

EFB BRIEFING

Subject: Own-Initiative Report on “Family Businesses in Europe” by the European Parliament’s Committee for Industry, Research and Energy

14/10/2015

Background: At the beginning of 2015, the Committee for Industry, Research and Energy (ITRE) initiated an own-initiative report entitled family businesses in Europe. Own-initiative (INI) reports are an important working tool and political instrument for the European Parliament. INI reports often pave the way for new legislative proposals, exploring diverse topics of interest to Members, responding to Commission communications, and expressing Parliament’s position on different aspects of European integration. The adopted report is an official statement by the Parliament. This official statement will increase the awareness and can act as the trigger for further actions by the Commission.

Following months of debate, and consultation within the Parliament, and external stakeholders, on the 16th of June the ITRE committee adopted the own-initiative report (procedure file 2014/2210(INI)). Significantly the report enjoyed broad cross party support with 48 voting in favour, with 5 voting against, and 5 abstaining. On the 1st of July the Committee report was tabled for plenary, with the vote itself scheduled for the 8th of September. The Rapporteur, who is responsible for drafting the report, was Angelika Niebler from the European People’s Party, who is much a respected and influential Member of European Parliament from Bavaria.

Debate in Plenary: On the 7th of September, the day before the vote, the European Parliament had a chance to discuss the texts that was put to vote. The debate is also a chance for the European Commission to give preliminary feedback on an EP resolution. In this instance, the First Vice-President of the Commission, Frans Timmermans gave his feedback on the report. However, the First Vice-President noted that ‘the most effective way to help family businesses is to address their problems in existing SMEs or industry-related policies.’ Something that EFB and many MEPs disagree with.

Vote in Plenary: On the 8th of September, the European Parliament endorsed the report as a motion for resolution. The results were the following: For 590 (83%) – Against 49 (7%) – Abstentions 69 (10%)

All present MEPs from the European People Party, Socialists and Democrats, and the Alliance of Liberals and Democrats for Europe voted for the report. All present MEPs, except one, from the European Conservatives and Reformists voted in favour. Unsurprisingly, the majority of green MEPs abstained from the vote. From the more peripheral parties, the Europe of Freedom and Direct Democracy group mostly voted against; the Europe of Nations and Freedom party mostly voted for; and the European United Left voted mostly for the report.

For a full breakdown of the vote please follow this [link](#).

Content of the Report

Communication on Family Business: The report calls on the Commission to urgently publish a Communication on family business that analyses the role of family business in boosting growth in Europe, and to produce a road map listing the measures likely to strengthen the economic environment and development of family businesses in the EU (see point 40).

Family Business Statistics: The report rightly recognises the importance of data to develop and create effective family business support. It therefore calls on the Commission to develop, in cooperation with Eurostat, a statistically operational definition of family businesses and to 'adequately finance' continuous studies on family businesses. The report puts a particular emphasis on analysing the importance of ownership, and the differences between family businesses and non-family businesses (see points J, L, 29)

Transfer of Business: The report calls on the Member States to improve the legal framework for the transfer of business, promote family-business-specific education in business transfers, and to '*improve the legal framework for the transfer of family businesses and create special financing instruments for transfers*'. Secondly, and significantly, the report recognises that inheritance or gift tax can complicate internal family transfers. Therefore, the report calls for national rules on the taxation of inheritance and gift to support, rather than discriminate against, equity financing (see points 9, 21).

Debt/Equity: The report notes that family businesses tend to often have significantly higher equity ratio than other enterprises. Subsequently it calls on the Member States '*to examine the debt bias within their tax codes by assessing its impact on the financing structure of companies and the level of investment, and to ensure equal treatment of equity financing*' (see points 8 and 9).

Regulatory Environment: Importantly, the EP report '*recognises that the fiscal, legal and administrative environment in which family businesses (and owner-managed businesses) operate is defined by the combined effect of corporate legislation and private law.*' (See point 16). As a result, the report calls on the Commission to conduct feasibility study on the introduction of a *Family Business Test* as part of the regular impact assessments that the Commission performs on new legislative proposals. The potential *Family Business Test* would focus on areas of policies that affect property, governance or privacy (see point 31).

Other: The report highlights a myriad of other family business related challenges, and proposes some very ambitious actions to be carried out by the Commission or Member States. For example, the report calls for the establishment of a permanent internal Commission family business working group that would regularly report to other European institutions (see point 33). Other notable proposals include the formal creation a family business contact point at the Commission, and a one stop shop to act as a contact point to assist family businesses at the EU level (see point 33).

Conclusions: The report is highly significant for the family business community in Europe as the report represents formal political recognition of the importance and contribution of the family business sector, and it suitably highlights salient challenges that need to be addressed by policy makers. Finally, because of its political significance, the report is potentially a valuable tool to press the European Commission into action.

The European Parliament's procedure file, can be found [here](#), and the full report can be found [here](#).