

# 'Think Small First' - Small Business Act package launched for SMEs

A package of measures to support the EU's small and medium sized enterprises has been drawn up by the Commission. Highlighted for priority action in the Single Market Review last year, the SME sector is of major importance to the EU economy and the Small Business Act sets out concrete measures of support and ten principles to guide future action.

The Commission's Single Market Review published last November highlighted the small business - SME - sector as a top priority for EU action to shape the economy for the future and meet the challenges of globalisation. After a wide-ranging public consultation including public hearings in February, the Commission has presented its strategic response in the form of a series of actions and guiding principles contained in its Small Business Act for Europe.

In the package entitled 'Think Small First: A Small Business Act for Europe' the Commission sets out a series of concrete measures that will make life easier for small businesses. It also lays down a set of common principles which should be adopted at the highest political level to guide SME policy and form the basis of action at national, regional and local level across Europe.



The Commission wants to reduce the costs and complexity of setting up and running businesses in a multicountry environment

### Strategic importance

The strategic economic importance of the SME sector has long been recognised. The days of large conglomerates driving growth have long gone and today it is companies of 250 employees or less which provide most jobs in the EU. In recent years, SMEs have created 80 % of the new jobs.

Despite the recognition of their importance to the EU economy, the growth and development of smaller firms is often hindered by bureaucratic obstacles and the Commission's Single Market Review paper called for positive action to be taken to ensure that SMEs can take full advantage of the Single Market.

### New legislation favourable to SMEs

Although 99% of companies in the EU are SMEs (companies with a maximum of 250 employees and a maximal turnover of 50 million euro), most legislation and administrative procedures do not distinguish on the basis of company size. As a result, 23 million SMEs often have the same administrative requirements as Europe's 41,000 large companies.

After consulting widely with businesses and their representatives, the Commission will propose new legislation in four areas that particularly affect SMEs.

### State aids - 'block exemption'

The Commission wants SMEs to be able to benefit more from state aids that can help them with their development. A new General Block Exemption Regulation on state aids is planned which will simplify procedures and reduce costs.

This it is believed will increase the volume of aid available to SMEs. It will also make it easier for small firms to benefit from financial support for training, research and development, environmental protection and other types of aid.

### New 'SPE' company statute

The Commission wants to reduce the costs and complexity of setting up and running businesses in the EU and is proposing a simplified and lower cost company form.

Known by its Latin name 'Societas Privata Europaea' (SPE) the new statute for a European Private Company will allow companies and subsidiaries to be created and operate according to the same uniform principles in all Member States (see article on page 6).

In practical terms, the SPE would mean that SMEs can set up their company in the same legal form, no matter if they do business in their own country or in another Member State. Opting for the

SPE will save entrepreneurs time and money on legal fees, management and administration.

## Reduced VAT

A proposal relating to Value Added Tax (VAT) is planned to make it financially advantageous to work with local SMEs.

The proposal will offer Member States the option to apply reduced VAT rates for locally supplied services, including labour intensive services, which are mainly provided by SMEs.

## 30 day payments limit

Cash flow is always a key issue for SMEs and getting paid on time can be vital. In 2009 the Commission is planning to introduce an amendment to the EU Directive on late payments. This will help ensure that SMEs are paid within the 30 day time limit stipulated.

## Procurement guidelines

As part of the Small Business Act the Commission has published new practical guidelines or a 'Code' for Member States on how to make public procurement more SME-friendly (see page 10).

Public procurement in the EU – i.e. the purchases of goods, services and public works by governments and public utilities - is a vast market, worth 1,800 billion euro in 2006, but the complexity of the award process has tended to favour larger firms.

An advisory document the 'European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts' sets out to help Member States and contracting authorities to change their procurement culture and to make it more SME-friendly.

This Code of Best Practices will propose solutions to the main difficulties encountered and reported by SMEs:

- Overcoming difficulties relating to the size of contracts
- Ensuring access to relevant information
- Improving quality and understanding of the information provided
- Setting proportionate qualification levels and financial requirements
- Alleviating administrative burdens
- Putting emphasis on value for money rather than on price
- Giving sufficient time to draw up tenders
- Ensuring payments are on time

## Guiding principles for Member States

A series of ten principles and targets have been drawn up to help guide the development and implementation of policies at EU and Member State level.

These covers issues such as granting a second chance for business failures, facilitating access to finance, and enabling SMEs to turn environmental challenges into opportunities.

The time needed to start a new company should be no more than one week, the maximum time to obtain business licenses and permits should not surpass one month.

The establishment of 'One-stop-shops' should facilitate company start-ups and recruitment procedures.

The SBA includes an ambitious set of measures to allow SMEs to fully benefit from the Single Market and expand into international markets by orienting more resources to their access to finance, Research & Development and innovation.



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It will also make it easier for them to participate in the standards-setting process, win public procurement contracts and turn environmental challenges into business opportunities.

## Entrepreneurship

Finally, the SBA seeks new ways to stimulate interest in entrepreneurship and cultivate a more entrepreneurial mindset, especially among young people.

Young people, who want to start up a business, can now gain experience by spending time in an SME abroad via the recently launched 'Erasmus for young entrepreneurs' programme.

Commission President José Manuel Barroso said: "The Small Business Act is a crucial milestone in the implementation of the Lisbon Strategy for Growth and Jobs. It will mean more responsive public administrations, less late payment of invoices, access to more help with finance, innovation and training, lower VAT for services supplied locally and better access to public procurement contracts."