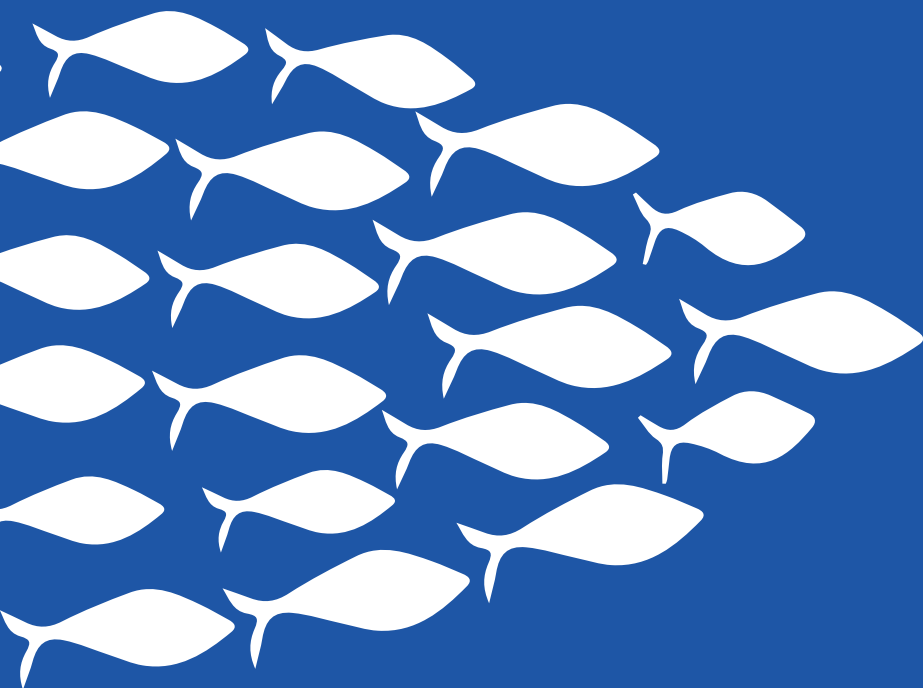


PROPOSALS FOR THE **SPANISH** **PRESIDENCY OF** **THE EUROPEAN** **UNION**

May 2023



50 PROPOSALS

FOR A COMPETITIVE,
GREEN, FAIR EUROPE
WITH TALENT AND
EMPLOYMENT,
INTEGRATED
INTO THE WORLD
AND, ABOVE ALL,
ADAPTED TO SMES.

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PREAMBLE

On 1 July 2023, Spain's turn will begin as part of the rotating six-month presidency of the Council of the European Union (EU). This is a unique event which occurs only once every 13 years and offers the opportunity to shape EU policies, measures and instruments to our country's interests, priorities and needs.

The EU has gone through a five-year period of extreme complexity, starting with the Brexit referendum in the United Kingdom (UK) in June 2016. This event placed the EU before an unprecedented challenge, which was the departure of one of its members for the first time in history. At the same time, Brexit undermined the credibility and attractiveness of the EU.

After some arduous negotiations, in November 2019 the United Kingdom's Exit Agreement from the EU was signed, but just a few months later an unprecedented new crisis began: the Covid-19 pandemic.

Thousands of companies, especially the smaller ones, succumbed to this new crisis, due to repeated and severe restrictions on their activity, the historical collapse of demand, strict border closures and disruptions in supply chains.

However, the pandemic also contributed to uniting the efforts throughout the continent, in projects such as the

joint purchase of vaccines against Covid or the deployment of Next Generation EU funds (NGEU), with a joint issue of debt for the first time in the history of the EU.

At the beginning of 2022, with the pandemic nearing its end, the Russian invasion of Ukraine took place, with devastating consequences on the European economy, in the form of exorbitant energy and raw material costs, as well as an out-of-control inflation.

The successive crises of recent years have reinforced the European project, although they have also shown its limitations and shortcomings. The Spanish Presidency of the second half of 2023 is a good opportunity to address some of these pending challenges.

