DRAFT REPORT

on family businesses in Europe
(2014/2210(INI))

Committee on Industry, Research and Energy

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## CONTENTS

| MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION | 3 |

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on family businesses in Europe

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The European Parliament,

– having regard to Article 17 of the Charter of Fundamental Rights of the European Union,

– having regard to the criteria set by the Commission in 2003 for defining small and medium-sized enterprises (SMEs),

– having regard to the Commission’s ‘Entrepreneurship 2020 Action Plan’ (COM (2012) 0795),

– having regard to its resolution of 5 February 2013 on improving access to finance for SMEs¹,

– having regard to its resolution of 15 January 2014 on reindustrialising Europe to promote competitiveness and sustainability²,


– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Industry, Research and Energy and the opinions of the Committee on Employment and Social Affairs and the Committee on Legal Affairs and the Committee on Women's Rights and Gender Equality (A8-0000/2015),

A. whereas property is protected under Article 17 of the Charter of Fundamental Rights of the European Union;

B. whereas, according to the Commission’s 2009 report, more than 60% of all European companies are family businesses and these account for 40-50% of jobs in the private sector;

C. whereas, while most family businesses are SMEs, in some EU Member States a few family businesses account for a large share of the total turnover of all businesses and

¹ Texts adopted, P7_TA(2013)0036.
thus make a significant contribution to job creation and growth and the economic success of the country concerned;

D. whereas the Commission’s group of experts on family businesses completed its work more than five years ago and no new initiative has been launched since then at EU level addressing the special needs and structures of family businesses;

E. whereas there is no legally binding Europe-wide definition of ‘family business’;

F. whereas it is impossible, due to the lack of a definition, to gather comparable data in the EU Member States in order to draw attention to the special situation of family businesses;

G. whereas the purely quantitative criteria set by the Commission for defining SMEs are not sufficiently attuned to the realities and size of small and medium-sized businesses, which means that many small and medium-sized family or owner-managed businesses in particular are excluded from funding and a reduction in red tape;

H. whereas not all 28 EU Member States have interest group associations or other structures that specifically cater to the needs of family businesses;

**Importance for the economy**

1. Emphasises that family businesses demonstrate a high degree of social responsibility towards their staff and that they generally take a more sustainable and longer-term approach to the economic future of the business (by acting as ‘honourable businessmen’) than non-family businesses and thus make an important contribution to Europe's competitiveness and create and maintain jobs;

2. Stresses that, because of their history, family businesses are very rooted in a particular location and thus also create jobs in rural and in less attractive areas; calls on the Commission and the Member States, therefore, to provide the necessary infrastructure in order to ensure the competitiveness of such businesses;

3. Notes that highly specialised family businesses in particular play an important role as suppliers to larger companies and that, given their long-term and intergenerational approach to business, they provide the companies they supply with material security and thereby make a significant contribution to economic growth;

**Funding**

4. Notes that family businesses often have a significantly higher equity ratio than non-family businesses and that this high equity ratio results in the economic stability of such businesses and of the economy as a whole, while at the same time providing scope for

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1 In Germany alone, 17 percent of all employees who pay mandatory social security contributions work for ‘big’ family businesses with an annual turnover of at least EUR 50 million; while they account for a mere 0.1% of all companies in Germany, they generate 20% of the total turnover of all companies in that country.
further investment in the business, which should not therefore be restricted;

5. Calls on the Member States, with this in mind, to ensure that national rules on the taxation of inheritance and gifts and on corporate taxation do not discriminate against equity financing which is so vital for family businesses; points out, in this connection, that in Hungary inheritance tax on business assets has been abolished;

6. Stresses that ensuring the long-term security of corporate funding has become a key competitive factor; emphasises, in this connection, the importance of internationally stable financial market structures; calls on the Commission to ensure that it does not create any unnecessary burdens for businesses as part of financial market regulation;

Challenges

7. Notes that 35% of those companies that do not invest in foreign markets fail to do so because of their lack of knowledge of foreign markets; calls on the Commission and the Member States therefore to provide smaller family businesses in particular with information about opportunities for internationalisation and ensure that they have access to a better exchange of experience and good practices; calls on the Member States, furthermore, to provide support services for businesses that intend to invest internationally, for example by providing them with information or export credit guarantees and by removing trade barriers;

8. Notes that 87% of family businesses are convinced that maintaining control of the business is one of the key factors of success\(^1\); notes that, according to the Commission’s ‘Entrepreneurship 2020 Action Plan’\(^2\), the transfer of a business from one generation to the next is the greatest possible challenge facing family businesses;

9. Calls on the Commission and especially the Member States therefore to improve the legal framework for the transfer of family businesses and create special financing instruments for transfers and thus prevent liquidity shortages so as to ensure the survival of family businesses and prevent distress sales;

Outlook

10. Calls on the Commission to commission studies that analyse the importance of ownership for the success and survival of a business and highlight the specific challenges facing family businesses; calls on the Commission also to collect enough data on family businesses in the various Member States both to allow a comparison of the situation of family businesses and to promote exchanges of examples of good practices;

11. Calls on the Commission to conduct an impact assessment of the extent to which a revision of the European SME definition from 2003 would be possible, moving away

