Implementation of the European Charter for Small Enterprises

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The European Parliament adopted a resolution based on the own-initiative report drafted by Dominique **VLASTO** (EPP-ED, FR) on implementing the European Charter for Small Enterprises. (Please refer to the summary of 29/11/2005.)

The European Charter for Small Enterprises: Parliament welcomed the application of the Charter beyond the EU to accession and candidate countries. The Charter is playing a positive role in the preparation of the accession and candidate countries, and the Charter's implementation should be encouraged in the pre-accession strategy. Parliament highlighted both the responsibility of the Member States and EURO-MED partner countries for more thorough implementation of the Charter and highlighted the importance of small enterprises in delivering the Lisbon objectives. Whilst the open method of coordination between the states is relevant, it should not exonerate the Commission from active participation in implementing the Charter. Parliament felt that, with due regard for the special purpose of the Charter, the latter’s actions for small businesses should be incorporated in, and supplemented by, the general policy for SMEs based on binding measures not only at Community level but also within Member States. Sharing of best practice should be specifically encouraged. Parliament pointed out that the concept of 'small enterprise' includes businesses of different sizes, character and activity, whose situations and requirements vary. The Commission should use the mechanisms of the Charter and to cooperate with professional organisations representing small enterprises to overcome the lack of available information on such enterprises Bearing in mind the specific nature of craft enterprises, detailed economic and statistical analyses of such enterprises should be carried out and a fresh boost be given to work on craft enterprises.

The content of the Commission's report: Parliament noted that the report does not give a consistent overview of the situation in all Member States, and called on the Commission, in future reports, not only to analyse individual countries but to carry out a critical assessment of all Member States in order to make specific comparisons possible. It also noted that progress in the area of entrepreneurship is rather patchy and in many cases has little effect in terms of actual benefits for enterprises. Better coordination with the Entrepreneurship Action Plan is required. Parliament stressed, in particular, the need to enhance the opportunities of small and micro-businesses to make use of European programmes given the difficulties they encounter in gaining access to such programmes.

Parliament welcomes the progress made by the Member States in the area of legislation on bankruptcy. It pointed out that a number of financial obstacles are still hampering the development of small and micro-businesses, particularly their access to lending, and that measures to this end should therefore be taken at Community level. The European Investment Bank and European Investment Fund should be better used to support the growth of such businesses, especially those working in the field of innovation and technological development. Also, facilitating the transfer of businesses will significantly boost the viability of small businesses. Parliament went on to draw attention once again to persistent fiscal impediments, particularly as regards investment. This action area should be a priority, in order to give SMEs easier access to capital. It suggested, for instance, that European subsidies for small businesses should be exempt from corporation tax.

Tax and administration systems relating to the creation and the development of small businesses should be simplified. Parliament felt that tax obstacles to all forms of cross-border economic activity should be eliminated, for instance by a common system of value added tax, and that the fight against illegal state aid in the form of harmful tax competition should continue. It supported in particular the Commission

proposals for a pilot scheme for home state taxation for SMEs, which provide a short-term solution for small businesses and supplement the principal measure in this area - the common consolidated corporate tax base. Member States must reform and simplify their tax systems relating to the creation and the development of small businesses, to provide incentives for innovative companies and to abolish disadvantages created by tax systems for equity financing.

Parliament also felt that the Member States and the Commission have failed to grasp the scale of the considerable challenge that the EU will face over the next ten years as millions of small and craft enterprises cease to operate because of the retirement of those who run them, with the danger that several million jobs will be lost. It is a major priority for the Union to ensure that such enterprises are handed on, and there must be a strategy for this.

Parliament emphasised the importance of training and felt that additional priorities should be introduced into the Charter, such as the promotion of entrepreneurship as a true value of society, a considerable reduction of the stigma attached to entrepreneurial failure, enhanced cooperation between small enterprises, education and research institutions and support for intensive cooperation between the aforementioned actors, financial institutions and capital markets.

Evaluating the Charter's implementation: Parliament stressed that if the Charter had force of law and were binding, as the European Parliament has regularly requested, the involvement of Member States would be greater, making it possible to carry out a fuller and more detailed analysis. Parliament was concerned at the excessive degree of latitude allowed to Member States as to whether or not to participate in the implementation of the Charter. It deplored the fact that some Member States are not properly implementing all the Charter's action lines and are refusing to undertake the structural reforms needed for small enterprises. It called on the Council to address this question so as to play a greater role in monitoring the implementation of the Charter.

Parliament called on the professional organisations of small businesses to deliver an opinion on the Charter's implementation at both national and European level. It wanted to see them more closely involved, both during the framing of policies and in all the decisions taken at Community level regarding small enterprises, by setting up standing working groups for this purpose.

The Charter's future: Parliament regretted the fact that there will be no more annual Charter reports in future, as Charter reporting will from now on be absorbed into Lisbon reporting. While this would make it possible to rationalise follow-up action for the two instruments, it is not acceptable for implementation of the Charter to become merely a subheading of the Action Plan. This solution would be acceptable only under certain prescribed conditions, inter alia, retaining the small and micro-businesses dimension of the Charter, with actions specifically intended for them; and setting up a specific follow-up and evaluation mechanism for the accession and candidate countries, and associated states that are not party to the Action Plan. Parliament stressed that including the follow-up to the implementation of the Charter as part of the Lisbon Strategy must not be an end in itself, and should not be at the expense of the content and substance of the annual reports forwarded by the states concerning follow-up to the Charter. These national reports must continue to focus on the introduction of best practice, experimentation, the presentation of concrete legislative measures and specific political commitments aimed at small and micro enterprises.