Championing Europe's SMEs: Commission provides new relief to boost the competitiveness and resilience of SMEs

Strasbourg, 12 September 2023

Today, the Commission is presenting a series of initiatives to address the needs of Europe's small and medium-sized enterprises (SMEs) in the current economic environment. Representing 99% of Europe's businesses, SMEs are essential drivers of Europe's green and digital transitions, but continue to face unpredictability and volatility as a result of a number of crises in recent years.

The SME Relief Communication put forward today proposes new measures that will provide short-term relief, boost SMEs' long-term competitiveness, and strengthen fairness in the business environment across the Single Market. As part of these measures, the Commission is today also publishing new proposals for a Regulation on late payments in commercial transactions and a Directive establishing a Head Office Tax System for SMEs. Additional initiatives aim at further boosting SMEs' access to finance, improving the business environment and supporting SMEs' growth into mid-caps to unleash their full economic potential.

In particular, the new Regulation on combatting late payments in commercial transactions tackles payment delays, an unfair practice that compromises the cash flow of SMEs and hampers the competitiveness and resilience of supply chains. The new rules will repeal the 2011 Directive on late payments and will replace it with a Regulation. The proposal introduces a stricter maximum payment limit of 30 days, eliminates ambiguities and addresses the legal gaps in the current Directive. The proposed text also ensures an automatic payment of accrued interest and compensation fees and introduces new enforcement and redress measures to protect companies against bad payers.

The Head Office Tax System for SMEs will give SMEs operating cross-border through permanent establishments the option to interact with only one tax administration – that of the Head Office – instead of having to comply with multiple tax systems. This proposal will increase tax certainty and fairness, reduce compliance costs and distortions in the market that influence business decisions, while minimising the risk of double and over taxation and tax disputes. The expected decrease in compliance costs should, in particular, foster investment and cross-border expansion in the EU. SMEs operating in different Member States will be able to fully maximise the freedom of establishment and the free movement of capital without being hindered by unnecessary tax related obstacles.

In addition, the Commission's SME Relief Communication proposes several non-legislative measures to support SMEs and ensure their full economic potential is harnessed:

- **Improve the current regulatory environment for SMEs** by building on the successful first full year of application of the ‘one in one out principle’ (€7.3 billion net cost savings), improving the application of the SME Test and consistently considering SME needs across future EU legislation, for example through longer transition periods for SMEs. The Commission will appoint an EU SME Envoy to provide guidance and advice to the Commission on SME issues, and advocate SME interests externally. The EU SME Envoy will report directly to the President (while also reporting to the Internal Market Commissioner on SME-related activities supported by his services), and will participate in Regulatory Scrutiny Board hearings with Directorates-General on initiatives that have a high potential impact on SMEs. The Commission will also promote the use of regulatory sandboxes to foster SMEs' experimentation and innovation.

- **Simplify administrative procedures and reporting requirements for SMEs** by launching the Once-Only Technical System (part of the Single Digital Gateway) by the end of 2023, allowing SMEs to complete administrative procedures across the Single Market without the need to re-submit documents. The Commission will simplify and digitalise cumbersome procedures, such as declarations and certificates for the posting of workers (such as the so-called A1 document on social security rights). In addition, the Commission will build on the initial steps taken before the summer towards the 25% reduction in reporting obligations announced in March 2023, with further proposals in the coming weeks, as well as measures to systematically map such burdens and develop targeted rationalisation plans for future years.
• **Boost investments available for SMEs**, on top of more than €200 billion available to SMEs under the EU's various funding programmes running until 2027. Build on the success of the SME window of InvestEU by encouraging Member State transfers to national compartments in that window and ensuring that part of the proposed €7.5 billion EU guarantee under a new dedicated Strategic Technologies for Europe Platform (STEP) window of InvestEU is also available for SMEs. A simple and standardised methodology will support SMEs in reporting on sustainability topics, thereby facilitating access to sustainable finance.

