

"Think Small First": A Small Business Act for Europe

Most jobs in the EU are provided for by Small and Medium Sized Enterprises (SMEs), companies of 250 employees or less. They have a crucial importance for the future development, but very often face enormous bureaucratic hurdles and obstacles. European SMEs deserve to be better assisted to fully unlock their potential of long term sustainable growth and of more job creation. To achieve this goal, the European Commission has unveiled today the Small Business Act for Europe (SBA), based on ten guiding principles and proposes policy actions to be undertaken by both the Commission and Member States.

Commission President José Manuel Durão Barroso said: *"Today's Small Business Act is a step towards a Europe of entrepreneurs, with less red tape and more red carpet for Europe's 23 million SMEs. It aims to help small businesses to thrive and to give the best ones a launch pad to grow into world beaters. 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. The package will also give SMEs access to a European Private Company Statute to cut bureaucracy and increase clarity"*

Commission Vice-President Günter Verheugen, responsible for enterprise and industry policy said *"Entrepreneurs and entrepreneurship are of enormous importance for our societies. Today and even more so tomorrow small and medium sized enterprises will provide for professional education and employment opportunities. Caring about SMEs means therefore caring about present and future jobs in the EU. Therefore it is high time that an SME friendly policy becomes mainstream policy in the EU. The Small Business Act is driven by the "Think Small First principle" and brings the full weight of EU and its Member States behind small companies. Together we can deliver."*

Internal Market and Services Commissioner Charlie McCreevy said: *"Small companies across Europe can look forward to a new instrument to do business in the Single Market. The SPE is transparent, flexible and will offer a strong label everywhere. I therefore encourage the Council and the European Parliament to quickly reach an agreement on the Commission's proposal."*

European Investment Bank (EIB) President Philippe Maystadt, added: *"The analysis of the Commission confirms the conclusions of the EIB's own consultation exercise: small and medium-sized enterprises wellbeing and growth will be key to Europe's future competitiveness. The market alone is unable to provide sufficient and appropriately priced finance for SMEs, in particular for high growth, innovative businesses. The EIB Group will therefore seek to address gaps in the market by broadening the scope of its financing."*

The Commission is proposing a genuine political partnership between the EU and the Member States reflecting the **political willingness to recognise the central role of SMEs in the EU economy** and to put in place for the first time a comprehensive policy framework for the EU and its Member States. The SBA proposal goes hand in hand with the recently announced plans of the European Investment Bank Group to simplify, modernise and diversify the range of its instruments to support SMEs.

At the heart of the SBA is the conviction that achieving the best possible framework conditions for SMEs depends first and foremost on **society's recognition of entrepreneurs**, including crafts, micro-enterprises, family owned or social economy enterprises, **and making the option of starting one's own business** attractive. This means that the rather negative perception of the role of entrepreneurs and risk-taking in the EU must change.

The European Small Business Act sets out 10 principles which should be adopted at the highest political level and concrete measures that will make life easier for small businesses. After consulting with businesses and their representatives, the European Commission has also resolved to **propose new legislation in four areas** that particularly affect SMEs:

- First, a new **General Block Exemption Regulation on state aids** will simplify procedures and reduce costs. It will increase the aid intensity for SMEs and make it easier for SMEs to benefit from aid for training, research and development, environmental protection and other types of aid.
- Secondly, a **new statute for a European Private Company** will allow a "Société privée européenne" (SPE) to be created and operate according to the same uniform principles in all Member States. It has been designed to address the current onerous obligations on SMEs operating across borders, who need to set up subsidiaries in different company forms in every Member State in which they want to do business. In practical terms, the SPE would mean that SMEs can set up their company in the same form, no matter if they do business in their own Member State or in another. Opting for the SPE will save entrepreneurs time and money on legal advice, management and administration
- Thirdly, a new proposal on VAT will offer Member States the option to apply **reduced VAT rates for locally supplied services, including labour intensive services**, which are mainly provided by small and medium enterprises.
- Lastly, an amendment to the directive on **late payments** is foreseen in 2009 to help to ensure that SMEs are paid within the 30 day time limit stipulated.

10 principles shall guide the conception and implementation of policies at EU and Member State level, such as granting a second chance for business failures, facilitating access to finance and enabling SMEs to turn environmental challenges into opportunities.

In addition to the standing commitment to **cut administrative burden by 25% by 2012**, 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 and **one-stop-shops** should assist to facilitate start-ups and recruitment procedures.

Where practical, the Commission plans to use concrete dates in a year for the entry into force of **regulations/decisions** affecting business. Member States are invited to consider similar measures.

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 small companies' access to finance, Research & Development and innovation. They will also make it easier for them to participate in the **standard-setting process**, win **public procurement contracts** and turn **environmental challenges into business opportunities**.

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 just launched "Erasmus for young entrepreneurs" programme. This will help upgrade their skills and contribute to the networking among SMEs in Europe. Similar mobility programmes are also underway for apprentices.

The SBA is fully embedded in the Growth and Jobs strategy. Member States are invited to take advantage of the update of the Lisbon cycle 2008 to reflect the SBA in their National Reform Programmes.

Background

Although 99% of companies in the EU are SMEs (companies with a maximum of 250 employees and a maximal turnover of € 50 million), most legislation and administrative procedures don't 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. During past years SMEs have created 80 % of the new jobs in the EU.

More information

http://ec.europa.eu/enterprise/entrepreneurship/sba_en.htm

European Investment Bank consultation report:

<http://www.eib.org/attachments/strategies/sme-consultation-2007-2008-en.pdf>