European Commission

Enterprise Directorate-General

Transfer of businesses – continuity through a new beginning

Final report of the MAP 2002 project

August 2003

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Approximately one third of European enterprises will need successors in the next ten years. This means that an average of 610,000 small and medium-sized enterprises will be changing hands each year, potentially affecting 2.4 million jobs. These were the estimates of the Best project expert group on the transfer of businesses in summer 2002. The expert group was set up to help monitor the implementation of the Commission Recommendation on the transfer of small and medium-sized enterprises which invited the Member States to improve their legal and fiscal environment, raise awareness and to provide support for business transfers.

The Best project expert group found that less than half of the measures set out in the Commission Recommendation have been implemented and that available support is fragmented. To further assist business transfers, the experts put forward six new proposals for action in the area of provision of support for business transfers and asked the Commission to work closely with the Member States to implement these proposals. The experts proposed:

- the creation of a virtual “European Business Transfer Centre” and national centres to co-ordinate information gathering, share best practices and facilitate cross-border co-operation;
- the creation a European sellers’ and buyers’ market place to connect existing national databases;
- the organisation of regular European seminars on the subject;
- the development of alternative or tailor-made training and management tools;
- public initiated support programmes and research, and
- equal attention to be given to business transfers and to start-ups.

The final report of the expert group and examples of good practice from different Member States were presented at the European Seminar on the Transfer of Businesses in Vienna in September 2002. The seminar confirmed the Best project’s findings and stressed the need to pay as much attention to transfers as to start-ups.

The current report is a response to the expert group’s report and is the outcome of a project that followed on from the Best project. The aim of this project was to trigger action in the countries that participated in it. The project set benchmarks for key areas of the Commission recommendation where it would be the most important to make further progress and ranked the recommendations of the Best project in an order of importance. This report describes the actions already taken or planned by the different countries and by the Commission to improve the implementation of the Commission Recommendation and to respond to the recommendations made by the Best project expert group. Norway and the candidate countries also participated in the project. The descriptions of the different measures are based on the contributions provided by the experts that were nominated by their countries to this project.

The report shows that seven countries have measures in place or have plans to take measures in the six key areas of the Commission Recommendation. Those countries are Belgium, Germany, France, Ireland, the Netherlands, Austria and Turkey. No country is addressing all six recommendations of the Best project. Five countries, Belgium, Germany, the Netherlands, Finland, and Turkey, have plans to respond to

five out of the six recommendations. The European Commission will take measures to respond to four recommendations. A Commission Communication on the transfer of businesses is planned for the end of 2003.

There is still room for improvement in implementing both the Commission Recommendation and the recommendations by the Best expert group. Nevertheless, the current situation shows that there is an increasing policy commitment to facilitate the transfer of businesses. Further work is however needed in the following areas:

- Equal attention to transfers and start-ups;
- Measures to facilitate transfers to third parties and to employees;
- Measures to encourage timely preparation;
- Exchange of good practice, and
- A more co-ordinated approach to support via national Business Transfer Centres.
- Furthermore, in order to help find successors, more efforts should also be made to promote transfers as an alternative to starting up.

With a view to the high number of expected business transfers in the coming years, now is the time to take the necessary measures to help them.

1. INTRODUCTION

Europe's entrepreneurs are ageing. Approximately one third of European enterprises will need successors in the next ten years. This means that an average of 610,000 small and medium-sized enterprises will be changing hands each year, potentially affecting 2.4 million jobs[1]. Who will take over these businesses? Despite the obvious advantages of taking over a business, such as an existing production structure, a customer network and a good name, according to the results of the Eurobarometer survey[2], 65% of Europeans prefer starting a business to taking over an existing one.

After a business's creation and growth, transfer is the third crucial phase in its lifecycle. It involves many complex issues such as inheritance legislation and company law. However, the transfer of businesses is not only about these technical issues linked to the transfer of ownership. It is also about transferring the leadership of the company, which arouses emotions, especially in family businesses. For example, the old entrepreneur may have problems letting go of his life's work and does not want to think about the whole issue. Moreover, if the old owner continues to work in the company with the new owner, this situation of having two captains guiding the ship may generate conflict. Enterprise policy does not usually talk about emotional issues but in the case of transfer of businesses, this aspect should not be overlooked. A holistic approach is needed to tackle this subject.

Transferring a business to new owners is a long process that needs sound preparation. Unfortunately, very often the preparation starts too late or is inadequate. This results in failed business transfers which take jobs, assets and opportunities with them. Raising the entrepreneurs' awareness about the need to prepare the transfer of their businesses in time is the starting point for a successful transfer.

In addition to raising awareness, the right regulatory framework and appropriate support structures and services need to be in place. The Commission Recommendation on the transfer of small and medium-sized enterprises dealt with all these areas[3]. It invited the Member States to improve their legal and fiscal environment for business transfers, raise awareness and to provide support for business transfers.

With regard to the tax and legal recommendations, barely half of them have been implemented by the Member States[4]. The picture is very uneven across the different Member States. As to support measures, many services exist to help out with the preparation of the hard aspects of the transfer, i.e. tax and legal planning, but there appears to be a lack of experts who focus on the softer aspects mentioned before. Furthermore, the available support measures are normally targeted at the transferor, the person ceding the enterprise, not the successor. It is, however, essential to also prepare the successor for the transfer of business process. The successor needs to become the new strategic leader who provides fresh stimuli to the enterprise. For the successor, a business transfer is almost like a start-up.

1 Final report of the expert group on the transfer of small and medium-sized enterprises, May 2002

2 Flash Eurobarometer 107 "Entrepreneurship", November 2001

3 Commission Recommendation on the transfer of small and medium-sized enterprises, 94/1069/EC, OJ L 385, 31.12.1994, p. 14

4 Final report of the expert group on the transfer of small and medium-sized enterprises, May 2002

The market place for buyers and sellers needs also to be further developed. The databases matching buyers and sellers are usually commercially operated and access to them is restricted to their operators. Taking into account that currently there are more sellers of businesses in Europe than buyers wanting to take them over, the market for buyers and sellers should be made more transparent in order to increase the possibility of making contacts, thus ensuring the continuity of more and more enterprises. Tackling the imperfections of the market by combining the separate smaller databases of private organisations in a national host database that anyone can consult brings more transparency and is primarily a task for public bodies to embark upon. Examples of this already exist in some countries[5].

Finally, there are no comparable statistics on business transfers. Several countries have conducted surveys or carried out research, but at a national level. Accurate data on business transfers at European level could help to understand the importance of business transfers, assess the transfer process and to design appropriate policies.

The above issues were discussed in detail in the Final Report of the Best Project Expert Group on the Transfer of Businesses published in summer 2002. The current report is a response to the expert group's report. It describes the actions already taken or planned by the different countries and by the Commission to respond to the recommendations made by the expert group and to improve the implementation of the Commission Recommendation on the transfer of small and medium-sized enterprises.

2. BACKGROUND

This report follows on from two previous actions: The 2001 Best project and the European Seminar on the transfer of businesses. This chapter first briefly describes these two actions and then outlines the framework for the current MAP project.

The 2001 Best Project

In November 2000, Enterprise Directorate-General of the European Commission set up an expert group to help it monitor the implementation of the Commission Recommendation on the transfer of small and medium-sized enterprises[6]. This Recommendation invited the Member States to improve their legal and fiscal environment for business transfers, raise awareness and to provide support for business transfers.

The expert group was set up within the framework of the Best procedure project on the transfer of businesses. The objectives of the project were to identify the measures taken in response to the Commission Recommendation, to identify support measures for business transfer and to propose areas for future action. The final report of the expert group was published in summer 2002[7].

The expert group found that as many as one-third of all EU companies will change hands over the next 10 years, ranging from 25-40% depending on the Member State.

