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## State of the SME Union

### European Parliament resolution of 13 July 2023 on the state of the SME Union (2023/2750(RSP))

(C/2024/4013)

*The European Parliament,*

- having regard to Article 3(3) of the Treaty on European Union,
- having regard to the Commission communication of 10 March 2020 entitled 'A New Industrial Strategy for Europe' (COM(2020)0102),
- having regard to the Commission communication of 10 March 2020 entitled 'An SME Strategy for a sustainable and digital Europe' (COM(2020)0103),
- having regard to the Commission communication of 5 May 2021 entitled 'Updating the 2020 New Industrial Strategy: Building a stronger Single Market for Europe's recovery' (COM(2021)0350),
- having regard to Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions (¹) (Late Payment Directive),
- having regard to its resolution of 16 December 2020 on a new strategy for European SMEs (²),
- having regard to the Commission report of 27 June 2023 entitled 'Annual Report on European SMEs 2022/2023 – SME Performance Review 2022/2023',
- having regard to the 2022 State of the Union address by Commission President Ursula von der Leyen at the European Parliament plenary of 14 September 2022,
- having regard to Rule 132(2) and (4) of its Rules of Procedure,

A. whereas European small and medium-sized enterprises (SMEs) have faced significant challenges and hardships because of the COVID-19 pandemic and Russia's war of aggression against Ukraine, both of which have led to disruptions of global value chains and persistent inflation;

B. whereas Article 3(3) of the Treaty on European Union refers to the single market, sustainable development and the social market economy;

C. whereas SMEs are the backbone of our economy, as they make up 99 % of all businesses in the EU, employ around 100 million people and account for more than half of Europe's gross domestic product;

D. whereas micro-enterprises represent an appreciable share of European SMEs and very often have difficulties in accessing finance and in gaining a complete knowledge of available opportunities at European and at national level; whereas this category of enterprises was also hit very hard by the COVID-19 crisis and, without prejudice to the current definition of SME, it deserves to receive more assistance and be better promoted;

E. whereas in the October 2022 joint survey by the European Central Bank and the Commission, SMEs were the most pessimistic about the overall economic outlook ever recorded; whereas as regards the access to finance of enterprises, SMEs also highlighted banks' decreasing willingness to lend and the shrinking availability of credit lines;

(¹) OJ L 48, 23.2.2011, p. 1.

(²) OJ C 445, 29.10.2021, p. 2.

- F. whereas the 2022/2023 annual report on European SMEs highlighted the fact that inflation rates have caused interest rates to rise, which in turn have reduced access to public and private finance; whereas the same report recommended that measures aimed at mitigating the negative impacts of inflation should focus on enhanced access to finance for SMEs; whereas the report underlined the lack of skilled workers as an obstacle for SMEs across the EU;
- G. whereas industrial operational expenditure in Europe is high compared to global competitors; whereas this expenditure is largely driven by high-energy prices, as well as a high regulatory burden;
- H. whereas European competitiveness is lagging behind other developed economies, threatening Europe's potential to generate wealth and prosperity; whereas EU legislation must be properly balanced between fostering growth, entrepreneurship, climate adaptation and business productivity;
- I. whereas regulatory burdens should be markedly reduced, including the costs of compliance created by over-regulation and overly complex administrative procedures and reporting obligations;
- J. whereas only 17 % of SMEs have successfully integrated digital technology into their businesses; whereas digitalisation is crucial for strong economic growth and job creation in the single market;
- K. whereas the Commission's use of the innovation principle when preparing new legislative proposals would significantly improve the market conditions for innovative SMEs in Europe, as it would foster healthy competition in the single market and speed up Europe's twin transitions;
- L. whereas during her 2022 State of the Union address, the Commission President announced that the Commission would propose an SME relief package; whereas she also announced that the Late Payment Directive would be revised because it was not fair that one in four bankruptcies in the EU were due to invoices not being paid on time;
- M. whereas the European Parliament, representing the interests of EU citizens, acknowledges the crucial role of SMEs in fostering economic growth, job creation and social cohesion;

