Business Transfers before and after 1994.

In 1994, the Commission put together a communication that contributed positively to business transfers and business continuity in Europe. Today, however, these are being called into question in several countries in the EU. Therefore, 30 years on, we ask the Commission for an updated recommendation, keeping some of the earlier suggestions but adapting them to today's realities.

The European Commission first addressed the issue of business transfers at the European level in January 1993 with a business transfers symposium in Brussels, which informed the 1994 Recommendation.[1] This topic has held continuity at EU level with the Commission Communication of 1998 [2] and the Commission Communication of 2006.[3] These initiatives helped to secure the narrative of business transfers for family and non-family businesses in the EU.

Today, most member states (Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, the Netherlands, Spain, and Slovenia) have inheritance taxes, albeit each with its specificities. Poland, Portugal, and Malta have a stamp tax/duty. Moreover, Austria, Cyprus, Czechia, Estonia, Latvia, Romania, Sweden and Slovakia have no inheritance taxes.

European Family Businesses (EFB) is aware that the European Commission has limited competencies in taxation. Still, the 1994 Recommendation undoubtedly impacted member states, and it encouraged them to take a revised look at their inheritance tax relating to business transfers. This paper seeks to analyse the state of play before and after 1994 in some EU member States such as Germany, Belgium, the Netherlands, Spain, the United Kingdom, Finland, where these exemptions are under threat, and Italy, Portugal, Sweden, which have taken a different approach.

[1] 94/1069/EC: Commission Recommendation of 7 December 1994 on the transfer of small and medium-sized enterprises,https://op.europa.eu/en/publication-detail/-/publication/d1d7cc83-a0ca-45e2-aeea-26d0e3b0588c

[2] 98/C 93/02 Communication from the Commission on the transfer of small and medium-sized enterprises, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN

[3] Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - Implementing the Lisbon Community Programme for Growth and Jobs - Transfer of Businesses - Continuity through a new beginning
/* COM/2006/0117 final */, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52006DC0117

Why the Business Transfer Tax Regime Must Be preserved and reinforced

Business transfers are vital to Europe's strategic autonomy, competitiveness, and the twin transitions toward digitalisation and sustainability. Yet, current political discourse risks overlooking a critical factor: the role of tax policy in ensuring business continuity across generations.

We are deeply concerned that some governments may be considering the elimination of inheritance and gift tax exemptions for business assets — a move that would have significant long-term consequences. It is therefore essential to uphold and actively promote Article 6 of the European Commission's 1994 Recommendation on Inheritance and Gift Taxation.

The challenge is not only fiscal but also social and economic. Public perception often fails to reflect the reality faced by responsible business owners, who already pay taxes and contribute to society through employment, innovation, and local development. The burden of transfer taxation doesn't just fall on business owners — it affects employees, suppliers, and communities. A forced withdrawal of liquidity to meet tax obligations during a business transfer, particularly in family-owned firms, can destabilize the company and endanger its survival.

Unlike financial assets, business assets are typically illiquid. Most entrepreneurs reinvest profits into growth — hiring staff, developing new products, or improving operations. **Tax regimes that demand substantial cash payments at the point of succession risk undermining this reinvestment cycle. In many cases, they force the sale or closure of viable companies, resulting in job losses, lost innovation, and a weakened European industrial base.**

Preserving and facilitating intra-family business transfers is key to nurturing Europe's economic fabric. We need SMEs to scale into Mid-Caps and, eventually, into global champions. Europe's long-term competitiveness depends on this growth pipeline.
<u>We therefore urge the European Commission to:</u>

1. **Reinforce and modernize the 1994 Recommendation** to reflect today's business environment and challenges;
2. **Encourage Member States** to maintain and strengthen exemptions on inheritance and gift taxes for business assets in succession cases;
3. **Collect data and assess the impact** of differing inheritance tax regimes on business continuity, investment levels, and the retention of enterprises within the EU.

Securing business transfers is not a privilege for the few — it is a strategic imperative for Europe's economy, resilience, and shared prosperity.

Business transfers and inheritance taxation: the state of play before and after the 1994 Recommendation.

