



European Commission  
Directorate General for Enterprise and Industry

# Measures to support Business Transfer at European Level

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at the  
INTERREG III C Conference  
Business Transfer in Europe**

**Brussels, 30 March 2006**

# Business Transfer in Europe

- Transfer of enterprises to new owners is a priority for the public sector
- However there exists a great divergence in support instruments offered by the Member States
- New Commission communication: Transfer of Businesses - Continuity through a new beginning
- COM (2006) 117 of 14 March 2006
- Challenge: Reduce number of failures, encourage creation of new jobs



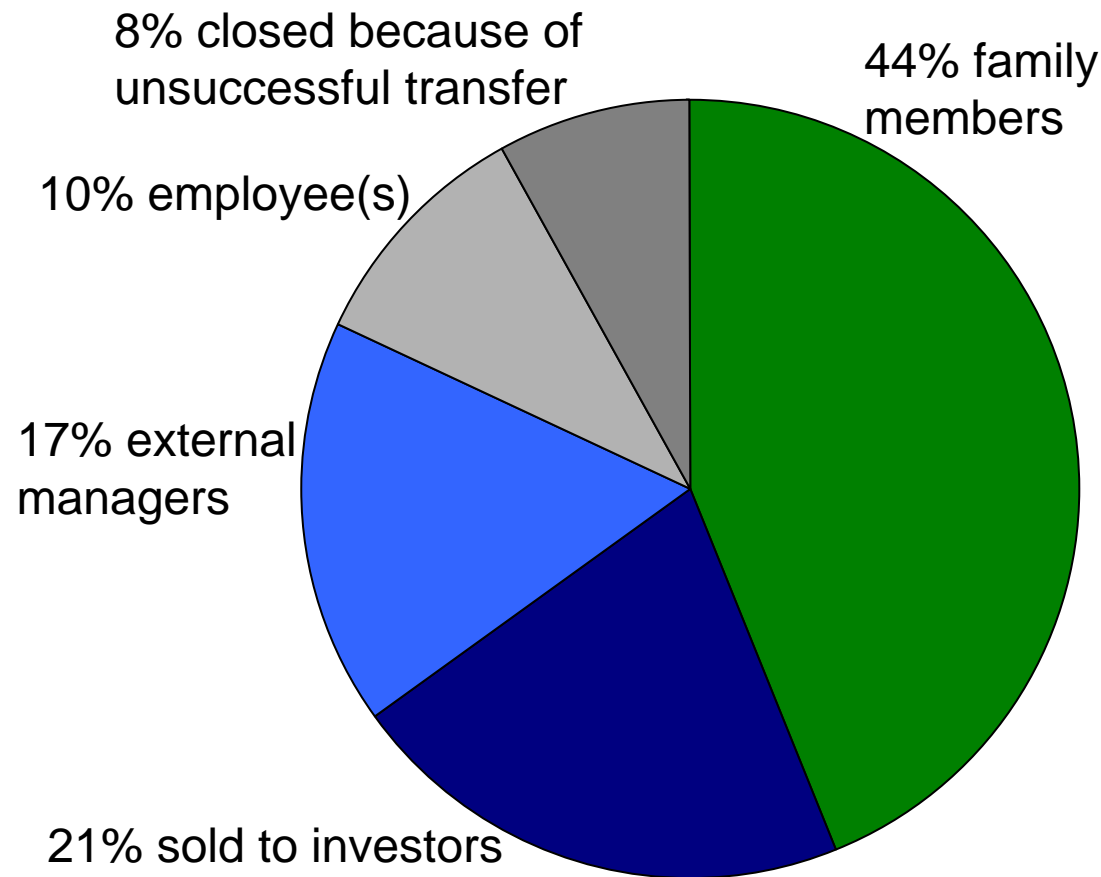
# EU Support instruments for the transfer of enterprises

- One of the primary roles of the EU is to improve the framework conditions
- Exchange of best practices between Member States
- Launch of pilot actions in order to demonstrate the performance of new measures
- If successful incorporate them into multiannual programmes

# Significance of transfers for government, seller, buyer, employees

- Existing businesses employ more people than start-ups
- Failure of a transferred enterprise leads to a higher number of job losses compared to failed start ups
- Government: Successful transfer = jobs safeguarded and prospects for new jobs
- Seller: Important contribution to improve his pension plan
- Buyer: Hopes to make an adequate return and grow
- Employees: Jobs are often secured, but rationalisation not excluded

# Destinations of transferred businesses in Germany in 2005



- Average number of employees of businesses which close is half that of businesses transferred to family members
- Failure rate is higher among smaller transferred businesses

# Implementation of 1994 Commission recommendations by Member States

- To promote of early preparation for succession
- To provide access to finance
- To facilitate access to new legal forms
- To improve fiscal environment of succession and gifts and transfer to external persons
- To facilitate continuation in case of death