In this regard, the Europe of the future must place micro, small and medium-sized enterprises (SMEs), which number over 24 million across the EU, employing some 150 million people, at the centre of its policies. **67% of European employment and 60% of the GDP depend on SMEs.**

Unlike multi-national companies, concentrated in a few European cities, SMEs are a guarantee of territorial balance and social cohesion in our continent. Therefore, the Spanish Presidency must focus its attention on them, in close collaboration with **PIMEC** and **SME United**.

PIMEC is today one of the largest and most active employers' confederations in southern Europe, with 141,000 member companies. PIMEC is a **European organisation, effective member and vice president of SME United**.

Founded in 1980, SME United, formerly UEAPME, acts as an economic and social partner at European level, representing European SMEs and participating with its opinion on EU policies, plans and legislative proposals.

Today, SME United has over 60 member organisations from around 30 European countries, including some from the EU's "neighbourhood", such as Turkey, Ukraine, and Serbia.

PIMEC also has a Permanent Delegation to the EU in Brussels, where it interacts with SME United, other European employers' associations and works directly with the EU institutions.

The following pages contain a series of measures and policies for the Spanish Presidency of the EU, proposed by PIMEC and largely inspired by priorities and positions of SME United.

Some of the proposals also follow up on those already proposed by the Swedish SME federation Företagarna in November 2022 for the Swedish Presidency of the EU in the first half of 2023¹.

Similarly, this document includes some contributions from the Federation of SMEs of the Balearic Islands, **PIMEB** in its Spanish acronym, with whom PIMEC shares the membership of SME United. Both PIMEC and PIMEB are also founding partners of **CONPYMES**.

Being aware that the presidency will take place just one year before the end of the current European legislature, time will be limited to launch new legislative initiatives and ambitious policies.

Despite this, PIMEC considers that SMEs play a fundamental role in Europe and deserve to be placed in the focus of attention of the Spanish Presidency, although some of the proposals included here require much more than just one semester to implement and obtain results.

Barcelona/Brussels, May 2023.

“The Europe of the future must place SMEs at the center of its policies, as they are more than 24 million across the EU, with some 150 million employees”

¹ Sweden's EU Presidency: 11 Proposals to reboot the Single Market. Företagarna, 22 November 2022.

2. A COMPETITIVE AND RESILIENT EUROPE

In the first half of 2023, the Swedish Presidency of the EU has focused its efforts on European competitiveness and resilience, in the face of disruptions in supply chains arising from Covid-19 and in the energy and raw materials markets, resulting from the War in Ukraine and the inflationary escalation.

The growing concern about the loss of competitiveness of the European economy, especially compared with the United States and China, is evident in the recent Communication COM(2023) 168 of the European Commission².

This document highlights the distance in terms of productivity between these three economic areas and the need to strengthen European competitiveness through measures in various areas. The Spanish Presidency should continue the work carried out by Sweden and the road map set forth by the Commission, strengthening European resilience and competitiveness.

Similarly, and in the face of the frenetic legislative activity of recent years, the Spanish Presidency should mark a new stage of greater emphasis on the **application and enforcement of the rules**, instead of generating new regulations, a tendency to be consolidated in the next legislature.

“ Europe must complete key reforms for business competitiveness, such as on the electricity market, payment terms and non-food geographical indications.”

PROPOSAL 1

Ambitious review of the Directive on Payment Terms.

The various studies of the Multisectoral Platform against late payments (PMcM in its Spanish acronym)³ in Spain and Intrum Justitia⁴ in Europe highlight, year after year, how late payments continues to be a problem in many Member states, thus undermining the competitiveness of many European companies.

The European Commission will propose a draft revision of Directive

2011/7/EU in mid-2023, which the Spanish Presidency should strive to approve. Without an ambitious European framework, the Member states which are most affected by late payments will not be able to promote decisive changes in their own legal systems and economic structures.

The essential elements to incorporate will be **specific payment terms** not later than 60 days in the private

sector (including the deadline for managing invoices), as well as measures for their effective implementation, for example, specific commercial courts to resolve payment disputes, the figure of mediation and, ultimately, an effective, proportionate and dissuasive sanction regime against late payers.

