

Policy Brief

The SME policy of the European Union

This Policy Brief introduces some initiatives and policies forming the SME policy of the European Union, the European Small Business Act considered as the overarching policy.

1. SMEs in Europe - an overview

Growth in Europe is unthinkable without the 23 million small and medium-sized enterprises (SMEs). They represent 99.8 percent of all European companies and form the foundation for innovation, competition and jobs. SMEs provide two thirds of private sector jobs (almost 90 Million) and contribute to more than half of the total added value created by businesses in the EU. Nine out of ten SMEs are actually micro enterprises with fewer than 10 employees. They account for nearly 30% of the total employment in this sector.

SMEs need appropriate framework conditions to develop their growth potential.

What is an SME?

Small and medium-sized enterprises (SMEs) are defined in the [EU recommendation 2003/361](#).

The main factors determining whether an enterprise is an SME are:

1. **staff headcount** and
2. either **turnover** or **balance sheet total**.

Company category	Staff headcount	Turnover	or	Balance sheet total
<i>Medium-sized</i>	< 250	≤ € 50 m		≤ € 43 m
<i>Small</i>	< 50	≤ € 10 m		≤ € 10 m
<i>Micro</i>	< 10	≤ € 2 m		≤ € 2 m

These ceilings apply to the figures for individual firms only. A firm that is part of larger group may need to include staff headcount/turnover/balance sheet data from that group too.

Business Conditions and main challenges reported by SMEs

A survey run by the European Central Bank in autumn 2016 shows that finding customers is the most pressing problem SMEs face (25% of respondents, down from 27% in the previous round but up from 20% in 2014).

“Access to finance” was considered the least important concern (9%, from 10%), after “Cost of production” (12%), “Regulation” (12%), “Competition” (13%) and “Availability of skilled labour” (19%).

2. The EU policy on SMEs

The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation and social integration in the EU.

That is why creating a small-business friendly environment for existing SMEs and potential entrepreneurs and contributing to making Europe a more attractive place for doing business is one of the EU's main objectives. The European Commission is closely cooperating with the Member States on developing SME-friendly policies, monitoring the progress in their implementation and sharing best practices.

The beginning of joint SME EU policy: the European Charter for Small Enterprises

The first step taken by European institutions in order to draft a joint SME policy took place with the adoption of the European Charter for Small Enterprises by the "General Affairs" Council and the approval of this Charter at the European Council in year 2000. The Charter recommends that governments focus their strategic efforts in ten pathways for action which are of vital importance for the environment in which Small Enterprises operate.

3. What the European Union does

The Small Business Act (SBA)

In 2008, the European Union took a step further in the development of a comprehensive SME policy with the implementation of the Small Business Act. The SBA is the framework and the basis for the EU policy on SMEs. It aims to improve the approach to entrepreneurship in Europe, simplify regulations and remove existing barriers for SMEs by anchoring the "Think Small First" principle in European politics and administration.

The framework should also help companies to grow stronger and faster.

The SBA includes ten principles with a variety of measures by which the EU intends to strengthen SMEs, from facilitating financing, better access to procurement procedures, through to encouraging start-ups led by women. In addition to its own actions, the European Commission has also put forward suggestions regarding how Member States can implement the principles.

What regions can do to support the implementation of the SBA at regional level is explained in a previous policy brief published by the SME competitiveness Policy learning Platform (PLP).

The SME Performance Review

The SME performance Review is one of the main tools the European Commission uses to monitor and assess the countries' progress in implementing the SBA. The review provides information on the performance of SMEs in EU Member States and partner countries.

The Green Action Plan for SMEs

The Green Action Plan (GAP) for SMEs aims at helping them to take advantage of the opportunities offered by the transition to a green economy. It presents ways for SMEs to turn environmental challenges into business opportunities.

The GAP wants to raise SMEs' awareness of the potential the resource efficiency and the circular economy have for productivity, competitiveness and business and to inform SMEs

about various EU resource efficiency actions under the different European funding programmes like COSME, Horizon 2020 and LIFE.

The Green Action Plan focuses on actions at European level which are designed to fit in with - and reinforce - existing 'green' initiatives to support SMEs at national and regional levels.

The Entrepreneurship 2020 Action Plan

The Entrepreneurship 2020 Action Plan aims at unleashing Europe's entrepreneurial potential. According to the European Commission, Entrepreneurship has a key role in the creation of new companies and SMEs represent the most important source of new employment in the EU.

The Entrepreneurship 2020 Action Plan proposes three main areas of intervention aiming at enhancing entrepreneurial education and support to business creation:

1. Strengthen framework conditions for entrepreneurs by removing existing structural barriers,
2. Support to entrepreneurs in crucial phases of the business lifecycle,
3. Spreading the culture of entrepreneurship in Europe in order to nurture a new generation of entrepreneurs.

Taxation and SMEs

Most European SMEs consider taxation matters to be the most burdensome policy. While large enterprises can usually call on tax experts for advice on how to optimise their net profits, SMEs have many difficulties regarding tax matters, for example:

- indirect taxation (VAT)
- direct taxation (income, capital, double taxation, etc.)
- tax compliance costs; the administrative burden that arises from tax rules.

The EU carries out studies and projects in the field of SME taxation to find out how their tax situation could be improved.

The European SME week

The European SME Week is a pan-European campaign coordinated by the European Commission that aims to promote entrepreneurship in Europe. Plenty of events all over Europe support entrepreneurs with information and try to encourage more people to set up their own businesses. The main event of the European SME Week is organised yearly in autumn.

Enterprise Europe Network

SMEs operate mainly at national level. Only few SMEs are engaged in cross-border cooperation within the EU. The Enterprise Europe Network helps SMEs with European and international ambitions to make the most out of business opportunities in the EU and beyond. It is a one-stop-shop for all business needs. With 600 partner organisations in more than 60 countries, the Enterprise Europe Network is the world's largest support network for SMEs.

The partner organisations combine international business expertise with local knowledge to help entrepreneurs take their innovation into European and international markets. It provides support related to information on access to market, how to overcome legal obstacles and identify potential business partners across Europe.

▪ Other Information Portals

- The EU supports several other information portals to provide support and information to SMEs: [The European Small Business Portal gathers all the material provided by the EU about and for SMEs.](#)
- [The SME Internationalisation Portal](#) provides information on (semi) public support service providers in the EU and on international markets.
- [The Intellectual Property rights helpdesk](#) provides free advice and training sessions on IP issues for SMEs.

Further Links:

- https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act_en
- <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>
- <https://ec.europa.eu/growth/smes/promoting-entrepreneurship/action-plan/>
- https://ec.europa.eu/growth/smes/business-friendly-environment/green-action-plan_en
- <https://een.ec.europa.eu/>
- <https://www.ecb.europa.eu/pub/pdf/other/accesstofinancesmallmediumsizedenterprises201611.en.pdf?862f53698b8f84e198d67572453c4465>

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