1. Calls on the Commission to carry out an overall assessment of the cumulative effect of EU legislation on SMEs in the EU, with a view to proposing simplifications where needed, as well as an enabling framework to ensure that the EU is the best place to establish SMEs in terms of competitiveness and growth;

2. Underlines the need to prevent excessive bureaucracy and gold-plating and to reduce the regulatory burden for SMEs to the absolute minimum, while maintaining the highest standards for consumers, workers, health and environmental protection;

#### ***SME relief package***

3. Calls for the urgent adoption of a revised Late Payments Directive, providing SMEs with a robust and predictable legal framework to address payment delays in both business-to-business and business-to-government relations, while ensuring a balanced approach that preserves the freedom of contracts;

4. Notes that late payments remain a major threat to the survival of SMEs, particularly in the current climate of high inflation and increased energy costs; highlights that an estimated one out of four bankruptcies in the EU are due to invoices not being paid on time;

5. Supports the establishment of an observatory on late payments, as announced in the SME strategy, in order to monitor trends and developments in the timeliness of payments made to SMEs, while at the same time respecting commercially sensitive information; urges the Commission to support the widespread use of digital tools such as e-invoicing and automated payment processes, in order to increase transparency, security and efficiency;

6. Urges the Member States to ensure that the Temporary Crisis and Transition Framework fully encompasses SMEs in its implementation; calls on the Commission to ensure fair competition for SMEs and to prevent distortions in the single market caused by temporarily relaxed State aid rules; asks the Commission to assess a possible revision of the State aid rules in order to evaluate how the interests of SMEs are safeguarded;

7. Highlights the need to assess the current definition of SMEs in order to facilitate their access to venture capital and to create a standard definition of mid-cap companies; regrets that there is no proposal to strengthen the InvestEU SME window in the multiannual financial framework review;

8. Welcomes the Commission President's announcement in her 2022 State of the Union address of a proposal, as part of the SME relief package, for a single set of tax rules for doing business in Europe, the Business in Europe: Framework for Income Taxation (BEFIT); takes note of the Commission's intention to present the BEFIT proposal on 12 September 2023 with a view to designing a new and single EU corporate tax rulebook; understands that the BEFIT initiative should represent an opportunity to tackle the costs associated with tax compliance and to reduce the administrative burden, while helping to minimise aggressive tax planning and foster a level playing field for SMEs;

9. Observes that companies are coping with a volatile business environment and increasing number of EU tax directives, in particular following Member States' conclusion of international agreements; regrets that the effective tax rate for multinational enterprises is usually much lower than that for SMEs; believes that Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union <sup>(3)</sup> will help to reduce the current gap;

10. Calls on the Commission to make sure that the specific demands of SMEs are met, by keeping BEFIT always optional for SMEs, especially those not doing cross-border business;

11. Takes note of the Commission's intention, under the proposed BEFIT rules, to allow SMEs that have cross-border operations in other Member States to operate under the tax administration they know best;

### ***Improved access of SMEs to finance***

12. Notes that current economic challenges and increasing interest rates have led to tighter conditions for SMEs trying to access financing; calls on the Commission to increase its efforts on the capital markets union (CMU) and to unlock funding for Europe's growth;

13. Welcomes the Commission's work on the listing act package, which aims to improve access to stock markets, particularly for SMEs, by alleviating the administrative burden associated with listing an enterprise on stock exchanges; welcomes the publication of the Listing Act; acknowledges its potential to facilitate capital access for SMEs and enable their scalability; recognises the opportunity to strengthen the CMU in order to increase investments in SMEs across the EU and emphasises the need to prioritise equity funding for SMEs within the CMU project;

14. Reiterates the importance of channelling investments towards SMEs in order to contribute to reducing social inequalities;

15. Calls for work on a European strategy on export credits for SMEs to be accelerated in order to provide a consistent and effective supply of export credit guarantees across the EU;

16. Highlights the need to support SMEs experiencing financial difficulties by offering adequate financial and non-financial support to avoid bankruptcy; calls on the Member States to implement the Preventive Restructuring Directive <sup>(4)</sup>;

<sup>(3)</sup> OJ L 328, 22.12.2022, p. 1.

<sup>(4)</sup> Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (OJ L 172, 26.6.2019, p. 18).

