

# Small Business Act

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**PURPOSE:** to present an initiative entitled a 'Small Business Act' for Europe (SBA) to fully unlock the growth and jobs potential of European SMEs.

**CONTENT:** in a globally changing landscape characterised by continuous structural changes and enhanced competitive pressures, the role of SMEs has become even more important as providers of employment opportunities but they 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.

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. This is why the 'Small Business Act' aims to improve the overall policy approach to entrepreneurship, to irreversibly anchor the 'Think Small First' principle in policymaking from regulation to public service, and to promote SMEs' growth by helping them tackle the remaining problems which hamper their development.

The SBA builds on the Commission's and Member States' policy achievements, creates a new policy framework which integrates the existing enterprise policy instruments, and builds in particular on the European Charter for Small Enterprises and the Modern SME policy. To implement this ambitious policy agenda, the Commission is proposing a genuine political partnership between the EU and Member States through:

A set of 10 principles to guide the conception and implementation of policies both at EU and Member State level:

1. create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded;
2. ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance;
3. design rules according to the 'Think Small First' principle;
4. make public administrations responsive to SMEs' needs;
5. adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs;
6. facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions;
7. help SMEs to benefit more from the opportunities offered by the Single Market;
8. promote the upgrading of skills in SMEs and all forms of innovation;
9. enable SMEs to turn environmental challenges into opportunities;
10. encourage and support SMEs to benefit from the growth of markets.

A set of new legislative proposals which are guided by the 'Think Small First' principle in four areas that particularly affect SMEs:

1) General Block Exemption Regulation on State Aids (GBER): this Regulation, to be adopted shortly, will exempt from prior notification categories of State Aid already covered by existing regulations in the field of aid to SMEs, for training, employment, R&D and regional aid and possibly also for new categories of aid. The new Regulation will simplify and harmonise existing rules for SMEs and increase investment aid intensities for SMEs.

2) Regulation providing for a Statute for a European Private Company (SPE): this Regulation provides for a Statute for an SPE that could be created and operate according to the same uniform principles in all Member States. The Commission will also come forward with the necessary amending proposals to ensure that this new company form can benefit from the existing corporate tax directives.

3) Directive on reduced VAT rates: this Directive, which will be proposed shortly, will offer Member States the option of applying reduced VAT rates principally for locally supplied services, which are mainly provided by SMEs.

4) As part of the SBA the following proposals will be prepared: i) a legislative proposal to further modernise, simplify and harmonise the existing rules on VAT invoicing to alleviate the burden on businesses; ii) an amendment to the Directive 2000/35/EC on late payments with a view to ensuring that SMEs are paid on time for any commercial transaction.

A set of new policy measures which implement these 10 principles according to the needs of SMEs both at Community and at Member State level.

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.

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.

Lastly, 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 should be 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.