Germany

In 1996, Germany introduced a DEM 500 000 relief and a value reduction of 60 % for business assets with inheritance tax payable in instalments over a period of up to 10 years free of interest.[4] These exemptions undoubtedly allowed businesses to transfer to the next generation of owners and companies to grow. It is perhaps not surprising that by 2022, Germany had the largest number of mid-caps out of all EU member states.[5]

However, the environment that helped businesses grow and that was facilitated by the Recommendation of 1994 is now at risk. While there are still some exemptions to the treatment of family businesses, there are ongoing debates and reforms calling for changes.

The most recent significant reform of the German inheritance tax system was enacted by the Law to adapt the Inheritance Tax and Gift Tax Act to the case law of the Constitutional Court (BGBl. I 2016, p. 2464) in 2016 after a ruling of the German Federal Constitutional Court ("Bundesverfassungsgericht") in 2014. Since then, business assets of family businesses below EUR 26 million could be exempted from inheritance tax by 85 % or even 100 %, provided the wage bill is maintained and that the company continued operating for at least the following five years. This stipulation, known as the standard exemption necessitates that any reduction in employment or remuneration of employees will result in the imposition of inheritance tax. The same conditions apply to the whole or partial sale of the company. It is important to note that special rules for large family businesses with assets exceeding EUR 26 million are complex and very restrictive.

The outcome of a pending constitutional complaint to the German Federal Constitutional Court (1 BvR 804/22) regarding these exemptions is uncertain, which introduces further challenges to succession planning due to legal uncertainty. The tax-free allowances, which have not been adjusted to inflation since 2009, also present obstacles to the transfer of family businesses to the next generation. It would be beneficial to link inheritance tax allowances to inflation.

[4] Communication from the Commission on the transfer of small and medium-sized enterprises, 1998 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN.

[5] Study to map, measure and portray the EU mid-cap landscape, https://op.europa.eu/en/publication-detail/-/publication/ad5fdad5-6a33-11ed-b14f-01aa75ed71a1/language-en page 16 of the document.

United Kingdom

The United Kingdom's business relief was introduced for transfers on 7 April 1976.[6] The Inheritance Tax Act 1984 was amended by subsequent finance acts. It was not until 1996, when the United Kingdom was still a member of the EU, that the Business relief rate of 100% for transfers was introduced. We would therefore like to argue that to a degree, the 1994 Commission Recommendation encouraged the United Kingdom to change its system as documented in the 1998 Commission Communication.[7]

Today, the United Kingdom is removing the aforementioned exemptions. When the Chancellor of the Exchequer, Rachel Reeves, presented the Autumn Budget of 2024, it included changes that have already begun to impact how businesses, both non-family businesses and family businesses alike, plan to operate. This budget is set to increase the daily running operating costs of a business due to the rise in Employer's National Insurance contributions, the minimum wage and inflation. In addition, the budget also introduced reforms to the Business Property Relief (BPR) and Agricultural Property Relief (APR) which will apply as of 6 April 2026.

The reforms to the BPR and APR will leave family businesses and family farms vulnerable. An independent study conducted by CBO Economics and commissioned by Family Business UK, revealed that *almost a quarter (23%) of family businesses and almost one in five family farms (17%) have cut jobs or paused recruitment since the Budget was released and in response to changes to the BPR and APR.*[8] More than 200,000 jobs are expected to be lost as a result of these changes and a net fiscal loss of £1.9 billion is predicted.[9]

While the UK is no longer a member of the EU, we should consider the uncertainty that these changes have already caused and take them as a warning especially as it pertains to projected job and net fiscal losses. These should be taken as a serious warning of the social impact caused when the importance of business transfers to the economy is undermined.

[6] HMRC internal manual, shares and assets valuation manual, https://www.gov.uk/hmrc-internal-manuals/shares-and-assets-valuation-manual/svm111030

[7] Communication from the Commission on the transfer of small and medium-sized enterprises, 1998 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN

[8] 200,000 jobs lost from BPR & APR Change, Family Business UK, https://familybusinessuk.org/200000-jobs-lost-from-bpr-apr-change/

[9] 200,000 jobs lost from BPR & APR Change, Family Business UK, https://familybusinessuk.org/200000-jobs-lost-from-bpr-apr-change/

Belgium

Belgium's inheritance tax rate varies between its three regions (Flemish region, Walloon region and Brussels-capital region). Before 1996, the rates could go up to 30%. According to the European Commission, *in 1996 in the Flemish region of Belgium, inheritance tax for business transfers was reduced to 3% of the net value of the assets of a family-owned business with the taxable base adjusted according to the number of employees.* [10] *By 1997, the Federal Belgian Government approved a draft law reducing the gift tax for businesses to 3% if the transfer was made to a family member who continued the business for at least five years.*[11]