New communication in 1998 requesting measures on legal and administrative simplification, tax advantages and better access to finance

## Results

- Expert group concluded in 2000 that less than half of recommendations had been implemented
- In 2006 some 60% of recommendations have been implemented by EU 15 and
- 45% by EU 10
- Given the more difficult position of EU 10 they performed very well

# Implementation of the 1994 recommendations by Member States

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Country	Awareness raising	Financial environment	Change of legal form	Tax neutral restructuring	Simplification SMEs/PLCs	PLC with one member	Legal principle of continuity	Unanimity not required	Reduced inheritance tax	Deferring inheritance tax	Retirement tax relief	Re-investment tax relief	Sale to employees tax relief	Total + or (+)
B	+	+	+	+	+	0	+	0	+	(+)	+	+	(+)	11
CZ	-	-	+	(-)	+	0	(-)	0	(+)	(+)	+	+	0	8
DK	-	+	(+)	+	+	+	+	-	+	0	+	0	+	9
D	+	+	+	+	+	+	+	0	+	+	+	+	0	11
EE	0	0	+	-	-	+	-	-	+	+	0	0	0	4
EL	-	-	-	-	-	-	-	-	(+)	+	-	-	-	2
E	(+)	-	+	-	+	+	(+)	-	+	+	-	+	(+)	9
F	+	+	+	+	-	+	-	-	+	0	+	+	(+)	9
IRL	(+)	(+)	0	+	+	0	(-)	-	+	+	+	0!	(+)	9
I	+	(+)	+	0	0	+	+	+	+	+	0	0	0	8
CY	(+)	0	+	-	+	(-)	(-)	-	+	+	0	0	0	7
LV	-	0	(+)	+	0	+	+	+	-	-	-	-	-	5
LT	(+)	-	+	+	(-)	+	+	0	+	(+)	0	0	0	8
L	+	+	+	-	(-)	+	+	0	-	(+)	0	0	0	7
HU	0	0	+	+	0	+	+	+	(+)	-	+	0	+	8
MT	0	0	(+)	+	+	0	(-)	0	+	+	0	0	0	6
NL	+	-	+	+	+	+	+	-	+	+	0!	0	0	8
A	+	+	(+)	+	+	+	(-)	+	+	(+)	+	0	(+)	12
PL	-	(+)	(+)	+	0	+	(-)	0	+	-	0	0	0	6
P	(+)	-	+	-	-	0	+	-	0	0	0	0	0	3
SI	0	0	(+)	+	+	+	(-)	-	-	(+)	0	0	0	6
SK	0	0	(+)	0	0	+	-	0	+	-	0	0	0	3
FIN	+	+	(+)	+	+	+	+	0	+	+	0	0	0	9
S	(+)	-	(+)	+	-	+	0	0	+	+	-	-	0	6
UK	(+)	-	+	-	-	(-)	-	0	+	+	0!	+	(+)	7
EU	15	10	23	16	14	19	19	4	21	18	8	6	8	181

Legend	
+	Recommendation implemented
0	Recommendation not implemented
+	Recommendation recently implemented
(+)	Partial or planned implementation
-	No information
0!	Former implementation revoked

## Preliminary results

- Out of 325 possible measures, 55% have been fully or partially implemented or are planned
- Least progress achieved in tax facilities except for the succession tax, reduced or abolished in 21 countries
- Access to finance is still difficult in EU 10
- More efforts need to be made

## What next?

- Rate of transfer to family members is declining (less children, children have other plans). In DE down to 44% from 55% a decade ago
- According to estimates in the EU 33% of all businesses are transferred to the 2<sup>nd</sup> generation and 15% to the 3<sup>rd</sup> generation

# Measures to improve the success rate of transfers of businesses to new owners

1. Advise from former entrepreneurs
2. Advise from consultants, banks and tax advisers
3. Creation of a business advisory committee (for larger SMEs)
4. Recourse to a mentor
5. Training of the successor in the company (family member or employee); preparation for management
6. Better access to finance

## Better access to finance

- Basel II requirements include reference to business succession for entrepreneurs beyond 55
- Banks ask for additional guarantees in case of transfer of a small enterprise
- Venture capital, mezzanine finance more for larger businesses
- Public support of access to finance available in several Member States and at EU level
- Austrian Study: adequate mentoring improves the success rate and leads to growth and new jobs

# Public support for business advice and mentoring

- EU-level: DG REGIO: INTERREG III C pilot actions, European Social Fund
- DG Enterprise and Industry: Implementation of a pilot action requested by EP in 2006
- Pre-information notice: 11 February 2006 OJEU
- Member States or regional level: Some Member States or regional authorities support business advice



# Conclusions

- More evidence is needed on the efficiency of support instruments
- Comparison of national studies is lacking
- Business transfer is a very complex operation
- Success depends on a large number of factors
- Not least on the personality of the new entrepreneur