17. Notes the Commission's proposal for a retail investment strategy that places consumers' interests at the centre of retail investing; reiterates the importance of ensuring that SMEs see their funding options improved as a result of retail investors' higher participation in the capital markets, which should be an outcome of this strategy;

18. Calls for the twin transitions of decarbonisation and digitalisation to be supported, as SMEs are the backbone of our economy and therefore a cornerstone of European long-term competitiveness;

19. Recalls the necessity of a level digital playing field that ensures interoperability and non-discriminatory access to data, which would allow SMEs to thrive in a fair European data economy;

20. Calls for the uptake of artificial intelligence (AI) to be facilitated by promoting the creation of SME alliances for AI in strategic value chains;

21. Acknowledges that the climate crisis requires the net-zero transition of millions of SMEs in the EU; calls on the Commission and the Member States to increase their efforts to make sustainable finance a better fit for SMEs;

22. Stresses the importance of engaging SMEs in dedicated programmes and resources within the Green Deal Industrial Plan, particularly in the development of clean technology;

23. Recalls that the European Innovation Council (EIC) is a new and unique European funding programme designed to provide deep-tech start-ups with a one-stop shop for finance to enable them to develop their innovation from an early idea to a marketable product, as well as to scale up the company; welcomes the EIC's increased budget allocation, as well as the expanded scope of its equity activities, under the proposal for a strategic technologies for Europe platform; encourages the Commission to earmark a portion of the proposed strategic technologies for Europe platform specifically for SMEs;

24. Calls for further incentives to encourage SME participation in the Horizon Europe funding calls, ensuring that the sub pillar on SMEs within the EIC has the flexibility to mobilise funds quickly and increase its budget when necessary;

25. Calls for a single contact point to be designated within the Commission to provide clear guidance and support for SMEs; calls for the establishment of a single digital gateway serving as a one-stop shop, consolidating all relevant financial and non-financial support, forms and information for all undertakings, including SMEs; calls for the inclusion of all reporting requirements under EU legislation, as well as those arising from the Fit-for-55 package, in a single reporting instrument which can be designed with specific requirements and ready-to-use key performance indicators for companies on a flexible basis; emphasises that this instrument should also provide a link to EU tender and funding opportunities, thereby enabling undertakings to succeed in the twin digital and green transitions;

26. Encourages the Member States to share best practices and develop complementary procedures at national level, particularly those that benefit micro and small businesses;

27. Supports the introduction of measures to increase SMEs' participation in public procurement, including simplified tendering processes and increased utilisation of digital tools for cross-border procurement;

28. Calls for the urgent removal of barriers to cross-border business operations and intra-EU investments in order to establish a fully fledged single market for all economic activities;

29. Urges the Commission to appoint the promised SME envoy without delay; believes that the SME envoy should be a central position under the President of the Commission to allow oversight over SME issues in all directorates-general; believes that one of the SME envoy's main tasks should be to create a level playing field for cross-border business and address gold-plating;

30. Believes that the Regulatory Scrutiny Board must be expanded and staffed by mostly independent experts;

31. Calls on the Commission to update the Recovery and Resilience Scoreboard to enable a monitoring system capable of tracing SMEs as beneficiaries; stresses the importance of collecting granular data to evaluate SMEs in specific sectors;

32. Highlights the need to include the SME perspective in the VAT (value added tax) in the Digital Age package; calls for the development of guidelines tailored to SMEs to support their modest access to the benefits of the single market;

33. Urges the Commission to publish an SME-dedicated toolbox outlining measures and instruments available for Member States to support SMEs during the energy crisis; encourages the Member States to share best practices, particularly regarding fiscal policies that mitigate the impact of inflation and disruptions in value chains on SMEs;

#### ***Policy tools suited for SMEs***

34. Strongly supports the Commission's introduction of a competitiveness check as part of its preparation for new legislation; believes that this check should be firmly embedded in the institutional framework of the Commission;

35. Calls for the innovation principle to be implemented and assessed for all new and revised legal acts proposed by the Commission with a view to encouraging innovations that help to achieve the EU's environmental, social and economic objectives and to anticipating and harnessing future technological advances; invites the Commission to analyse the potential negative impact of new proposed legal acts on developing innovations and bringing them to the market;