---

5 See the Final report of the expert group on the transfer of small and medium-sized enterprises, May 2002, section 5.2.

6 94/1069/EC, OJ L 385, 31.12.1994, p. 14

7 The final report of the Best procedure project can be found at: http://europa.eu.int/comm/enterprise/entrepreneurship/support_measures/transfer_business/best_project.htm

This indicates that an average of 610 000 small and medium-sized enterprises will change hands each year, potentially affecting 2.4 million jobs.

With regard to implementing the Commission Recommendation, the experts found that barely half of the 21 tax and legal measures set out by the Commission had been put into practice. The take-up varies from two measures in Greece to 16 in the Netherlands.

The experts also found that a lot of support is available for business transfers but seldom in a structured manner and thus not necessarily reaching the target audience. To further assist business transfers, the expert group put forward six new proposals for action in the area of provision of support for business transfers and asked the Commission to work closely with the Member States to implement these proposals.

European Seminar on the Transfer of Businesses

As a first follow-up to the expert group's report, Enterprise Directorate-General together with the Austrian Federal Ministry of Economics and Labour organised the European Seminar on the Transfer of Businesses in Vienna on 23-24 September 2002[8]. The aim of the seminar was to raise awareness about the transfer of businesses, to provide an opportunity to exchange good practice in this area and to learn from each other's successes. The results of the Best procedure project and examples of good practice in the different Member States were presented at the seminar.

The seminar concluded that raising awareness is the starting point for successful transfers. Only then comes practical support. As business transfer often involves family and close partners to the main actors, the "soft" matters (psychological and relational matters) are of growing importance during the process. Yet consultants typically have very little or no experience in this field. Nevertheless, a holistic approach is required to tackle all aspects related to business transfers: we should not ignore the emotional side. Due to the complex nature of business transfers, professional advice is needed to steer through the process. The existing support measures should, however, be made more visible and be better co-ordinated.

Both the Best project and the European Seminar on the Transfer of Businesses concluded that business transfers should be given the same degree of importance as start-ups. According to Austrian research presented at the seminar[9], 96% of completed business transfers survive the first five years after a transfer. The chances of survival are thus higher than for start-ups, where 75% are still in business after five years. Moreover, a successful transfer conserves, on average, five jobs, whereas a start-up generates on average two jobs[10]. For these reasons it is necessary to raise political awareness of the importance of business transfers and to promote transfers as an attractive alternative to starting up one's own business.

---

[8] www.transferofbusinesses.at

[9] Business transfers and successions in Austria, Austrian Institute for Small Business Research (nowadays Austrian Institute for SME Research), 2002.

[10] Final report of the expert group on the transfer of small and medium-sized enterprises, May 2002

The MAP 2002 Project

As a second follow-up to the Best project, Enterprise Directorate-General launched a new project on the transfer of businesses in October 2002. The aim of this MAP project was to trigger action in the participating countries. Its tasks were twofold: first, to help Member States make further progress in implementing measures in key areas of the Commission recommendation and, secondly, to act on the Best expert group's proposals. The work was carried out with an expert group consisting of representatives of the Member States, Norway and the candidate countries. The list of experts is included in the Annex to this report.

The expert group first decided on the six key areas of the Commission recommendation and agreed on common benchmarks for these areas. The **selected key areas and the benchmarks** are the following:

1. **Measures facilitating the transfer of businesses to third parties**

   Benchmark: A substantial reduction of taxation and a deferral of the payment of taxes. Simplification of the tax rules.

2. **Specific measures facilitating transfers to employees**

   Benchmark: A substantial reduction of taxation and a deferral of the payment of taxes. Transfers to employees and third parties should be treated in an equal way. Simplification of the tax rules.

3. **Special rules for inheritance and gift taxes for business transfers**

   Benchmark: A substantial reduction of taxation and a deferral of the payment of taxes provided that the enterprise is kept as a going concern for a minimum period. Simplification of the tax rules.

4. **Measures to encourage timely preparation**[11]

   Benchmark: Provision of appropriate support measures to help entrepreneurs acquire the necessary skills and knowledge to prepare the transfer in time.

5. **Tax relief on money received from a transfer which is subsequently reinvested in another SME.**

   Benchmark: A substantial reduction of taxation and a deferral of the payment of taxes. Simplification of the tax rules.

6. **Financial instruments for business transfers**

   Benchmark: Provision of appropriate instruments to finance different types of transfers.

The group then looked at **the recommendations of the Best project** and ranked them in order of importance. There was discussion on whether to tackle all or just some of the recommendations but they were all considered valuable and it was decided to keep them all on the list. The recommendations were ranked as follows:

[11] This key area was identified originally as "relief for early retirement" in the Best project report but in this project it was changed to "measures to encourage a timely preparation" since the trend in most countries is to encourage people to stay in employment longer .

1. **Equal attention should be given to start-ups and transfers** and in a much more co-ordinated way. Research on, support for and policy on business transfers should increase. Next to the strong orientation on start-ups, the phase of business transfers in the company lifecycle deserves more attention and co-ordinated action.

2. **Creation of a European sellers and buyers database/market place** which is linked to or integrated into the European Business Transfer Centre. The European database should serve as a general portal, enabling existing national databases to exchange information and to foster transnational business transfer. Offers of buyers and sellers from one Member State could be accessed in the other Member States' databases with the help of a translation programme. The creation of this kind of databases as "hosts" in other Member States should be encouraged and could be facilitated by the European Business Transfer Centre. The same Internet address with different country codes could help to promote the database on Member State level.

3. **Creation of a "European Business Transfer Centre",** a virtual European platform for co-ordinating the gathering of information and exchange of experiences and best practices on the situation in the Member States and initiating and facilitating cross-border co-operation. To achieve a maximum impact and dispersal of the centres' services, similar business transfer centres should be created at national level. These centres must be closely connected to the work of European, national, regional and local authorities, business organisations and other bodies, such as chambers of commerce, and operate as much as possible within the existing support networks for SMEs. A European centre would also allow for a regular updating of the expert group's work.

4. **Organisation of regular European seminars/meetings/fora** on specific business transfer questions, such as tax and legal matters and finance in addition to the services provided by the transfer centres, and the sellers and buyers database. These seminars should focus on the exchange of best practice and ideas which might be of use in other Member States for facilitating business transfer. The results should be used as input for seminars and meetings on national, regional and local level and could be accessible on the website of the Business Transfer Centre. Participants would represent public authorities, business organisations, experts (accountants, lawyers) and the like. Bringing together all interested parties can contribute to better co-ordination.

5. **Development of alternative or additional tailor-made training and management tools** for both the existing and future owner-managed and small family-owned businesses, also by making use of the experiences gathered by the SME support networks as well as the business transfer centres in the Member States.

6. **Public initiated support programmes and research** focusing on business transfers, including the collection and updating of statistical data, awareness building, motivating, training and education should be intensified in co-operation with organisations, advisers and other institutions involved in business transfers.

Further to the decisions taken in common, it was then up to the experts to prepare the national activities. Their first task was to define targets for achievement for their countries based on the benchmarks and to specify the means for attaining these targets. They then needed to identify what could be done to implement the Best project's recommendations[12]. Chapters 3 and 4 of this report describe the measures taken or planned in the countries that participated in this project. Chapter 5 describes the activities planned by the European Commission in this area.

3. OVERVIEW OF THE IMPLEMENTATION OF THE KEY AREAS OF THE COMMISSION RECOMMENDATION AND PLANS FOR NEW MEASURES

The final report of the Best project expert group listed the measures taken by the Member States until May 2002 in response to the Commission Recommendation on the transfer of small and medium-sized enterprises. The first overview table in this chapter shows an updated situation of the measures already taken in the selected six key areas of the Commission Recommendation. The second table shows an overview of the measures planned or under consideration in these areas. The tables are followed by a more detailed description of the planned measures and of the major changes that have already taken place since summer 2002.

[12] The final report of the Best project "urged the Commission in close co-operation with the Member States to establish a detailed Action Plan for how and when the recommendations proposed by the expert group will be implemented".

