

EFB Position Paper:

Summary of the report of the Expert Group of the European Commission on Family Business



Titled "Review of the important issues of family business: research, institutions, and studies," in November 2009 the European Commission published the first official document on family businesses. The project was carried out by the European Commission and experts on family business from each member state, and coordinated by DG Enterprise and Industry. The meetings began in early 2007 and concluded in September 2009.

The findings and recommendations of the report are:

1. The importance of Family business

The important position of Family Businesses is recognized at the European level, not only for what they represent but by their commitment to their local communities, for their long-term vision, the responsibilities they have as owners and for the core values that underpin them. The diversity of family businesses is also highlighted, since they vary from very small companies to large multinationals. The balance between the family, ownership and business aspects within a family enterprise are also highlighted.

2. The Definition of family business

For the first time, at the European level, a definition of Family Business is accepted (see annex) and there are recommendations for its use by both member states and by the European Union's respective institutions (including Eurostat who should compile official statistics in order to compare family business across the member states).

3. Continued EU Support

The report confirms the EU's commitment to continue promoting the exchange of information between member states. In addition, the EC will continue showcasing the value of Family Businesses (especially in innovation, education, and regional policies).

4. Increased Member State Involvement

The report calls for a commitment by the Member States in adopting more favourable measures to the family business. Prominent among others:

- Tax (to lower inheritance and gift taxes and to favour the retention of profits)
- Improvements in company law (non-voting shares)
- Education system (putting more emphasis on entrepreneurship and family business to include in the curricula of universities)

5. EU and Member State Family Business Contact Points

Recognizes for the 1st time the existence of a contact point of family business within the European Commission (in the Directorate General for Enterprise and Industry) and recommends the creation of similar contact points in each national government.

6. Best Practises

Identifies six groups of best practices across the European Union: Notable examples include, fiscal framework (reduced inheritance and gift tax), company law (non-voting shares), education (exchange programs), and family governance (financial support protocols).

In sum, European Family Businesses is grateful for the work that has been conducted by the European Commission and they will continue to work with the EU and national governments. The expert report clearly underlines the importance of family businesses, but importantly shows that they must be considered as an own business entity.

For the full report please visit:

http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/family-business/index_en.htm

ANNEX

EUROPEAN DEFINITION OF FAMILY BUSINESS

A firm, of any size, is a family business, if:

1. The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2. The majority of decision-making rights are indirect or direct.
3. At least one representative of the family or kin is formally involved in the governance of the firm.
4. Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

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European Family Businesses is a federation of 11 national family businesses associations. Our aim is to make political decision makers aware of the contribution of family businesses to society at large and to promote policies that are conducive to long term entrepreneurship. Our members represent turnover in excess of one trillion Euro, 9% of European GDP.