single Market¹. While the omnibus simplification packages will pave the way for reduced regulatory burdens, we need to be equally ambitious in reaping the benefit of digitalisation to deliver further burden reductions which at the same time drive productivity growth and competitiveness.

The Single Market Strategy states that many businesses and entrepreneurs find it difficult to access information and complete administrative tasks online. Even when digital procedures are available, complex legislation, outdated data formats, and inefficient IT systems make it hard for citizens and businesses to comply with EU rules digitally.

Unlocking burden reductions through digitalisation

Much have been done and additional steps have been taken to simplify and ease business reporting through digital tools such as the Single Digital Gateway and Once-only Technical System. However, studies on administrative burdens among Danish companies have shown that it is not the reporting itself that is most burdensome, but all the mostly manual processes leading up to the reporting.² This includes tasks on gathering the relevant information across value chains, processing the information across company systems as well as validating and sharing it with relevant stakeholders. For each business activity such as procurements, companies end up repeating the gathering, processing and sharing of documents thousands of times, and with the information being sent in everything from emails, excel sheets, PDFs and even images, the administrative burdens sum up to €9.250 annually for an average SME³ to handle invoicing, bookkeeping and financial reporting to authorities.

The potential from standardising, digitising, and automating those business processes are evident and will make it easier for companies to utilize digital systems and new technologies for reporting. Mandating that companies use digital systems for financial reporting has shown administrative cost savings at around €1.000 for an average SME. Furthermore, utilising eInvoice as a common format for financial reporting could save the average SME an additional €2.750 annually⁴. With more than 25 million SMEs across the EU, the potential is enormous.

¹ The Single Market: our European home market in an uncertain world - A Strategy for making the Single Market simple, seamless and strong, the European Commission, 2025

² E.g. Business case on Automated Business Reporting (2020), Revised business case on new Danish Bookkeeping Act (2024) and Assessment of Danish companies administrative burdens from Corporate Sustainability Reporting Directive (2024)

³ Based on annual administrative cost in person hours for an average Danish SME for financial reporting (2021)

⁴ Based on the annual administrative cost savings for an average Danish SME utilizing digital bookkeeping and eInvoices for financial reporting (2024)

This calls for a digital paradigm shift from burdensome manual sharing of documents, towards interoperable and secure data-based solutions that enable automated sharing and processing of data. If digitalisation of the Single Market is to proceed efficiently and cohesively across the EU, it requires consensus on the fundamental principles for approaching digitalisation to truly realise the paradigm shift.

State of play and the way forward

With its Strategy, the Commission sets the overarching ambition and direction for digitalising the Single Market. Key instruments such as the Digital Product Passport and its expected horizontal anchoring in the coming revision of the New Legislative Framework, the upcoming revised EU e-Invoicing acquis and the European Business Wallet are all building blocks in a digitalised Single Market of the future. Bridging these upcoming initiatives with already well established existing digital tools such as the Single Digital Gateway, the Once-only Technical System and the Internal Market Information System is key to ensuring a coherent approach going forward. Equally important is to secure dedication to central legislative principles such as ensuring that new legal acts are digital-by-default, including digital readiness of reporting requirements and harmonization of standards.

A central challenge is ensuring that new digital solutions and regulatory frameworks are genuinely user-centric and fit the real-life needs of European businesses. While large companies often have the resources and IT infrastructure to adapt quickly, SMEs may struggle to adjust to new formats or compliance requirements. This divide raises the risk that digitalisation, if not carefully designed, could increase complexity for the very businesses it aims to support.

To execute the paradigm shift, a range of different measures are needed to harvest the synergies and potentials. First, the EU could commit to a principle of using machine-readable data formats and an open, data exchange infrastructure so that companies can comply with EU reporting requirements by using their own business systems rather than building up new, costly layers of different fragmented public authority-developed systems and compliance processes. This approach would ensure the seamless operation of businesses while at the same time enhancing their competitiveness. Secondly, governance should be distributed. The EU level sets ambitions and goals and ensures an interoperable decentralised approach, while Member States ensure that the digital infrastructure is compatible, and that digital skills and administrative capacity are advanced. At both levels, we need to partner with the private sector to deliver user-friendly digital business systems for companies to use in their everyday life.

Against this background, the Presidency would like to raise the following questions for discussion:

- *Which digital initiatives are most important to deliver a digital paradigm shift based on companies' needs and therefore reducing burdens for them?*
- *How do we ensure a fast and ambitious implementation of the digital initiatives while taking into account differences in digital maturity across Member States and businesses?*