However today there are debates scrutinising exemptions of inheritance taxation on business transfers and making them subject to change in the foreseeable future. In January this year, the Belgian federal government, led by Prime Minister Bart De Wever, presented major tax policy changes to meet budgetary needs and stimulate competitiveness. The tax changes they suggest are problematic for long-term businesses in Belgium. While some of Belgium's business succession relief still comes with some of the conditions that were established in 1996 and 1997, the tax reforms under consideration may impact family businesses and business transfers. Since these reforms are still subject to legislative processes, it is an instrumental time to assess the implications of these proposed measures.

The following are the proposed measures that we anticipate will cause the most damage to businesses:

- Capital Gains Tax on Financial Assets: A new "solidarity contribution" is proposed, introducing a 10% tax on capital gains from financial assets, including shares. This tax would apply to gains realized from the introduction of the new law onwards, with an exemption for the first €10,000 of gains.
- Exit Tax for Corporations: The government plans to extend the existing exit tax regime. While the final version of the agreement did not retain the proposal to levy a 30% dividend withholding tax on undistributed retained earnings upon emigration, discussions continue on how to address tax implications for corporations relocating abroad.
- Reform of Dividend Taxation: The VVPRbis regime, which allows for reduced withholding tax rates on dividends, is under review. The government aims to harmonise dividend taxation, potentially affecting the tax burden on family businesses.

[10] Communication from the Commission on the transfer of small and medium-sized enterprises, 1998 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN

[11] Communication from the Commission on the transfer of small and medium-sized enterprises, 1998 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN

- Adjustments to the DRD Regime: Changes are proposed to the Dividends Received Deduction (DRD) regime, including increasing the participation threshold from €2.5 million to €4 million and requiring that the investment qualifies as a financial fixed asset. These changes would primarily affect large enterprises.

Arguably, the aforementioned measures are not conducive to helping Belgium's growth agenda and competitiveness. We need to consider the impact on businesses.

Spain

Before 1994, Spain had Ley 29/1987, de 18 de diciembre, del Impuesto sobre Sucesiones y Donaciones - Law 29/1987, of December 18, on the Tax on Inheritances and Donations. The tax schedule was progressive, with rates ranging from 9% to 35%, depending on the value of the inheritance or donation. However, because multiplicative coefficients based on the heir's pre-existing wealth were applied, the effective rates could vary considerably.

The recommendation of the Commission in 1994 changed the tax situation in 1995-1996, introducing a significant relief from inheritance tax to transfer business within the family. This change brought with it a 95% reduction in the taxable base of inheritance tax if the business or securities were transferred to spouses or descendants of the deceased.[12] This meant that heirs would only be taxed 5% of the value of the business or securities being transferred. This system helped businesses continue to operate and provided increased job security for employees who also went through the business transfer process.

At present, there is a political question about wealth tax. The Spanish government is considering changing the system to raise more money by taxing the wealthy. The above can best be explained through the Solidarity Tax on Large Fortunes (TLF) for 2023 and 2024 that the government passed in December 2024. The TLF was designed as a temporary tax, to counteract the total or partial exemptions existing in different autonomous regions for Wealth Tax. A large fortune is considered anything beyond 3 million euros. According to reports, when this tax was introduced in 2023, it was presented as part of measures to ease the cost of living amid high inflation.[13] While this tax aims to help restore the government's budget, it does present long-term issues. This additional tax will impact investments, savings, job preservation and will encourage people to move companies abroad.

[12] Communication from the Commission on the transfer of small and medium-sized enterprises, 1998 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A31998Y0328(01)&from=EN

[13] Spain's Constitutional Court endorses new wealth tax, court says, Reuters, https://www.reuters.com/sustainability/society-equity/spains-constitutional-court-endorses-new-wealth-tax-court-says-2023-11-07/

France

In the 1980s, France considerably increased inheritance tax rates, including on business transfers. **This led to a drastic reduction in the number of family-owned businesses in the 1990s and 2000s because the tax rate was so high that many had to be sold, often to foreign investors**[14]. Thus, when the Pacte Dutreil was introduced by Law no. 2003-721 of August 1, 2003 it offered changes that helped to secure the future of business transfers.

