



Empowering European Enterprises

The forthcoming Small Business Act for Europe is a valuable opportunity to re-evaluate the current regulatory environment and to carry out reforms that will genuinely strengthen the competitiveness of European SMEs – at local, national, EU and global level.

A fresh approach to SME policy-making in Europe

Improving the growth prospects of SMEs – whether start-ups or mature family businesses – brings benefits to consumers, increases employment levels, stimulates more trade. It is enterprises' ability to add sustainable economic value which will determine the success or less of the Lisbon Strategy, ensuring that Europe can rise to the challenge of a global economy.

The ICAEW advocates a policy framework which recognises the diversity of European enterprises and enables them to fulfil their potential, whilst safeguarding business confidence and upholding key societal goals. Policy-makers should take an outcome-focused approach to SME policy, concentrating on the definition of overall regulatory goals and principles. SMEs should be allowed greater flexibility in the way they choose to approach such objectives so long as the overall policy aim is fulfilled.

Stakeholders must be engaged in delivering the benefits of a modernised EU SME policy. As one of the most consulted sources of advice by SMEs, accountants play a key role in providing business support to ensure business success. Accountants also help enterprises by signposting appropriate sources of information, increasing finance knowledge, promoting investment readiness and encouraging greater entrepreneurship.

Regulating SMEs more effectively

As noted in our response to the European Commission's consultation on a Small Business Act, we acknowledge that there have been concerted efforts at European and national levels to improve the business environment for enterprise. However, there remains more that can be done, including:

- ***Ensuring a consistent application of the current SME definition across all EU legislation, particularly in relation to micro-entities***
- ***Assessing the need for well thought-out and coherent exemptions to create a level playing field for enterprises – especially micros – currently facing a disproportionate regulatory burden***
- ***Applying a micro-test to policy which is mindful of the needs of the majority group of businesses, lacking the resources or established business models of larger companies***
- ***Introducing common commencement dates across the EU which take account of existing national approaches and are properly communicated to the business community***
- ***Reducing the cumulative impact of employment, health and safety legislation by further extending the Commission's Action Programme on the Reduction of Administrative Burdens to policies in this area***
- ***Taking a more modern and principle-based approach to company law, accounting and auditing, where necessary repealing or simplifying company law Directives addressing domestic situations***

Enabling entrepreneurs

European enterprises must be able to succeed in a world of opportunity and change. This requires a more entrepreneurial mindset and a more supportive environment. SMEs will benefit from faster start-up and business transfer procedures and must have easy access to ongoing advice and business support. Measures which could be taken include:

- ***Engaging all relevant stakeholders to improve enterprise education and upgrade basic skills, fully leveraging all available education tools, including at EU level (i.e. Europa Diary, DOLCETA website)***

- ***Reducing any persistent delays associated with setting-up companies in Member States thereby also spurring SMEs to set up cross-border subsidiaries***
- ***Raising awareness of the importance of succession planning and promoting better understanding of the different options available***
- ***Improving the quality of start-ups and the ability of SMEs to grow by enhancing access to streamlined business support, with public services complementing private sector offerings***

Facilitating access to markets and finance

The ICAEW Enterprise Survey, an annual poll of our business members, indicates that the majority of SMEs aspire to strong growth rates and are actively engaged internationally. However, more can be done to facilitate their access to finance and to encourage their entry into new markets, such as:

- ***Undertaking further review of VAT rules and fast-tracking actions in this area as part of the Action Programme on the Reduction of Administrative Burdens, with attention also paid to the problem of double taxation***
- ***Progressing work on a common consolidated tax base, ensuring that the proposals will substantially reduce the tax compliance on SMEs***
- ***Enhancing coordination and promotion of the different forms of available finance in a ‘one-stop-shop’ whilst providing a comprehensive survey of the kinds of finance and associated regulatory frameworks across the EU Member States***
- ***Improving access to public procurement and EU funding by simplifying prequalification requirements, streamlining the application process and minimising the necessary paperwork***
- ***Ensuring that Member States can introduce international accounting standards (IFRS) for medium sized companies to facilitate the reporting processes of those businesses present in or trading across multiple jurisdictions***
- ***Developing an action plan to encourage and support European SMEs to trade with and invest in Africa***

Implementing SME policy

For a modern SME policy to truly support European entrepreneurs, it must be mainstreamed in all relevant policy areas and supported by all concerned policy-makers at EU and national level. Steps to enhance the design and implementation of SME policy include:

- ***Assessing the use of ‘regulatory budgets’ setting out the maximum costs of new regulation that can be introduced by a given governmental department or Commission Directorate-General within a set period of time***
- ***Developing a network of small business expertise across the Commission and establishing a forum for discussion with national SME experts***
- ***Ensuring policy-makers understand the needs of SMEs by enhancing training and encouraging secondments with small businesses***
- ***Underpinning policy with a proper evidence base in particular the research outputs of the SME Observatory, following review, refocus and relaunch of the Observatory’s activities.***

The Institute of Chartered Accountants in England and Wales

As a world leading professional accountancy body, the Institute provides leadership and practical support to over 130,000 members in more than 140 countries, including over 50,000 who work in a direct business capacity. Our membership includes finance directors and chief executives across all sectors of the economy, from large multinationals to SMEs. Working as employers, investment specialists and business advisors, our members possess a unique understanding of some of the key issues facing enterprises today.

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