

EFB response

to the consultation on the Small Business Act (sba)



European family businesses supports the review of the Small Business Act. We would like to emphasise that this process is a good opportunity to refocus EU support for Small and Mediumsized enterprises (SMEs) and entrepreneurs on areas that could have a genuine impact. However, at the core of the SBA, there must be a focus on boosting the growth opportunities of European companies. This must be the priority. EFB has submitted comments on the points, that it deems core to the interests of family companies and the areas that can significantly boost their potential to continue creating growth and jobs.

Reducing Administrative Burden

In the context of how a company's size affects the fiscal, legal and administrative impact on the company. There must be an in depth study of how the regulatory environment impacts the growth development of a firm. Perverse outcomes can be created by layered complexity in the regulatory environment. If jobs and growth are the priority, then a study and survey must be completed urgently. Feedback from our national members have showed that the application of an SME definition, can sometimes hinder the growth of companies as their fiscal and administrative situation changes dramatically once it leaves the confines of the definition. In other words, when a company is no longer considered an SME, it loses regulatory benefits to which it was eligible as an SME. The application of the SME definition is per se contradictory with the objectives of the SBA. That is why we believe that a dedicated strategy for mid-sized businesses, completing the one for SMEs, would be helpful. In addition, as Family Businesses, we encourage the Commission to recognise and explore the importance of ownership. Growth and jobs must be the priority for the European Commission, and hence, a thorough review of the 'bottlenecks in national legislation is urgently needed.

Access to Finance

EFB would like to see a mention on the importance of supporting equity financing. EFB would like to note that in the Commission's Long-term financing of the European Economy communication COM(2014) 168, states that 'a large majority of corporate tax systems in Europe (and internationally) favour financing by debt against equity by allowing deduction of interest costs, while there is no similar treatment for the costs incurred in raising equity. This tax bias towards debt financing may incentivise companies to take on more debt and may penalise innovative companies and start-ups financed through equity. EFB would like to see this issue addressed in the new SBA, as family SMEs, tend to favour the use of own equity. By promoting the use of equity, businesses would be encouraged to re-invest their retained earnings in the business, but also importantly improve the equity position of the Europe's businesses. This would contribute to stable long-term economic growth and employment in Europe.

EFB Recommendations

Mid-Range Companies It is encouraging to see that the mid-range companies are being taken under consideration. However, policy measures for these businesses should not be limited to just an internationalisation stand point, but also from an innovation perspective. In order for a company to retain a global market share, it must be continuously innovative. Therefore, the promotion of innovation in this category of business must be included within the strategy. Various studies estimate that mid-caps provide a third of GDP and a third of private employment. EFB is of the belief that a dedicated mid-cap strategy could broaden the SBA approach and should be integrated into DG Enterprise and Industry. In addition to EFB's major/main approach to encourage policy makers to recognise and support family businesses, we believe that the application of a European definition of mid-sized businesses could also be useful. A definition would certainly assist with the formation and implementation of a potential dedicated strategy for mid-sized companies. In addition, a definition would assist in the collection of data which could bring insight into the number of midcaps across Europe, and crucially, the contribution of the sector in terms of value added and employment. For example, in France, mid-range companies belong to an official statistical category, called "entreprises de taille intermédiaire" (ETI), which gather the companies from 250 to 5000 employees, with revenues of 50 million€ to 2 billion€ or a balance sheet total of 43 million€ to 1,5billion€.

Business Transfers

There must be a systematic identification of bottlenecks in national legislation which impede businesses to be transferred. With regards to family businesses, EFB has shown in its recent 'European Tax Monitor' that severe fiscal implications can put serious constraints on family businesses who wish to transfer to the next generation. The monitor shows that potential exemptions and reliefs are very often available to family businesses, however, if a company is not sufficiently prepared, the tax implication can force entrepreneurs to sell or close shop. As a result, it is crucial that at the moment of a business transfer, potential fiscal levies do not impede the owners and the company to continue investing in growth and innovation by removing equity from the company. Moreover, administrative procedures must be adapted so as to facilitate the transfer on retirement as opposed to only upon inheritance. Therefore, encouraging member states to set-up national action plans and appropriate communication strategies is crucial to ensure that viable family businesses are not needlessly lost due to complicated administrative and fiscal procedures. Promoting best practices in tax exemptions regarding business transfers could also be very useful to increase the number of successful transfers within families, since the cost of business transfers is still significantly high in certain Member States. It has been proven that there are adapted tax exemptions which promote the long term existence of companies (systemic stabiliser) even related to social significant factors such as the retention of employment.

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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.