The Pacte Dutreil allows a partial exemption from the payment of inheritance tax on business transfers, subject to certain conditions, notably requiring to hold shares for six years after the transfer.[15] This exemption brought with it other specific requirements such as: the transfer must be to a direct descendant or spouse, and the business must be a family business at the time of the transfer.

Today France's inheritance taxes one of the highest in Europe and consequently, the rate of family-owned business transfers is one of the lowest on the continent. Moreover, the Pacte Dutreil has been increasingly under scrutiny with the suggestion to restrict it or even remove it, presented as a way of increasing public finances. While it creates a high level of uncertainty for family business owners, it threatens to worsen the decline of the industry.

Finland

Finland introduced the inheritance tax relief for business succession on May 1, 1979, when specific provisions were added to the Inheritance and Gift Tax Act (Law 318/1979). The purpose of this relief was to safeguard the continuity of family farms and businesses during generational transfers by preventing excessive tax burdens that could jeopardise ongoing operations. It offered a variety of rates ranging from 6%-14% for close relatives and 12% to 42% for others. Following the introduction of this relief, it has undergone reforms while keeping a largely similar structure until today.

In 2004, it was legislated that the taxable value of a business in a succession situation would be set at 40% of the fair market value, significantly reducing the inheritance tax burden.

Today, inheritance tax rates vary between 7% and 19% for close relatives and 19% and 33% for others. Gift tax rates vary between 8% and 17% for close relatives and 19% and 33% for

[14] The rates (excluding those on dividend payments for transfers and the exemption provided by the Pacte Dutreil when applicable) have remained unchanged since August 1982: children / parents = up to 40%; siblings = up to 55%; distant relatives / third parties = 60%

[15] What are the exemptions in the case of inheritance? Republic Francaise, https://www.service-public.fr/particuliers/vosdroits/F17456?lang=en

others. When it comes to Business property relief the level of the relief amounts to roughly 60% of the value of the business property itself.

Finland is another country where business transfers exemptions are currently being called into question. The topic of inheritance has received a lot of attention over the last few months. According to Helsinki Times, *many Finns support replacing inheritance tax with a capital gains tax on inherited assets*. [16] Moreover, there has been support for the implementation of a system similar to what Sweden has.

The Netherlands

The Gift and Inheritance Tax Act of 1956 (*Successiewet*) contained section 65, which regulated interest-bearing deferrals, provided the deferral was justified. Since then, many adjustments have taken place to modernise the business transfer processes.

As of 1985, a new provision was introduced specifically aimed at business succession. It allowed for an interest-free payment arrangement over a five-year period. Since then, Dutch law has included a continuation requirement extending it in 1995 to a ten year period.

In 1998, a broader facility was introduced into the law, as inheritance and gift taxation were seen to undermine the economic structure of businesses. This facility granted a remission of 25% of the tax due. This remission was increased to 75% in 2007. The interest-free deferral arrangement remained in place.

A modernisation of the business succession facilities took place in 2010. The remission was transformed into an exemption, with the ownership and continuation requirements playing a central role. Since 2025, the exemption under the Business succession scheme (BOR) covers 100% of the going concern value up to €1.5 million, and 75% of the value above that threshold.

The current BOR is a provision within the Gift and Inheritance Tax Act (*Successiewet 1956*). It offers inheritance and gift tax relief for business owners and has undergone several modifications. The objective is to safeguard business continuity. To qualify for the BOR scheme, the following preconditions apply:

- *The business must be an active, ongoing business. Passive investments do not qualify for the going concern value.*
- *Recipients must be at least 21 years old in case of a gift.*
- *The person who donates or leaves you the business ownership (the previous owner) must have owned the business for at least 5 years. For inheritance this criterion is only 1 year.*
- *You cannot sell the shares shortly after the acquisition. You must continue to operate the business for at least 3 years (continuation requirement). If you fail to do*

[16] Majority of Finns support inheritance tax cuts, EVA survey finds, Helsinki Times, https://www.helsinkitimes.fi/finland/finland-news/domestic/26248-majority-of-finns-support-inheritance-tax-cuts-eva-survey-finds.html#:~:text=Previous%20EVA%20studies%20indicate%20that,has%20wide%20backing%20in%20Finland.

