PRESS STATEMENT FOR IMMEDIATE RELEASE

"The voice of crafts and SMEs in Europe"

SMEs welcome EC plan on access to finance, call for tax reforms to boost venture capital

Tax systems main obstacle to uptake and provision of venture capital; "Basel III" implementation must not harm SME loans, warns UEAPME

Brussels, 7 December 2011 – UEAPME, the European craft and SME employers' organisation, welcomed the action plan to improve access to finance for small and medium-sized enterprises presented by the European Commission today (Wednesday). The organisation was overall pleased with the very wide range of measures and actions foreseen on all the obstacles hampering SMEs' access to finance at the moment. UEAPME also stressed the importance of a genuine internal market for venture capital and the need for equity-based financial instruments to support riskier-than-average business ventures. However, it warned that the measures presented by the EC today will remain on paper unless they are accompanied by reforms in national tax systems, which currently hinder the uptake and provision of these financial instruments. Moreover, the organisation welcomed the focus put by the EC on loan financing, which is and will remain the main source of funds for SMEs. In this respect, UEAPME called for the immediate review of risk weights for SME loans while transposing in the EU the 'Basel III' rules on capital requirements, to avoid turning the credit tap off for European small companies.

Economic and Fiscal Policy Director **Gerhard Huemer** commented as follows:

"Today's action plan rightly focuses on all the obstacles facing SMEs in accessing finance, from venture capital to 'classic' loans. Equity-based and 'mezzanine finance' instruments are fundamental to support riskier-than-average activities such as innovation, business transfers and start-ups. The proposal for a regulation on venture capital unveiled by the Commission today covers the right problems, but it will not change the status quo unless Member States step up to the plate. In fact, national taxation systems are the main obstacle to the provision and the uptake of venture capital and equity, as the interests paid on loans can be written off in companies' balance sheets, while dividends must be paid out of taxed income. Member States are well aware of this, yet so far they have refused to reform their tax systems to bring equity on a par with loans. We hope to be proven wrong, but our expectations on them acting now are unfortunately very low."

"Loan financing, on the other hand, is and will remain the main source of funding for European SMEs. In this respect, the Commission has recently put forward a very ample and commendable set of measures to promote access to loans, debt financing and guarantees in the new 'Programme for the Competitiveness of Enterprises and SMEs', in the 'Horizon 2020' programme and in the new cohesion policy for the 2014-2020 period. However, these positive developments risk being obliterated by the implementation in the EU of the 'Basel III' rules on capital requirements. The current risk weights for SME loans in combination with higher capital requirements will increase financing costs and collateral requests for enterprises with a normal rating, not to mention the fact that funding for riskier activities will become even harder to obtain. That is why revising these figures in two years as suggested by the Commission will not be of use, as the market for SME loans will have dried up and broken down by then. Action is essential now to avoid further difficulties for small companies in accessing loans, which is the very last thing Europe needs at this stage."

**** END ****

EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 82 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: http://www.ueapme.com/

FOR FURTHER INFORMATION PLEASE CONTACT:

Gerhard Huemer, Economic and Fiscal Policy Director, Tel. +32 (0)2 230 7599, Email: g.huemer@ueapme.com
Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com