Table 1: Overview of the implementation of the key areas of the Commission recommendation

	Measures facilitating the transfer of businesses to third parties	Specific measures facilitating the transfer of businesses to employees	Special rules for inheritance and gift taxes for business transfers	Measures to encourage timely preparation (formerly "Relief for early retirement")[13]	Tax relief on money received from a transfer which is subsequently reinvested in another SME	Financial instruments	Total
Belgium	Green	Green	Green	Green	Green	Green	6
Denmark	Green	Green	Green	Green	Red	Green	5
Germany	Green	Green	Green	Green	Green	Red	5
Greece	Green	Red	Green	Red	Red	Red	2
Spain	Green	Green	Green	Red	Green	Red	4
France	Red	Red	Green	Red	Green	Green	3
Ireland	Green	Red	Green	Green	Green	Green	5
Italy	Red	Red	Green	Red	Green	Red	2
Luxembourg	Green	Red	Red	Red	Red	Green	2
Netherlands	Green	Green	Green	Green	Green	Red	5
Austria	Green	Green	Green	Green	Red	Green	5
Portugal	Red	Green	Red	Green	Red	Red	2
Finland	Red	Red	Green	Green	Red	Green	3
Sweden	Green	Red	Green	Red	Red	Red	2
United Kingdom	Green	Green	Green	Green	Green	Red	5
Norway	Red	Red	Green	Red	Red	Red	1
Bulgaria	Red	Red	Red	Red	Red	Red	0
Czech Republic	Red	Red	Green	Red	Red	Red	1
Latvia	Green	Red	Red	Red	Red	Red	1
Poland	Red	Red	Green	Red	Red	Green	2
Turkey	Red	Red	Red	Red	Red	Red	0
Total	12	8	16	9	8	8	61

Legend

Green: Measures exist

Red: No measures available

[13] This key area was identified originally as "relief for early retirement" in the Best project report but in this project it was changed to "measures to encourage a timely preparation" since the trend in most countries is to encourage people to stay in employment longer and not to retire early.

Table 2: Overview of measures under consideration in the key areas of the Commission Recommendation, including improvements to existing measures

	Measures facilitating the transfer of businesses to third parties	Specific measures facilitating the transfer of businesses to employees	Special rules for inheritance and gift taxes for business transfers	Measures to encourage timely preparation	Tax relief on money received from a transfer which is subsequently reinvested in another SME	Financial instruments	Total
Belgium							3
Denmark							1
Germany							1
Spain							0
France							5
Ireland							4
Italy							1
Luxembourg							3
Netherlands							6
Austria							6
Portugal							0
Finland							2
Sweden							2
Norway							0
Bulgaria							4
Czech Republic							0
Latvia							2
Poland							0
Turkey							6
Total	7	8	8	7	5	11	46

Legend

There are concrete plans to introduce new measures

Some ideas exist about introducing new measures

There are no plans to introduce new measures

Key area 1: Measures facilitating the transfer of businesses to third parties

Benchmark: *A substantial reduction of taxation and a deferral of the payment of taxes. Simplification of the tax rules.*

On 1 January 2003, significant reductions in the taxation of transfer of businesses came into force in Greece. A flat rate of 2.4% is used in the case of transfers with a consideration (onerous case) of an enterprise or its part that is listed on the Athens Stock Exchange (ASE). In case of inheritance, gift or a parental provision of shares listed on the ASE from parents to children or between spouses, tax is paid on their value at an even more advantageous rate of 0.6%, and at 1.2% in the case of any other relative. If the shares are not listed on the ASE, the rates are respectively 1.2% and 2.4% of the market value of the enterprise or its part.

In France, a new draft law *"Agir pour l'Initiative économique"* proposes changes to the conditions for exempting the capital gains realised by sole traders or partnerships when selling the enterprise. It is proposed to raise the thresholds for turnover to € 250 000 for commercial or agricultural activity and to € 90 000 for service providers. In the case of the credit sale of an enterprise, it is proposed to change the current practice of immediate payment of the capital gains tax to payments in instalments. These payments would be made according to the same payment schedule as agreed between the buyer and the seller for paying the sale price, up to a maximum of three years. The draft law also proposes that the taxation of a take-over will be reduced by 25% of the interest paid by persons who have taken a loan to acquire a share in a partnership or shares in a non-quoted company. Moreover, the draft law proposes that the registration fees applied to acquisitions of shares in partnerships would be aligned with those of sole traders, i.e. exemption up to € 23 000 after which a rate of 4.8% would be applied.

In Ireland, the consolidation of the Capital Acquisition Tax law is expected to be enacted before the end of 2003. Such consolidation will aid the access of businesses (including small businesses) to areas of tax law that directly affect them, for example, in arranging the transfer of a small business from one generation to the next.

Since the substantial tax reform which entered into force on 1 January 2002, no new measures are envisaged in Luxembourg.

Netherlands is planning to start streamlining all the tax measures regarding business transfers.

In Austria, the law for stimulating the economy *"Konjunkturbelebungsgesetz"* amended the law on promoting start-ups *"Neugründungsförderungsgesetz" (NEUFÖG)* by extending the rights of start-ups to transfers from 2002 onwards. These include exemption from stamp duties, fees and various taxes. This measure is valid for all kinds of transfers. Discussions are ongoing to grant full equal treatment of transfers and start-ups in this law. There are also plans to amend the existing legislation *(Strukturanpassungsgesetz 1996)* which grants a 50% reduction in the tax on profits from a sale of a business provided that the entrepreneur retires. The planned change aims at providing incentives for the entrepreneur to stay in the company together with the successor for a while. Furthermore, renting the company is often a first step to transferring it completely. The current legislation assumes that when renting the company, the entrepreneur automatically gives away the company completely which entails tax disadvantages. There are plans to modify the current legislation towards the German practice where this automatic assumption is not made.

In the new legislative amendments in Bulgaria, tax relief for the restructuring of the company is planned.

In Latvia certain administrative barriers (for instance, registration procedures) have been eliminated in order to facilitate the transfer of businesses to third parties. Significant amendments of tax laws are planned to facilitate business transfers, in particular a proposal for a tax relief on money received from a transfer.

Turkey is planning to draw up a comprehensive report about the needs for changes in the tax treatment of business transfers and to simplify the administrative requirements of the transfer of businesses taking into consideration EU norms and the Commission Recommendation on this subject. The organisations participating in this project are *KOSGEB*, Ministry of Finance, Ministry of Industry and Trade, Ministry of Justice, Ministry of Labour and Social Security and related non-governmental organisations. This report will be presented to the appropriate authorities by KOSGEB in the first half of 2003.

Key area 2: Specific measures facilitating transfers to employees

<u>Benchmark:</u> *A substantial reduction of taxation and a deferral of the payment of taxes. Transfers to employees and third parties should be treated in an equal way. Simplification of the tax rules.*

The Walloon region of Belgium is currently examining the law on inheritance taxation in order to facilitate transfers to employees.

In France, employees would also benefit from the proposals to enable the payment of the capital gains tax in instalments, to reduce the taxation of a take over by 25% of the interest paid in the case of loan financing and the reductions in the registration fees for acquisitions of shares in partnerships. The draft law also proposes that a gift of assets to employees of less than € 300 000 will be subject to a deduction of €15 000. The implementation rules of this measure would also be simplified and it would be extended to cover sole traders. The current legislation exempts a maximum of 50% of inheritance taxes of the value of the enterprise provided that the shares are kept for at least 6 years. This measure is proposed to be extended to gifts and would be cumulative with reductions applicable to gifts made in advance.

Measures facilitating transfers to employees are also going to be included in the consolidation of the Capital Acquisition Tax law in Ireland.

In Luxembourg, no special fiscal rules are being planned for transfers to employees. The same rules apply as for transfers to third parties. However, possible measures will be studied to allow employees to attain management positions in the company where they have worked with a view of transferring the company to them. Specific fiscal, legal and administrative measures to facilitate management buyouts will also be studied. New financial measures which are also applicable to employees are being drafted (see more in key area 6 below).