so, you still have to pay the regular gift or inheritance tax. If the transfer of ownership was before January 1, 2025 than the former continuation requirement applies.[17]

A major criterion of qualifying for the BOR scheme, is the percentage of shares one should hold. As an anti-avoidance provision, this is set at 5%. However, the dilution rule allows former majority shareholders who unintentionally fell below the 5% threshold, due to actions such as capital increases by others or business transfers, to still qualify for the BOR. It ensures that involuntary dilution does not disqualify genuine business successors, if the shareholder still has at least 0,5% of the shares. In addition, the Dutch legislator has made the BOR scheme increasingly effective over the years by introducing anti-abuse provisions.

The Dutch government has clearly seen the need to encourage business continuity. **However, the question remains: how can companies that have a larger value than 1.5 million euros be supported throughout their business transfer process?** Furthermore, in order to have a good business climate for all family businesses and economic stability, it is important that all family businesses have access to the BOR scheme, when transferring the business ownership to the next generation.

<u>Alternative approaches to business transfers and inheritance tax</u>

Italy

In Italy, the inheritance tax is a tax imposed on the transfer of assets and rights to heirs following a person's death. It also carries a system that employs significant exemptions and variable rates depending on the degree of family (direct line, spouses, siblings etc).

A particularly favorable regime is reserved for family businesses, which are granted full exemption from inheritance and donation taxes, on condition that the heirs commit to continuing the business activity or maintaining control of the company for at least five years. These measures aim to ensure the continuity of productive activities and facilitate generational transitions.

According to Article 3, paragraph 4-, of the Consolidated Text of Provisions on Inheritance and Donation Taxes (TUS), as outlined in Legislative Decree 346/1990, and most recently updated through Article 1, paragraph 1, of Legislative Decree 139/2024:

- *From October 3, 2006, an exemption from the tax is in place for transfers, including those made through family pacts*[18]*, of businesses or business branches to descendants.*
- *Specifically, in the case of businesses or business branches, the benefit applies on the condition that the beneficiaries continue the business activity for no less than five years from the date of transfer. For shares and stock in capital companies, the*

[17] Business.gov.nl, https://business.gov.nl/starting-your-business/taking-over-or-inheriting-a-business/inheriting-and-continuing-a-business/

[18] Family pacts: a contract by which, compatibly with family business regulations and respecting the different types of companies, the entrepreneur transfers, in whole or in part, the business, and the owner of corporate interests transfers, in whole or in part, his/her shares, to one or more descendants.

benefit applies on the condition that the beneficiaries retain control for no less than five years from the date of transfer. For other types of shares, the benefit applies on the condition that the beneficiaries retain ownership of the rights for no less than five years from the date of transfer, accompanied by a formal declaration to this effect when filing the inheritance declaration or donation deed.

- *Following the transfer of ownership of the equity financial instrument, the beneficiary must effectively dispose of the powers of control of the company gratuitously received.*

Failure to meet the above conditions results in the benefit being revoked and the payment of the tax at the ordinary rate, administrative penalties, and interest charges accruing from the date the tax should have been originally paid.

The 2025 Budget Law (Law n. 207 of 2024) provides for a reduced alternative corporate tax rate ("imposta sul reddito sulle società" or IRES), from 24% to 20% provided that companies: *(i) allocate 80% of the profits of the previous financial year ending December 31, 2024, to specific retained earning reserve, (ii) reinvest 30% of them in the purchase of new 4.0 and 5.0 fixed assets (it must be at least equal to the 24 per cent of profits by FY December 31, 2023, and the minimum threshold is EUR 20,000), (iii) have maintained stable employment levels in 2024, (iv) increase them by at least 1% in 2025, and (v) the company has not resorted to the wage guarantee fund (CIG) during the fiscal year in progress as of December 31, 2024.*[19]

Italy has exemptions for family businesses that encourage them to remain active economic operators.

Portugal

In 1989, inheritance tax in Portugal was governed by Decree-Law No 252/89 of 9 August 1989 [20] and Law Number 101/189 of 29 December 1989. These laws generally introduced varying inheritance tax rates spanning from 4% to 50% depending on the relationship of the heir to the deceased.