36. Calls for the 'one in, one out' principle to be applied in order to stabilise the EU's regulatory burden at its current, albeit high level; calls on the Commission to consider best practices at national level, including assessing a reduction of the regulatory burden affecting SMEs by at least 30 % in order to decrease cost pressures and promote competitiveness; encourages the Commission and the Member States to streamline procedures and implement the 'once only' and 'digital by default' principles, thereby facilitating administrative processes for SMEs;

37. Calls for the consistent application of the 'think small first' principle in internal deliberations and for strengthening SME input mechanisms, with explanations of the rationale for disregarding their input if duly justified; acknowledges the importance of SME panel consultations and regrets the fact that their use is restricted by a lack of resources;

38. Calls for the EU and its Member States to work to improve access to skilled labour; Emphasises the importance of skilling, upskilling and reskilling employees of SMEs, particularly during the 2023 Year of Skills; urges the Commission to assess policies allowing SMEs to maintain a skilled workforce; underlines that initiatives such as the Pact for Skills, digital crash courses, the network of sustainability advisers and digital innovation hubs should prioritise technical assistance for SMEs and training their employees; calls for the European Social Fund Plus, the Just Transition Fund and the European skills agenda to adequately address the specific needs of SMEs; is of the opinion that digital literacy, public procurement literacy and financial education and chain management skills are essential for increasing SMEs' competitiveness;

39. Reiterates its call on the Commission to put forward a legislative proposal for a European social security pass to facilitate labour mobility and improve digital enforcement of social security rights, with a view to providing national authorities and social partners with a real-time instrument to effectively enforce national and EU law, including verification of A1 portable documents;

40. Recalls the importance of promoting social dialogue when designing and implementing SME policies, in line with the European Pillar of Social Rights;

41. Regrets the fact that a gender gap still persists in entrepreneurship and access to finance for micro, small and medium-sized enterprises led by women; calls on the Commission to assess the barriers that still prevent women from fully unleashing their entrepreneurial potential and to enhance the exchange of best practices when it comes to boosting women's skills and self-confidence in this area;

42. Highlights the need to reduce administrative burdens and simplify the recruitment of skilled non-EU nationals for SMEs, including by exploring the possibility of enabling industry or business associations to act as certified employers on behalf of their SME members;

43. Calls for the implementation of favourable policies to support the transmission of family-run SMEs and foster the entrepreneurial spirit of the next generation; urgently calls for the undertaking of a thorough assessment of the implementation of the Preventive Restructuring Directive; encourages the inclusion of business transfer promotion measures in the SME relief package, such as the facilitation of a European-wide business transfer barometer;

44. Welcomes, as a first step, the Commission's announced push to rationalise and simplify reporting requirements for companies and administrations by reducing reporting obligations by 25 %; recalls, however, that reporting obligations only account for a small portion of the regulatory burden and that therefore more drastic measures are needed; believes that the planned reduction in reporting obligations should apply to both current and upcoming legislation;

45. Believes that the EU should promote simple and user-friendly digital tools to enable SMEs to navigate the EU regulatory environment;

46. Calls on the Commission to encourage the dissemination of best practices and access to accurate data to support safe transfers and continuity, in particular for family businesses, where continuity between generations is of the utmost importance;

47. Believes that the EU needs to reinforce its principle of 'big on big things, small on small things' to better ensure proportionality and subsidiarity and to create a thriving business environment for our SMEs;

48. Calls for improved comprehensive impact assessments with a special focus on SMEs, including a binding SME test within the impact assessment phase to fully assess the economic impact, including compliance costs, of legislative proposals on SMEs; calls for the test to be updated throughout the whole legislative process; recommends a comprehensive review of the SME test introducing the use of appropriate tools to facilitate SMEs' input, the regular revision of impact assessments and differentiation between different SME size categories; draws attention to the importance of solid impact assessments taking the competitiveness of European businesses into account;

49. Stresses the importance of introducing simplified requirements and buffer periods for SMEs in legislative proposals in order to facilitate compliance; calls on the Commission to involve SMEs in the process of drafting secondary legislation;

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50. Instructs its President to forward this resolution to the Council and the Commission.