\(^1\) European Family Business Barometer, June 2014.

from purely quantitative criteria to qualitative criteria that also take into account the
ownership of a company, bearing in mind the interdependence of ownership, control
and management and, generally, the personal aspect of running a business, and the
consequences this could have on family businesses, for example, with regard to state aid
and the eligibility of such businesses;

12. Calls on the Commission in the meantime, as part of its regulatory impact assessment,
to establish a ‘family business test’ modelled on the SME test, in order to be able
determine the effect of certain legal acts on family businesses in advance and thereby
avoid unnecessary red tape for family businesses;

13. Calls on the Commission to establish a permanent working group internally that
specifically addresses the needs and characteristics of family businesses, regularly
reports to Parliament and the Member States and acts as a contact at European level for
family business for specific issues particularly relating to European legislation;

14. Calls on the Commission to strive to strengthen entrepreneurship throughout the EU and
to create an environment for business excellence;

15. Calls on the Commission to draw up a communication analysing the role of family
businesses with a view to boosting the competitiveness of the EU’s economy by 2020,
and to produce a road map listing the measures likely to strengthen the economic
environment and development of family businesses in the EU;

16. Instructs its President to forward this resolution to the Council and the Commission.
EXPLANATORY STATEMENT

The promotion of jobs, growth and investment is the top priority in the political guidelines for the new European Commission unveiled by Commission President Jean-Claude Juncker at the beginning of his term of office in the summer of 2014 - and rightly so: the financial and economic crisis has meant that, throughout the EU, some 25 million people are still unemployed and there are over 5 million young people under 25 years of age without work. GDP has plummeted during the crisis in some EU Member States to double digits. ¹

The first minor successes of the EU’s stricter economic and budgetary management can already be discerned and the economy is slowly gathering momentum again. The Commission has forecast growth in GDP of 1.3 percent for 2015 (compared to 1.1 percent last year) and of 1.9 percent for 2016 (compared to 1.7 percent last year). But Europe can do even better, our potential is far from exhausted. The important thing is to provide a positive investment climate for our enterprises and generally to encourage entrepreneurship throughout the EU.

Our family businesses in particular can play a crucial role in addressing the financial and economic crisis and in reviving the economy. More than 60% of all enterprises in the European Union are family-run, and they account for about 40-50% of jobs in the private sector. This is the conclusion reached by the Commission’s group of experts in its final report in the year of 2009.

Family businesses take a longer-term view than non-owner-run businesses, they want to ensure that the business is also economically successful in the following generations. In many EU Member States there exist third, fourth or fifth-generation family businesses. This success story should of course be continued. Because of their history, many family businesses are very rooted in their location. This means that they make a decisive contribution to ensuring competitiveness in Europe and creating jobs.

But even though family businesses play such an important role in our economy, policymakers pay them scant attention. Thus, in 2003 the Commission drew up a definition of small and medium-sized enterprises (SMEs) at European level. A Commission group of experts tried in 2009 to follow this example and to draw up a definition of ‘family business’. However, the definition they came up with is not legally binding and is not used in individual Member States. As a result, many family businesses that no longer meet the definition of SMEs, but are also far from being major corporations, are ineligible for specific funding opportunities and some exemptions. This inevitably leads to unnecessary red tape, which is a great burden, especially for family businesses.

In addition, many family businesses try desperately to remain below the threshold set by the Commission criteria for SMEs, with predictable consequences: they stop recruiting so as to prevent an increase in income or turnover, which automatically puts a halt to further growth.

Another problem resulting from the failure to provide a definition of ‘family business’ is the difficulty in comparing the situation of family businesses in all EU Member States. The Commission's group of experts found, as part of its mandate in 2009, that there were more

¹ Estonia, Latvia and Lithuania, Source: Commission
than 90 different definitions of family business in the EU. This makes it impossible to compare their specific features, the difficulties they face, etc.

However, all family businesses are sooner or later confronted with a key challenge: the question of succession at the top. Every year about **450 000 businesses employing a total of about 2 million people find themselves in this position**. Due to the many difficulties associated with such transfers, an estimated **150 000 businesses are forced to close each year with the loss of some 600 000 jobs**. Policymakers must create the right framework conditions to prevent these job losses. In particular, national regulations on taxation on inheritance and gifts and corporate taxation make transfers within the family more difficult. Many family businesses opt for a solution in the form of a foundation or ‘shop’ for managers from outside the family. However, this means largely relinquishing family control over the company. However, from the point of view of such businesses, maintaining this control is one of the keys to success.

More than 6 years after the Commission’s group of experts completed its work on family businesses, it is urgently necessary to focus once more on this important category of businesses. We urgently need more data, facts and figures from the individual Member States in order to better understand the issues and challenges facing family businesses and to promote exchanges of best practices. It is on the whole unlikely that we shall need specific legislative regulations at European level (apart from the national rules on tax issues). The important point is rather to draw policymakers’ attention to this important group of entrepreneurs and to provide assistance where it is needed. One approach could be (as a transitional measure) to introduce a ‘family business test’, to be performed as part of the impact assessment, in order to determine whether proposed changes to EU law have an impact on family businesses and their structures and, if so, to identify them.

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