Measures facilitating transfers to employees are also going to be included in the Netherlands plans for streamlining the taxation of business transfers.

In Austria, the law for stimulating the economy *"Konjunkturbelebungsgesetz"* (see above in Key area 1) applies also to transfers to employees. Further to the expert discussions held in Austria in April 2003, there are plans to propose a change in income taxation so that an employee participation of a maximum of € 25 000 would not change the employee's position to that of an owner and would not change the employee's tax status.

Key area 3: Special rules for inheritance and gift taxes for business transfers

Benchmark: *A substantial reduction of taxation and a deferral of the payment of taxes provided that the enterprise is kept as a going concern for a minimum period. Simplification of the tax rules.*

Germany is not planning any further reductions of inheritance and gift taxes. As inheritance taxes are charged by the German *Länder,* a joint initiative by them would be needed to change the rules.

Spain has modified the law on inheritance and gift taxes to extend the scope of the existing law which provides a 95% reduction in the value of the taxable amount. In the case of transfer of an individual business (sole trader), a professional business (self-employed) or shareholdings in entities by *"mortis causa"* to the spouse, descendants or adoptive children, the reduction is also applicable in the following cases:

- The economic rights deriving from the expiration of the right of usufruct provided that the consolidation of the full title is for the above mentioned persons, or
- The outstanding entitlements to be received on termination of the right of usufruct provided that they are given in the form of shares in the above businesses.

In France, the current legislation exempts a maximum of 50% of inheritance taxes of the value of the enterprise provided that the shares are kept for at least 6 years. In the new draft law, this measure is proposed to be extended to gifts and would be cumulative with reductions applicable to gifts made in advance.

Special rules for inheritance and gift taxes for business transfers are also going to be included in the consolidation of the Capital Acquisition Tax law in Ireland.

The Netherlands has already taken measures in this area but it will be included in the Dutch plans to streamline the taxation of business transfers. The Netherlands will also examine whether a reduction in the highest inheritance tax rate is necessary.

Austria is considering raising the tax-free amount of inheritance and gift tax from € 365 000 to € 1 million. Discussions are also ongoing about a possible change in calculation of the payment of inheritance and gift taxes so that the value of the enterprise would no longer be based on the last three years but on a longer period, including time after the transfer.

The main guidelines of the Finnish Government's programme for developing the taxation structure in relation to business taxation and taxation on capital aim at preparing e.g. for reliefs on taxable values in order to promote successions of family businesses and farms. The alleviation of the tax treatment of business transfers agreed in the government programme is scheduled for introduction during 2004.

The Swedish Government is currently considering different changes to the legislation concerning inheritance and gift taxes, in order to facilitate transfer of businesses.

For tax purposes in Norway the business is valued at a reduced rate of 30% of the taxation value. No inheritance of gift tax is charged for transfers between spouses.

Bulgaria envisages a tax exemption of sole proprietorships in the new legislative amendments if the heirs continue the activity of the enterprise. In case of inheritance of a sole proprietorship or 50% of the capital of the company, the payment of the taxes is planned to be deferred. Reduced tax rates between spouses are also planned.

The Czech Republic offers an exemption from inheritance tax if the transfer takes place between direct relatives and spouses. This provision is applicable to all inheritance.

No inheritance or gift tax is charged for transfers between spouses in Poland if the spouse continues to run the business for five years.

Key area 4: Measures to encourage timely preparation

Benchmark: Provision of appropriate support measures to help entrepreneurs acquire the necessary skills and knowledge to prepare the transfer in time.

A series of initiatives to raise awareness has already been taken in Belgium by various economic actors. The Walloon region of Belgium envisages integrating raising awareness on and facilitating the transfer of businesses into its Action Plan *"4x4 pour entreprendre"* (www.4x4entreprendre.be).

In Germany, most entrepreneurs turn to their tax consultant first when they need advice for important decisions. Hence a sufficient qualification is essential for consultants in order to be able to encourage the entrepreneur to tackle the transfer process in time, to accompany him during the process and to convey the necessary knowledge. Therefore the Academy of the *Deutsche Ausgleichsbank* offers specific seminars on business transfer issues for consultants. Furthermore, the Federal Ministry of Economics grants subsidies to entrepreneurs for consultations on different topics, including business transfer. The organisers of seminars and training courses for SMEs can receive subsidies too.

The new French draft law is proposing to generalise and legalise an incubator experiment where an entrepreneur could test and validate his business idea in a specific structure, association or in an enterprise. A working group will explore the possibilities of extending this scheme to cover business transfers.

In Luxembourg, actions to raise awareness and to set up a reception and advice structure will be studied in close co-operation with the business organisations. Similar efforts will be made to set up a *"centre de formalités"* for business start-ups and transfers.

Netherlands will start a streamlining operation in the information and advice structure which is particularly focused on enterprises with less than 10 employees.

This area is one of the priorities that the Federal Ministry of Economics and Labour has identified in Austria. It will be a substantial element in the planned Austrian Action Plan. Concrete actions to be taken were discussed in April 2003.

Portugal has developed a programme *"From generation to generation"* which focuses on awareness-raising among family enterprises. The programme also provides practical support in preparing for the transfer.

Finland has carried out many actions in close co-operation with the business organisations to raise awareness. There are further plans within the next few years to organise seminars for entrepreneurs and would-be entrepreneurs covering the main issues related to transfer of businesses. There are also plans for a large-scale information campaign for enterprises that will face business transfer in the near future.

Turkey will carry out a 2-year project with a view to providing training and consulting services to the entrepreneurs who are planning to transfer or take over a business. The aim is to make the transferors aware of the need to prepare transfer in time and to enable the transferees to be well acquainted with the enterprise structure. A more general study on transfer of businesses is also being planned with the aim of finding out the awareness level of entrepreneurs and the current situation in Turkey in this area.

Key area 5: Tax relief on money received from a transfer which is subsequently reinvested in another SME

<u>Benchmark:</u> *A substantial reduction of taxation and a deferral of the payment of taxes. Simplification of the tax rules.*

This area is also going to be included in the consolidation of the Capital Acquisition Tax law in Ireland and in the Netherlands plans for streamlining taxation of business transfers.

This area will shortly be tackled by the relevant tax experts *(Fachsenat für Steuerfragen der Kammer der Wirtschaftstreuhänder)* in Austria.

In Bulgaria, the new legislative amendment provides for a deferral of the payment of taxes in this case.

Key area 6: Financial instruments for business transfers

<u>Benchmark:</u> *Provision of appropriate instruments to finance different types of transfers.*

The Walloon region of Belgium is currently studying ways to set up a specific financial instrument for business transfers.

Most business angels are interested in financing start-ups of innovative and/or high tech enterprises. In Denmark, however, some business angels have declared an interest to take part in business transfers. The Danish Government has recently decided to finance the setting-up of two business angels networks especially designed for business transfer. The first has now been set up. The next will follow shortly and a third network is being envisaged.

Germany has recently introduced a new financing programme especially for MBO/MBI transactions in the context of business transfers. This programme enables venture capitalists to refinance their equity investments for business transfer cases.

In France, the new draft law envisages the creation of *"fonds d'investissement de proximité (FIP)"* which would allow subscribers reductions in income taxation. This measure could possibly be also used in the capital of a company that is going to take over an enterprise.

The Irish Business Expansion Scheme provides individual investors with tax relief, at their marginal rate, in respect of an investment of up to € 31 750 per annum in certain qualifying companies (provided that an investment is held for a minimum of 5 years). The scheme has been extended on various occasions and is now extended to 31 December 2003. The minimum individual investment is € 250 and the maximum investment by all investors in any company or group of companies is € 750 000.

A new draft law in Italy is proposing to reduce the interest rates for loans taken to finance the purchase of an enterprise that needs to be transferred.