Fast forward to 2004, the Portuguese government abolished inheritance tax, but kept, as of 1st March 2000, the Stamp Duty (Imposto do Selo). This tax is still applied to individuals, who are taxed at the rate of 10%. The Stamp duty means that tax is only levied on property purchases and documents. Moreover, spouses and children are exempt.

Sweden

The inheritance taxation situation in Sweden has showed the potential of having no inheritance tax in promoting business transfers and continuity. Before 1994, inheritance

[19] Italy, PWC, https://taxsummaries.pwc.com/italy/corporate/taxes-on-corporate-income#:~:text=Applicable%20rates,3.9%25%20for%20IRAP.

[20] Diario da Republica, Decreto-Lei n.° 252/89, de 9 de Agosto, https://diariodarepublica.pt/dr/detalhe/decreto-lei/252-619336

tax in Sweden was regulated by the law (1941:416). This law meant that tax was paid to the state for property acquired through inheritance or will. The tax levels varied depending on the value of the inheritance and the relationship between the deceased and the heir. The tax rates ranged from 10% to 70%, with the highest rates applying to non-relatives and the lowest to close family members.

The inheritance tax was broadly criticized for causing hurdles for family businesses succession and causing entrepreneurs and their businesses to leave the country. On top of these negative consequences, it also brought very little income to the state and had a very low dampening effect on wealth inequality in Sweden.

This contributed to the eventual abolition of the inheritance and gift tax in 2005, under the then Social Democrat majority in Parliament. Subsequently, two years later the wealth tax in Sweden was also abolished by unanimous votes in the Swedish parliament.

The abolition of the gift, wealth and inheritance tax in Sweden has had several positive effects on the business sector as it:

- Facilitated Generational Transfers: The removal of the tax has made it easier for family businesses to pass on ownership to the next generation without needing to sell off parts of their business in order to handle the financial burden of paying high inheritance tax. This has helped maintain the continuity and stability of family-owned businesses.
- Increased Investment: Business owners no longer need to withdraw liquid assets from their companies to pay inheritance taxes. This has allowed them to reinvest more profits back into both their own businesses and other business', fostering growth and innovation.
- Attracted Entrepreneurs: The abolition of the tax has made Sweden a more attractive destination for entrepreneurs and investors, as they are assured that their assets can be passed on to their heirs without significant tax liabilities.
- Reduced Administrative Burden: The removal of the tax has also reduced the administrative burden on both businesses and the government, as there is no longer a need to navigate complex tax regulations and filings related to inheritance and gifts.

The abolition of the gift and inheritance tax contributed to a more favorable business environment in Sweden, promoting economic growth and stability. In a study in 2022, Anders Kärnä, Dagmar Müller, Pehr-Johan Norbäck, Martin Olsson, Lars Persson on *The Importance of Family Firms for Resilience and Transformation Capacity in the Swedish Business Sector*, illustrated via data that in times of financial crisis job destruction is lower in family businesses in comparison to non-family businesses. This is a well-known reality within family businesses. Thus, one can argue that preserving intra-family business transfers helps long-term job preservation as during times of economic hardship there is lower job destruction within family firms.

Conclusion: A Call for Continuity and Competitiveness

We recognise that the European Commission has no direct legislative competence in the area of taxation. However, the 1994 Recommendation played a vital role in guiding Member States toward legal, fiscal, and administrative frameworks that have supported business continuity across the Union. It helped shape national policies that made intra-family business transfers more viable — ultimately preserving jobs, local investment, and economic resilience.

Today, that same leadership is needed once again. We respectfully call on the Commission to update and reinforce the 1994 Recommendation, with a clear focus on maintaining exemptions and incentives for intra-family business transfers. In particular, we support conditional exemptions based on continued business activity and employment retention following a transfer. These measures do not undermine tax fairness — they empower businesses to reinvest, grow, and contribute to the EU's twin transition and competitiveness agenda.

Predictability and policy coherence are more critical than ever for SMEs in a time of rising uncertainty and structural challenges. Business owners need stable, supportive frameworks that allow them to plan for succession while continuing to invest in innovation, employment, and sustainability.

We remain at the Commission's disposal to engage further on these points, and we thank you for considering the strategic importance of business transfers in shaping Europe's economic future.

MAY 2025

***European Family Businesses (EFB)** is a federation of 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 conductive to long term entrepreneurship. Our members represent turnover in excess of one trillion Euro, 10% of European GDP.*