• **Enable a skilled workforce for SMEs to flourish** by continuing to support training actions provided by the Large Skills Partnerships under the European Pact for Skills and other support initiatives to match skills with the needs of SMEs from the European labour market.

• **Support SMEs’ growth** by reviewing, by the end of 2023, the current SME definition thresholds and developing a harmonised definition and potentially adapting certain obligations for small mid-cap companies to unleash their full economic potential.

**Background**

Europe's 24 million small and medium-sized enterprises (SMEs) represent 99% of all businesses and two thirds of private sector jobs in the EU. They are central to Europe's economic and social fabric, drive Europe's green and digital transitions and support our long-term prosperity.

SMEs have been disproportionately affected by the sequence of crises over the past years: from COVID, Russia's war against Ukraine, the energy crisis and the rise in inflation. SMEs still face volatility and unpredictability, as well as supply constraints, labour shortages and, often, unfair competition and an unequal level playing field when doing business in Europe. Payment delays in commercial transactions prevent investments and growth and contribute to uncertainty and mistrust in the business environment. The recent SME performance report shows that SME value added for 2023 is still forecast to remain at 3.6% (against 1.8% for large enterprises) below its 2019 level, while SME employment has barely recovered to pre-crisis levels.

To unleash the power of the EU's SMEs in the Single Market and beyond, the Commission put forward a comprehensive set of actions under its [2020 SME strategy for a sustainable and digital Europe](#). Most of these actions have been completed or are ongoing. In addition, SMEs play a crucial role in the co-creation and implementation of transition pathways, which aim to support the green and digital transition across industrial ecosystems. SME-friendly provisions form part of all key EU legislative initiatives, while further support measures for SMEs are being rolled out by the Enterprise Europe Network, the Cluster Collaboration Platform and other partners.

In terms of funding, the Commission expects to make more than €200 billion available to SMEs under its various funding programmes running until 2027. This includes substantial amounts under the EU's Cohesion Funds (€65 billion) and the Recovery and Resilience Facility (€45.2 billion) dedicated to direct and indirect measures in support of SMEs, helping them become more resilient, sustainable and digital.

**For More Information**

- Questions and Answers on SME relief package
- Factsheet on SME relief package
- Questions and Answers on late payments regulation
- Factsheet on late payments regulation
- Questions and Answers on the Head Office Tax System for SMEs
- Factsheet on the Head Office Tax System for SMEs
- Communication on SME relief measures
- Regulation on late payments in commercial transactions
- Directive on tax simplification for SMEs
- Implementation report on the Platform-to-business regulation
- Implementation report on the Single Digital Gateway regulation
- Legal documents on the Head Office Tax System for SMEs

Quotes:
Life has been tough for small companies over the past years, with the pandemic and Russia's war against Ukraine. We need to step up our support for SMEs. We want to make things easier for them, bring more oxygen to help them survive and thrive. Today we come with rules to ensure small businesses are paid in due time, to cut paperwork and to simplify taxes. Access to talent and finance will also help those companies to get more digital and greener.

Vice-President Věra Jourová - 12/09/2023

Because SMEs operating cross-border have to pay tax in all Member States where they have permanent establishments, they must follow multiple different sets of rules. The cost of complying with these rules amounts to 2.5% of their turnover – money they cannot spend on investing or hiring new staff. So today we are proposing to enable SMEs with permanent establishments in other Member States to interact with just one tax administration – that of their Head Office. The resulting savings and simplification will encourage more SMEs to expand across national borders, creating more jobs for Europeans.

Paolo Gentiloni, Commissioner for Economy - 12/09/2023

With its SME instruments and more than 200 billion euro of EU funding dedicated to SMEs until 2027, the Commission has been supporting small business across all industrial ecosystems, from tourism to aerospace. Today we present a comprehensive set of measures to support SMEs. We are simplifying taxation rules, reducing regulatory burden and boosting skills. Our ambitious revision of the late payment rules will create a fairer business environment for SMEs across the entire Single Market. This will make small businesses more resilient and help them weather challenging times.

Thierry Breton, Commissioner for Internal Market - 12/09/2023

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