Luxembourg is in the process of drafting new legislation concerning financial aid for small and medium-sized enterprises. This draft legislation will contain special measures for young entrepreneurs for their first business creation, be it either a start-up or a take over of an existing company. These measures will also be applicable to employees. It should be noted that this aid will be subject to notification. Moreover, possibilities of specific financial incentives for transfers to employees will be studied together with the social partners.

The Netherlands will include this point in a more general action plan that focuses on optimising the financial structure of SMEs.

In Austria, the *"Jungunternehmer/innen-Förderungsaktion"* run by *Austria Wirtschaftsservice GmbH (AWS)* supports both start-ups and transfers of businesses (with the exception of tourism and leisure enterprises). With regard to business transfers, its direct support consists of a grant of 7% of the investment costs (max. € 210 000) and in the case of loan finance it provides a guarantee of a maximum of € 300 000 (up to 80% to cover the loan taken to finance the investment and the take-over costs and up to 50% for a loan taken to finance the purchase of current assets.

This instrument is also available to employees. *"Junge Wirtschaft"* (as a part of the Federal Economic Chamber) together with AWS will start promoting a savings scheme called *"Nachfolgebonus"* for successors (according to the existing scheme called *"Gründungsbonus"*). There are also some ideas about setting up a specific venture capital fund that would invest in young enterprises.

The Swedish Government is considering a proposal, to become effective in July 2003, to exempt companies investing capital - including venture capital - in other companies from capital gains tax on profits from these investments in order to increase financial resources for reinvestment.

In Bulgaria, the Encouragement Bank, which is mainly funded by the state, provides credit for SMEs with preferential rates.

Poland provides financial assistance to SMEs for buying consultancy services connected with the process of consolidation of small and medium-sized companies. The assistance is given in the form of a grant which cannot exceed 50% of the cost of the consulting services or PLN 60 000 (around EUR 15 000). The grant is financed by Poland's own resources and the Phare programme.

In Turkey, there are plans to include transfers in the existing financial support schemes such as the Credit Guarantee Fund and the Leasing Model as well as in the new preparatory studies for support models such as the Start Up Capital Model. Furthermore, a feasibility study to launch a special fund for financing business transfers is envisaged.

4. Existing or planned measures to implement the Best project's recommendations

Table 3 provides an overview of the existing or planned measures to implement the Best project's recommendations by the countries that participated in this project. The table is followed by more detailed descriptions of the measures.

Table 3: Overview of the existing measures and measures under consideration to implement the Best project's recommendations

	Equal attention should be given to start-ups and transfers	Creation of a European sellers and buyers database/market place	Creation of a "European Business Transfer Centre"	Organisation of regular European seminars/meetings/fora	Development of alternative or additional tailor-made training and management tools	Public initiated support programmes and research	Total
Belgium							5
Denmark							2
Germany							5
Spain							1
France							1
Ireland							2
Italy							4
Luxembourg							1
Netherlands							5
Austria							4
Portugal							1
Finland							5
Sweden							1
Norway							0
Bulgaria							1
Czech Republic							2
Latvia							5
Poland							1
Turkey							5
Total	8	9	7	1	14	12	51

Legend

Measures exist or there are concrete plans to introduce new measures

Some ideas exist about introducing new measures

No measures exist or there are no plans to introduce new measures

1. Equal attention should be given to start-ups and transfers

As Belgium is a federal state, a large part of the competencies concerning the transfer of businesses lies at regional level. In the Walloon region, the topic of transfer of businesses will be progressively integrated into the Action Plan *"4x4 entreprendre"* (www.4x4entreprendre.be) which has been created to develop enterprise spirit in the region.

The Danish Government has given equal attention to start-ups and business transfers. Business services are available for both existing and new owners. New business angel networks with special focus on business transfers are being established.

Germany will further develop the *"nexxt" (www.nexxt.org)* internet site into a "one stop shop" for business transfer issues by e.g. installing a database of specialised consultants and improving the online planning aids. DtA-Academy (a department of the Deutsche Ausgleichsbank which organises seminars on different economic topics) will organise more seminars for consultants to foster the introduction of succession as an attractive alternative for prospective entrepreneurs. A possible next step could be holding seminars on how to organise events for other consultants ("train the trainer"). It is also proposed to encourage existing university chairs for entrepreneurship to include business transfer issues in their teaching programmes.

The Netherlands is mapping what is available in terms of research, policy, statistics and support instruments for business transfers in order to identify what is missing in comparison with start-ups.

In Austria, the business services of the Federal Ministry of Economics and Labour and the Federal Ministry of Finance were brought together in 2002 to form a kind of one-stop-shop called *Austria Wirtschaftsservice*. In addition to support for start-ups, it also provides support for transfers of businesses. There are plans to further develop the current measures for transfer of businesses (see above Chapter 3, Key area 6). There are also plans to grant a full equal treatment of transfers and start-ups in the law on promoting start-ups *"NEUFÖG"* (see above Chapter 3, Key area 1).

In Finland, the transfer of businesses has already received more attention than in the past in the areas of financial instruments, training and counselling. More focused research and projects on business transfers are envisaged.

As Commercial Law came into force in Latvia on January 1, 2002, the Register of Enterprises of the Republic of Latvia and non-governmental organisations launched many activities in order to ensure a smooth transition period and an improvement in the business environment. Measures include information campaigns and consultations on business transfer issues. A large-scale information and consultation campaign (seminars, on-line discussions, consultations, printed materials, etc.) on business transfer issues is planned in during 2003 - 2004. The purpose of this campaign is to provide Latvian people with in-depth information on transfer of businesses. In addition to the project www.savsbizness.lv (My Business) launched by the Junior Chamber International, there are also many more activities carried out by non-governmental organisations with the purpose of providing support both for start-ups and for transfers of businesses.

The Turkish Small and Medium Industry Development Organisation KOSGEB is going to revise its activities. In addition to support for start-ups, support for business transfers will also be included in its new activities.

2. Creation of a European sellers and buyers database/market place

The Best project stressed the importance of linking separate private databases at national level to broader host databases in order to bring more transparency to the often restricted nature of the market. It also presented examples of such host databases in several countries. Public authorities were behind most of them. However, it is not impossible that private organisations could also run these databases, provided that they are able to carry out the task. To help set up national host databases, some ideas can be found in a Dutch study that makes a comparison of the existing national databases[14].

To move on with the creation of a European sellers and buyers market place, the experts of the Best project on the transfer of businesses have, on their own initiative, already taken the first steps. In order to have a common identity for all databases, they came up with the Internet domain name *"match-online"* to be used for the national databases of buyers and sellers. The experts have registered this name in most EU countries. The Danish site www.match-online.dk is already operational.

In addition, the domain names match-online.com, match-online.info, match-online.net and match-online.org have also been registered. A prebooking has been made for the match-online.eu domain. The idea is that these domain names, which are not country-specific, would act as a virtual European umbrella linking the national databases together. This would enable a better exchange of information between the databases, create more transparency in the European market of buyers and sellers and foster transnational business transfers. Based on the discussions in the MAP project expert group, the following steps could be taken to create a "European sellers and buyers database":

- As a first step, the countries should either redirect queries from their national "match-online" domain to the existing databases or at least to set up an information page stating that there are databases which can be reached under that name in the EU and listing them.

- Secondly, the match-online.com, match-online.net, match-online.info, match-online.org and match-online.eu sites could provide some further information about the project and could contain a list of links to the national databases.

- Every national database site should provide a short self-portrait, a "user's guide" and a notice about the "match-online" project in English. The self-portrait should also function as a quality assurance for the database.

- Adjacent states could establish "cross-border traffic" by exchanging advertisements of their databases. A single database, however, is difficult to realise because of different technical backgrounds.

In Belgium, there are a number of initiatives at the level of Chambers of Commerce and Industry to set up databases of buyers and sellers.

