

THINKING SMALL FIRST

The European Commission's review of the Small Business Act truly puts micro- and small businesses on the top of the agenda. **Tina Sommer** reports

Most of us will have heard about the Small Business Act (SBA) and its core principle 'Think Small First'. Although this Act is not legally binding as such, Member States report on their progress to the European Commission. One of the most visible results of this agreement was the Late Payment Directive, which will place an obligation on public bodies to pay invoices within 30 days and businesses to pay invoices within 60 days.

Other improvements resulting from the proposals and 10 core principles in the SBA are, for example, the 'SME test' for any proposed legislation, an e-invoicing directive to simplify cross-border trade and a European private company form that is still to be agreed. Most of these benefits are being implemented in the UK.

MOVING ON UP

The Commission has now undertaken a review of this Act and has come out with a paper that truly puts micro- and small businesses at the top of the agenda. The review is full of new objectives and will hopefully convince Member States to start singing from the same hymn sheet.

For the first time, the Commission is willing to accept that not all SMEs are the same and size matters greatly. It will now adjust its SME tests to also look at effects on micro-companies where relevant and urge Member States to do the same. Distinguishing between micro-, and small- and medium-sized businesses will open the door to exemptions of expensive and complicated legislation. This is a major improvement and we have been fighting for this for a very long time.

In addition to the 'Think Small First' principle, an 'only once' principle will ensure that enterprises will not have

to re-submit information that the authorities have already received by another route, whether at a European or local level. A new 'fitness test' will establish whether new regulations are actually fit for purpose and, if not, how they should be improved.

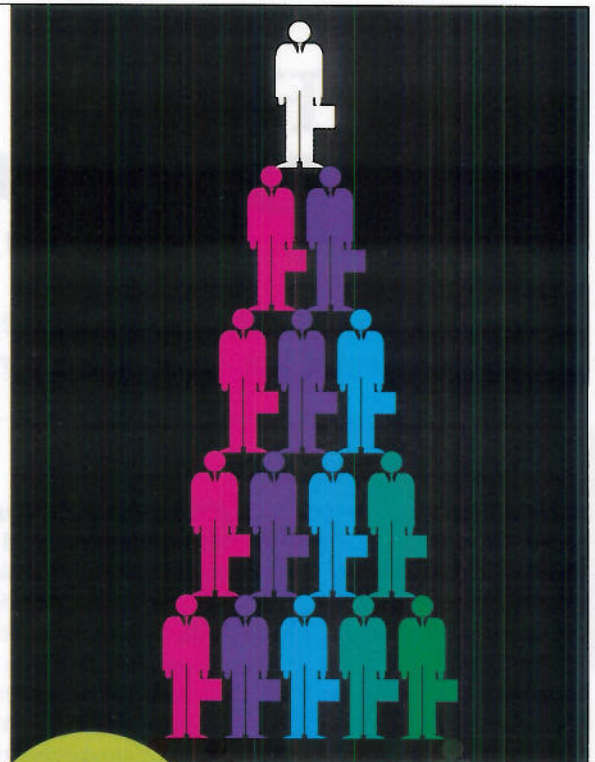
The proposals also take steps to simplify access to finance such as EU grants, which are notoriously difficult to get hold of. A new one-stop-shop should make it easier to obtain grants, whether they are European, national or regional.

The establishment of a credit ombudsman, already installed in a number of countries, is encouraged in the proposals. Given that the banks will have to retain more capital due to

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new banking regulations coming in over the next few years, we are all worried that they will use this as an excuse to making borrowing more expensive. A credit ombudsman would keep track of this, help our members and also report back to the Commission.

Unfair commercial practices in the EU will be investigated and VAT rules simplified to encourage cross-border trading. A new contract law could prove to be very useful for members wishing to export products and services to other Member States. This optional tool would introduce a standardised contract that would be understood and interpreted in the same way across the EU, whether operating in Belgium or Bulgaria. Currently, it is envisaged for use in business-to-consumer transactions only, with an option to investigate such a contract for



99%
EU businesses
with fewer than
250 employees

business-to-business use in the future.

These few examples of what the Commission is intending to do are all common sense for a small business owner, but they do represent a major shift in attitude for institutions across Europe and at home.

Unfortunately, for all this to happen, the Member States must be supportive and that is where the Federation of Small Businesses comes in – working to get the Government to recognise the benefits of the Small Business Act.

The FSB and ESBA, the FSB's European equivalent, are already heavily involved in proposals to ensure that they are as business-friendly as possible. Certainly, never has a Commission paper put the interests of micro- and small businesses higher.

➔ **TO FIND OUT MORE** about the **Small Business Act proposals**, visit www.fsb.org.uk/policy



TINA SOMMER

An FSB member for more than 13 years, Tina runs an IT consultancy in Wales and is the FSB's Chairman of International Affairs. She has lived and worked all over Europe, gaining extensive experience in a range of industries

that has equipped her well for the role. She is also the President of the European Small Business Alliance.