

EUROPEAN FAMILY BUSINESS –GEEF

Why should family businesses be on the political agenda ?

- Hard reason: Employment and Investment
- Soft reason : Sustainable Development
- Practical reason: Direct Feedback Mechanism

- Employment and Investment:
 - Family businesses provide more employment in the private sector than any other type of owner.
 - The rate of growth, continuity and renewal in Family Business is the key to the economy

- Sustainable Development
 - There is no point in fooling oneself (e.g.inflated asset values)
 - Family businesses are on loan from the next generation

- Direct Feedback Mechanism
 - Family Businesses have a face, a heart and a soul
 - Owners can provide instant and direct feedback on the likely impact of proposed policy measures.

What is so different about families as business owners that it requires political consideration?

- The owners live in the intersection between corporate and personal taxation
- The owners are mortal

As a consequence:

- The tax rate that matters is neither the corporate tax rate nor the personal tax rate, but the Total Effective Tax Rate (corporate+ personal)
- Transfers of ownership are unavoidable, and handling them is a constant concern.

GEEF position on the taxation of equity

- Income from equity should not be subject to harsher taxation than income from other types of capital (taxation of dividends vs. taxation of interest income and rental income)
- Income from equity ownership should not be subject to harsher taxation than income from equity disposals (taxation of dividends vs. taxation of capital gains)
- Equity ownership should not be subject to harsher taxation than ownership of other types of capital (wealth taxes)
- All ownership categories should have the same chance to accumulate retained earnings in the companies (gift and inheritance tax)

Who should be told?

- National Governments and the Institutions of the EU (Commission, Parliament and Council)

By whom?

- Family Business

Does Family Business have a voice? YES

- Family firms have formed national associations in most countries in Europe.
- 12 national family firms associations have formed EFB-GEEF to speak for Family Business in Europe.

So what is EFB-GEEF doing about all this?

RECENT DEVELOPMENTS IN THE EU

- EU Communication on Transfers of Business (2006)
- EU Expert Group on Family Business (2007)
- The Enterprise Policy Group (2007)
- EFB-GEEF Lisbon event with Barroso (2007)
- EU Report on retention of earnings (spring 2008)
- The Small Business Act (summer 2008)
- DG Enterprise Report on Family Businesses (Q4/2009)
- Family Business involvement in SME Week (May 2009)

EFB-GEEF adopted new Policy Paper (Sep.2009)

EU Family Business Report was released (Dec. 2009)

EFB-GEEF participated consultation EU 2020 (Jan 2010)

EU FAMILY BUSINESS REPORT

- The importance of Family Business is recognized at the European level
 - The diversity family businesses vary from very small companies to large multinationals.
 - For the first time, at the European level, a definition of family business is accepted
 - Confirms the EU's commitment to continue promoting the exchange of information between member states
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- Balance between the family, ownership and business aspects within a family enterprise are highlighted
 - Requests the Member States' commitment to adopt more favorable measures to the family business

- Recognizes for the 1st time the existence of a contact point of family business within the European Commission and recommends the creation of similar contact points in each national government.
- Identifies six groups of best practices across the EU

EU FAMILY BUSINESS DEFINITION

A firm, of any size, is a family business, if:

- The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- The majority of decision-making rights are indirect or direct
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

NEXT STEP

Broaden Brussels interaction from the Commission to the Parliament

Strengthen co-operation between national members for better access to the Council

AIM

A shared understanding across the EES of the importance of Family Business and the value of an environment where legislation, authorities, policies (economic and fiscal) and education all encourage long term family entrepreneurship.