---

[14] Buying/selling an enterprise? Central contact mediation systems for buyers and sellers of enterprises in EU Member States, Raad voor het Zelfstandig Ondernemerschap, February 2003.

In the border region of Belgium, France and Luxembourg, a buyers and sellers market place was established in the *Guichet Unique Transfrontalier* (GUT) that is available via internet: www.leguichet.org. This was a common initiative by three Chambers of Commerce: Chambre de Commerce et de l'Industrie du Luxembourg belge, Chambre de Commerce et de l'Industrie de Meurthe-et-Moselle (France) and Chambre de Commerce du Grand-Duché de Luxembourg.

Germany is planning as a first step to either redirect queries from the national "match-online" domain to the present database or at least to set up an information site stating that there are databases which can be reached under that name in the EU and listing them.

A comparative study of host databases of buyers and sellers in eight EU countries was carried out in the Netherlands. In reaction to the study, the Netherlands concludes that such host databases are important. However, private initiatives can play a crucial role in this field and they should not be overlooked.

There are plans in Finland to develop a market place with public sector participation. This market place could function as a national "match-online" domain and have links to other market places, including other match-online sites in the EU.

A study on the possibilities and advantages of the creation of a common database of buyers and sellers is planned in Latvia (with support of non-governmental organisations and private companies) in the end of 2003.

Turkey is planning to set up a comprehensive database of buyers and sellers.

3. Creation of a "European Business Transfer Centre"

Based on the discussions in the MAP project expert group, the "European Business Transfer Centre" could be created in the following way:

- The most feasible solution appears to be to start by creating a virtual centre on the Internet which would be connected to the "match-online" system.
- Possible contents: available statistical surveys on the situation of business transfers on a national level as well as for the EU as a whole, a document archive with a list of sources for publications and links to site for downloading documents, a calendar of events, seminars and training courses (perhaps some kind of "open university"), an open discussion forum.
- At national level, this could be done by extending the present database sites.

The Walloon region of Belgium intends to set up a website that collects the different information on the transfer of businesses.

Germany is planning to extend the present database of buyers and sellers to an Internet based national Business Transfer Centre.

The Veneto region in Italy is in the process of creating an Italian transfer of business centre which would collect data, provide training, design tailor-made tools and start a database of business transfer cases. The region intends to extend the centre to national level.

The Netherlands has commissioned a feasibility study on such a centre. The main conclusion of the research is that the functions of such a centre should be incorporated in the existing information and advisory structure. Incorporation is very important for the effectiveness and accessibility of the provided information and services.

Finland has developed a joint corporate Internet portal called *Yritys-Suomi (www.yrityssuomi.fi)* which is part of a wider co-operation between public business financiers and business service organisations. The portal is intended to help SMEs, entrepreneurs and would-be entrepreneurs to find to the services related to establishment, growth, development and internationalisation of a business. The portal is also a logical place to cover transfer of business issues and it may therefore play an important role when building the Finnish Business Transfer Centre.

The feasibility study on the setting up a common database in Latvia will also include an examination of the possibility and necessity of the creation of a Business Transfer Centre.

In parallel with setting up the database of buyers and sellers, Turkey is also planning to set up a Business Transfer Centre within the framework of the KOSGEB Euro Info Centre and Information Systems and E-Commerce Support Group. The aim of the Centre is to put together all the information involved in the transfer of business at home and at European level and to organise activities in order to inform the relevant institutions about studies in transfer of businesses, to conduct studies with various groups and to increase co-operation between these groups.

4. Organisation of regular European seminars/meetings/fora

Austria organised the European Seminar on the transfer of businesses in September 2002 and it is planning to organise a similar event in autumn 2003.

5. Development of alternative or additional tailor-made training and management tools

The Walloon region of Belgium has developed a number of training programmes which have a specific focus on business transfers. For example, within the Action Plan *"4x4 pour entreprendre"*, different initiatives were taken such as training by the *"Institut des Administrateurs"* and the *"Fondation des Administrateurs"* aiming at professionalising the management of companies, including the timely preparation of the transfers of the companies.

Germany is planning to propose that the existing chairs for entrepreneurship would include business transfer issues in their teaching programmes.

In France, the *University of Montpellier* has developed a post-graduate diploma in audit and the transfer of small and medium-sized enterprises. This diploma has already existed for four years.

Ireland has developed the *Leaving Certificate Applied* programme *(LCA, www.lca.ie)* which is a two-year Senior Cycle programme designed to meet the needs of those students for whom the academic Leaving Certificate is unsuited and who may be at risk of early school leaving. The programme is vocational in nature and includes mandatory modules that set entrepreneurship in a vocational context. Establishing mini-businesses and managing the processes from start-up to wind-up, including the transfer of businesses, is part of the enterprise experience.

Several training programmes on transfer of businesses exist in Italy.

Various private sector initiatives have been taken in the Netherlands. A Successor's Academy has been set up to offer a training programme for successors of medium-sized companies and the Nyenrode University's Centre for Entrepreneurship has established a privately sponsored chair on family business and business transfers. Moreover, the Erasmus University of Rotterdam has recently founded a European Family Business Institute. It will carry out research on family businesses, organise a curriculum for students and offer training courses for family business managers.

The expert discussions held in Austria in April 2003 discussed the development of specific training for business transfers. The aim is to develop more process-oriented support (coaching) stretching over the whole transfer of business process rather than individual actions focusing only on one aspect. In addition, discussions are ongoing to install a special platform that can offer help and the advice of experienced experts to enterprises suffering from a crisis.

Portugal has developed the project *"Young entrepreneurs and successors"* to detect potential successors for companies. These potential entrepreneurs are then trained and they get assistance in developing business and marketing plans.

Tailor-made training on business transfers is being organised by the Employment and Economic Development Centres, business organisations and other actors in Finland.

In Sweden, ALMI Företagspartner and the Business Development Agency, NUTEK, are at present considering a pilot project focusing on transfer of businesses. The pilot project will deal with topics such as information to create awareness, education and training for consultants, advice and tools for the preparation of the transfer, measures to facilitate for sellers and buyers to meet and the need for financial instruments.

The Czech Republic is considering setting up consultancy and information support measures for business transfers.

Regular seminars and meetings have been launched by local authorities in Latvia, supported by the Register of Enterprise. Many activities are launched by non-governmental organisations and training companies and supported by state institutions.

A pilot programme of support for business transfers has been developed in Poland (PARP S.A). The objective of the programme is to train appropriate personnel whose task would be to initiate, support and popularise transfer of business activities among entrepreneurs. Negotiations are also ongoing with a dozen business schools and universities throughout Poland aiming at a co-ordinated inclusion of business transfer issues into the curricula of these institutions.

Turkey will be launching training programmes, seminars, meetings on taxation, finance, legal issues and covering the different types of transfer of businesses to both transferors and successors in 2003. These actions will be tailored to the needs of the enterprises and regions. In 2004, new training activities and management tools will be developed.

6. Public initiated support programmes and research

A round table was organised by the Walloon region of Belgium in March 2003 for an exchange of views on the policies to be developed in order to facilitate business transfer.

In Germany, during the development of the "nexxt" site, co-operation has been established with the *Institut für Mittelstandsforschung (IfM)*. The institute's existing research activities on business transfers are already being used for different purposes.

The Department of Enterprise, Trade & Employment in Ireland is responsible for the development of the *BASIS* initiative (Business Access to State Information and Services, *www.basis.ie)*. The aim of BASIS is to provide the business community with a single access point to all Government information and online services. The BASIS project, with the assistance of the business community, identified twelve high-level events for businesses on which it provides information. These include starting a business, employing staff, funding, business operations and trade, taxation and finance, expanding your business, innovation and finally closing or selling a business.

The Spanish Ministry of Economy is drafting a guide for family-owned SMEs. It will offer information concerning the different legal forms of companies, the family protocol, transfer of businesses from one generation to the next and conflict resolution. It will also include a specimen of a family protocol.

In Italy, the region of *Emilia-Romagna* is carrying out research on transfers together with universities, the chambers of commerce and business organisations in a consortium called *Spinner*. *Unioncamere* is also starting to conduct research in the different regions.

The Netherlands has prepared a special issue on transfer of businesses in an economic policy magazine. It will be presented to the other European countries in the Enterprise Policy Group meeting.

Austria organised expert discussions on transfer of businesses in April 2003 to discuss with all parties involved in business transfers what action needs to be taken in this area in Austria. The discussions provided input for a national Action Plan on the transfer of businesses. The Federal Ministry of Economics and Labour has financially supported *KMU Forschung Austria* (previously called *Institut für Gewerbe- und Handelsforschung)* for many years. Transfer of businesses is one of the research priorities of this institute. The results of its research activities are an important basis for planning and designing new entrepreneurship policy measures in Austria.

In Finland, a survey on SMEs that also covers transfer of business questions is carried out yearly. A specific study on the transfer of businesses was carried out in 2002. Public support is also provided through the *Passing the Baton* training programme and the *Entrepreneur loan*.

In Bulgaria, the Agency for Small and Medium Sized Enterprises plans to maintain a database of organisations and persons offering information and consultation services to SMEs.

The Czech Republic is considering reforming the business register system to make it faster and more effective. This would help to improve the administration of business transfers.

In Latvia, the Commercial Law reform 2002–2004 and the SMEs Development Programme 2003–2006 provide measures for the transfer of businesses.

For compilation of sound statistical data in order to constitute and update strategies related to SMEs, Turkey aims to create a Business Record System in accordance with EU norms. In 2002, the Ministry of Industry and Trade and the Union of Turkish Chamber and Commodity Exchanges (TOBB) initiated a feasibility study on the Business Record System. At the beginning of 2003, Turkey plans to link indicators to the new business transfer tools for monitoring and evaluation.

5. ACTIVITIES OF THE EUROPEAN COMMISSION

Key areas of the Commission Recommendation

The Commission Recommendation on the transfer of small and medium-sized enterprises[15], adopted in 1994, was addressed to the Member States. Most of the measures to be taken in the key areas selected by the MAP project experts were fiscal measures falling within national competence. The Commission carried out a first review of the measures taken by the Member States in 1998 which was published in a Commission Communication on the transfer of small and medium-sized enterprises[16]. The second review was carried out in the framework of the Best project described in Chapter 2. A new Commission Communication is expected by the end of 2003.

Concerning financial instruments for business transfers, the European Commission has established the *"SME Guarantee Facility"* which is funded by the European Community and operated by the European Investment Fund on behalf of the Commission. This instrument can also be used for business transfers. Moreover, the Commission envisages amending Council Decision 2000/819/EC on the multiannual programme for enterprise and entrepreneurship to add transfer of businesses as a new priority area for the programme's financial instruments.

Recommendations of the Best project

- **Equal attention should be given to start-ups and transfers**

  The Commission will continue to pay attention to the transfer of businesses along with business start-ups. The recent Green Paper on Entrepreneurship, adopted by the Commission in January 2003[17], highlights the transfer of businesses as an alternative to starting-up a business. The next review of the measures taken by the Member States, EFTA and candidate countries in response to the Commission Recommendation and the recommendations of the Best project is envisaged in approximately two years' time.

- **Creation of a "European Business Transfer Centre**"

  The Commission is willing to assist the Member States' efforts in establishing national sellers and buyers' databases and business transfer centres and their interlinking by e.g. providing a framework for discussing a common format for these databases and centres.

- **Organisation of regular European seminars/meetings/fora**

  The Commission organised the European seminar on the transfer of businesses in Vienna in 2002 together with the Austrian Federal Ministry of Economics and Labour. It plans to organise a follow-up event in spring 2004.

---

15 94/1069/EC, OJ L 385, 31.12.1994, p. 14
16 OJ C 93, 28.03.1998, p. 2
17 COM(2003) 27 final, 21.01.2003

- **Public initiated support programmes and research**

  The Commission will publish a brochure containing good practices of support measures for business transfers in 2003.

  It is also willing to support data collection on business transfers by e.g. launching studies or projects that would provide a better understanding of the process and the different types of transfers, give a more accurate picture of the importance of the phenomenon for the economy and develop appropriate policies at national and at EU level.

6. SUMMARY AND CONCLUSIONS

The Final Report of the Best project expert group on the Transfer of Businesses found that barely half of the tax and legal recommendations set out in the 1994 Commission Recommendation have been implemented by the Member States. It also made further recommendations to facilitate the transfer of businesses.

The MAP 2002 project was a response to the Best expert group's final report and it aimed to trigger action in the participating countries. The project set benchmarks for the key areas of the Commission Recommendation where further progress was most needed. The project also ranked the recommendations of the Best project in an order of importance. The countries participating in the project identified actions to address the key areas of the Commission Recommendation and to respond to the Best project's recommendations.

Concerning the implementation of the key areas of the Commission Recommendation, the results of this project show that only **Belgium** has measures already in place in all six key areas. **Denmark, Germany, Ireland, the Netherlands, Austria and the United Kingdom** have measures in five out of the six key areas. Practically no measures in the key areas exist in **Norway and in the participating candidate countries**.

When it comes to improving the current performance, it is the **Netherlands, Austria** and **Turkey** that are planning to take new measures in all the six key areas. In second place, **France** has well-established plans to tackle five out of the six key areas.

Summing up tables 1 and 2 of the report, **the following countries have already addressed or have plans to address all six key areas: Belgium, Germany, France, Ireland, the Netherlands, Austria and Turkey.** In general, most countries have already introduced special rules for inheritance and gift taxes for business transfers whereas only a few countries have measures to facilitate transfer to employees, provide tax relief on money received from a sale of a business that is reinvested in another SME, and offer specific financial instruments for business transfers. However, among the planned measures, introduction of financial instruments is by far the most prevalent area.

The best performers in responding to the recommendations of the Best project are **Belgium, Germany, the Netherlands, Finland and Turkey** with proposed measures in five out of the six areas. "Tailor-made training and management tools" closely followed by "public initiated support programmes and research" are the areas where most countries have taken or are proposing to take measures. In contrast, “organisation of regular European seminars/meetings/fora” is an area where only **Austria** is planning to organise an event to exchange good practice between different countries in Europe. The **European Commission** intends to respond to four of the recommendations of the Best project. A Commission Communication on the transfer of businesses is expected by the end of 2003.

Short assessments of the current situation in each country can be found below:

Belgium

Public and private authorities are aware of the importance of business transfers. All the key areas of the Commission Recommendation have been tackled and further measures are being considered. Actions have already been taken or are in the pipeline to respond to most of the recommendations of the Best project.

Denmark

Most of the key areas of the Commission Recommendation have already been addressed in Denmark. New financial support is under way in the form of specific networks of business angels for business transfers. Further support measures and awareness raising measures could be considered.

Germany

Germany is not planning to take any new fiscal measures but measures in this area already exist. The focus will be on a further development of the existing support measures for business transfers. The central point for the German action will be the web portal www.nexxt.org.

Spain

Spain has further improved its favourable inheritance and gift tax regime and is also preparing a guide for transfers of family-owned SMEs. In addition, it has launched a legislative reform affecting limited liability companies *(Sociedades de Responsabilidad Limitada).* The reform will eliminate some of the legal obstacles for family business succession, including the introduction of the possibility of using treasury stock (*autocartera),* issue of shares without voting rights and measures to facilitate transfers to only one member of the family. Further support measures and awareness-raising measures could be considered.

France

France is very active in improving the legal environment for businesses. The new draft law envisages several fiscal measures to facilitate the transfer of businesses. In parallel with the proposed legislative changes, initiatives to provide support for business transfers are encouraged both at national and local levels. However, this kind of support should rapidly proliferate in order to respond to the expected increase in the number of transfers.

Ireland

Ireland has taken legislative measures to facilitate business transfers and currently the process of streamlining legislation is ongoing, which also affects business transfers. Support for business transfers is scarcer and awareness-raising activity along with practical support should be encouraged.

Italy

Italy abolished inheritance and gift taxation in 2002 and no new fiscal measures are in the pipeline. Measures to encourage transfers to third parties and employees should perhaps be considered. Many training activities for business transfers exist and some research is planned. A more co-ordinated approach to the provision of support would be welcome and this could be accomplished by the envisaged creation of a Business Transfer Centre.

Luxembourg

Luxembourg is not planning any new fiscal measures but is instead focusing on financial instruments. There is a clear commitment to facilitate business transfers and a group of experts will be set up to draft a specific action plan for business transfers to group all related measures together.

Netherlands

Netherlands has made a lot of progress in helping business transfers, especially since the tax reform of 2001. However, it is still actively pursuing further efforts to improve the environment for business transfers in the form of streamlining the taxation and the advice structure of business transfers and by studying through various means how to provide better support for transfers.

Austria

All the key areas and many of the recommendations are being discussed in Austria. The action is more focused on providing support for business transfers. Specific emphasis is on the equal treatment of start-ups and transfers, designing of a new concept of support that would accompany the whole transfer process and on increased awareness raising for both transferors and successors.

Portugal

The fiscal measures already taken in Portugal aim at helping transfers to employees. No further legislative measures are planned. There exists two key training programmes, one of which aims at raising awareness and the other at identifying and training successors. A more general awareness-raising activity could perhaps be envisaged in order to draw entrepreneurs' attention to the question of transfer of businesses.

Finland

The Finnish Government's new programme contains, under many different sections, measures to facilitate the transfer of businesses. In addition, special measures developed within the framework of the Entrepreneurship Policy Programme will also be implemented to make transfers of business easier.

Recently, there has been more focus on transfers in the form of awareness-raising through different channels. This will continue. Measures exist to tackle most of the recommendations of the Best project. Further efforts could be envisaged in developing the Business Transfer Centre and the national database of buyers and sellers.

Sweden

Some of the key areas of the Commission recommendation have already been addressed in Sweden and new measures are under consideration. Ideas also exist to develop a pilot training project focusing on business transfers. The signal given by these new plans is positive but more efforts could be made to facilitate transfers.

Norway

Transfer of businesses has not yet received much attention in Norway and there are no proposals for concrete action in this area for the moment. However, in the future, Norway is planning to focus more on this issue and it intends to learn from the examples of other European countries.

Bulgaria

No legislative measures exist yet in Bulgaria to facilitate business transfers. However, several modifications are proposed in amendments to current legislation. Some support measures for transfers should be developed in the future.

Czech Republic

Some tax measures already exist for business transfers and there are plans to develop a number of support tools for transfers. More initiatives could be taken in both areas.

Latvia

Activities carried out within Commercial Law reform in Latvia include support for businesses in the form of both providing information and initiating changes in legislation. Many measures will be taken within the Latvian SMEs Development Programme 2003-2006 which was approved by the Cabinet of Ministers in 2002.

Poland

So far very few measures exist in Poland to facilitate the transfer of businesses. The only legislative measure is an exemption of the inheritance and gift taxes for transfers between spouses if the spouse continues to run the business for five years. Financial assistance in the form of a grant is provided for existing and new owners of enterprises for acquiring consultancy services. A pilot programme supporting and popularising transfer of businesses among entrepreneurs has been developed. Other training programmes dealing with specific transfer of business questions are to be carried out. There are also plans to include transfer of business issues into the curricula of Polish universities and business schools. Other initiatives could be taken.

Turkey

No measures exist in Turkey in the key areas of the Commission Recommendation but extensive efforts are being made to tackle all of them in the near future. Turkey is also very active in taking measures to implement the recommendations of the Best project.

European Commission

The European Commission will continue to review the progress made in implementing the Commission Recommendation and the recommendations of the Best project. The next review will take place in two years time. The Commission will also take action in four areas covered by the recommendations of the Best project. A brochure on good practices will be published in 2003 and a Commission Communication on the transfer of businesses is expecetd by the end of 2003.

* * *

The number of actions already taken or under consideration in the countries that participated in the MAP project demonstrates that there is a certain policy commitment to facilitate business transfers. As the summary tables of this report illustrate, this is more evident in some countries and in some key areas than in others. More action is needed in particular in the following areas:

- Equal attention to be given to transfers and start-ups;
- Measures facilitating transfers to third parties;
- Measures facilitating transfers to employees;
- Measures to encourage a timely preparation;
- Exchange of good practice on specific topics between different countries, and
- A more co-ordinated approach to support via national Business Transfer Centres.
- In addition, in order to help find successors, more efforts should be made to promote transfers as an alternative to starting up.

With a view to the ageing entrepreneur population of Europe and the expected high number of transfers, now is the time to take the necessary measures to help business transfers. Let us ensure that business transfers are not the beginning of the end but a new beginning.

ANNEX MEMBERS OF THE EXPERT GROUP

Country	Name of the expert	Organisation	E-mail
Belgium	Mr. Hervé Briet	Ministry of Justice	herve.briet@just.fgov.be
Denmark	Mr. Ib Kjøller	The National Agency for Enterprise and Housing	ik@ebst.dk
Germany	Mr. Hans Prassny	Deutsche Ausgleichsbank (DtA)	hans.prassny@kfw.de
Spain	Ms. Ana Fernandez Tresguerras Ms. Fátima Mínguez Llorente	Ministry of Justice Ministry of Economy	tresguerres@tresguerres.com fminguez@ipyme.org
France	Mr. Francis-Eric Dorin	Direction Regional du travail de l'Emploi et de la Formation Professionnelle du Languedoc Roussillon	francis-eric.dorin@dr-lrouss.travail.gouv.fr
Ireland	Mr. Paul Shortt	Department of Enterprise, Trade and Employment	paul_shortt@entemp.ie
Italy	Mr. Carlo Spagnoli Mr. Toni Brunello	Unioncamere StudioCentroVeneto	carlo.spagnoli@unioncamere.it toni.brunello@studiocentroveneto.com
Luxembourg	Mr. Serge Sandt	Ministere des Classes Moyennes du Tourisme et du Logement	Serge.Sandt@cmt.etat.lu
Netherlands	Mr. Thijs Woudstra Mr. Robert Van Engelenburg	Ministry of Economic Affairs Metaalunie RZO	m.j.woudstra@minez.nl engelenburg@metaalunie.nl rzo@rzo.nl
Austria	Ms. Maria Christine Grubmann Mr. Rudolf Kaindl	Bundesministerium für Wirtschaft und Arbeit Notariatskammer	maria.grubmann@bmwa.gv.at office@civ-law-notary.znet.at
Portugal	Mr. Jaime Prudente	IAPMEI	jaime.prudente@iapmei.pt
Finland	Mr. Kai Karsma	Ministry of Trade and Industry	kai.karsma@ktm.fi
Sweden	Mr. Lars Nyberg	Swedish Business Development Agency (NUTEK)	lars.nyberg@nutek.se
Norway	Mrs. Elisabeth Berger	Ministry of Trade and Industry	elisabeth.berger@nhd.dep.no
Bulgaria	Mrs. Snezhana Maleeva	Ministry of Justice	maleeva@mjeli.government.bg
Czech Republic	Mr. Jiři Knöpfelmacher	Ministry of Industry and Trade	knopfelmacher@mpo.cz
Latvia	Ms. Signe Jantone	The Register of Enterprises of the Republic of Latvia	signe@ur.gov.lv
Poland	Ms. Anna Jesiolowska	Economic Consulting Agency	ania@jesiolowscy.com.pl
Turkey	Ms. Aynur Odaman	KOSGEB Head Office	aodaman@kosgeb.gov.tr
European Commission	Ms. Kirsi Ekroth-Manssila	Enterprise Directorate-General	kirsi.ekroth-manssila@cec.eu.int