² https://commission.europa.eu/system/files/2023-03/Communication_Long-term-competitiveness.pdf

³ <https://pmcm.es/documentacion/>

⁴ <https://www.intrum.com/publications/european-payment-report/>

PROPOSAL 2**Complete the reform of the electricity market.**

With energy prices still at historic levels, the Spanish Presidency should raise the level of ambition of the proposal to reform the electricity market presented in March by the European Commission, in documents COM(2023) 147 and 148 final.

The **fixed-price electricity supply obligation** for households should also be extended to SMEs, while the **marginal pricing mechanism** is gradually dis-

mantled, in favour of a weighted average of prices based on the volume of electricity poured into the system by each electricity generation technology.

Without the marginal pricing mechanism, renewable energy developers can continue to be incentivised when appropriate through premiums by national governments, generous support from the RePowerEU⁵ Plan and

the measures of the new “Net-Zero Industry Act” framework⁶.

It is no longer necessary to continue distorting the electricity market in order to ensure the necessary investment in renewable energies into the future.

PROPOSAL 3**Deploy European autonomy in critical raw materials.**

The Spanish Presidency will have the opportunity to implement the European Critical Raw Materials Plan, presented by the European Commission at the end of March, COM(2023) 160⁷.

In this regard, and in line with the Spanish priorities in external actions (section 6 of this document), the

Spanish government could propose a specific programme for the identification and exploitation of critical raw materials in the southern neighbourhood of the Mediterranean, from Morocco to Turkey, once the European Commission has defined the list of priority raw materials, according to the criteria set out in the said regulation.

In any case, PIMEC and SME United request that this new EU strategy takes into account SME users, to prevent strategic raw materials from being controlled by just a few.

⁵ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/repower-eu-affordable-secure-and-sustainable-energy-europe_es

⁶ https://single-market-economy.ec.europa.eu/publications/net-zero-industry-act_en

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023PC0160>
https://single-market-economy.ec.europa.eu/publications/european-critical-raw-materials-act_en

2. A COMPETITIVE AND RESILIENT EUROPE

PROPOSAL 4

Achieve political agreement on non-agricultural geographical indications.

The proposal for a regulation on geographical indications / designations of origin for handicraft and industrial products, COM(2022) 174, should protect European SMEs and artisans as well as the uniqueness of their products.

In this regard, it is essential for both PIMEC and SME United that individu-

al elaborations prevail over the industrial process in the definition of the products in the future regulation, as well as the preference of geographical indication over trademarks⁸.

Furthermore, it is important that the main stage of production takes place in the defined geographical area and not just any of the production stages,

as this would invalidate the very purpose of the geographical indication for artisanal and industrial products.

The Spanish Presidency should strive to reach political agreement on this important legislative initiative, in line with the demands of European craftsmanship, one of the hallmarks of the EU.

PROPOSAL 5

Boost the Single Market for services.

30 years after the establishment of the Single Market, there are still some obstacles in trade relations and, in particular, in the provision of cross-border services between Member states. According to the European Commission itself, services are integrated into the Single Market only at 7%, compared to the integration of goods at 24%⁹.

The Spanish Presidency should promote the Single Market for services, especially in areas in which just a few operators persist at a national level and with a substantial impact on business competitiveness, such as **banking, insurance and energy**.

In addition to adequately protecting banking depositors, by achieving the desired European Banking Union, it is essential to **promote competition**, with greater cross-border service provision.

PROPOSAL 6

promote the SOLVIT mechanism

The SOLVIT mechanism¹⁰ for solving problems related to the Single Market is barely known among European companies, especially among SMEs. The SOLVIT needs a clear push during the Spanish Presidency, through close

collaboration with SME organisations as well as national and regional authorities. This measure was already proposed by the Swedish SME federation, Företagarna for the Swedish Presidency of the EU.

⁸ SME United Position paper on the EC public consultation on geographical indications for non-agricultural products: <https://www.smeunited.eu/publications/position-paper-on-the-ec-public-consultation-on-geographical-indications-for-non-agricultural-products>

⁹ Communication from the European Commission, COM(2023) 168 final. https://commission.europa.eu/system/files/2023-03/Communication_Long-term-competitiveness.pdf

¹⁰ https://ec.europa.eu/solvit/what-is-solvit/index_es.htm

PROPOSAL 7

Shape the new Single Market Emergency Instrument.

The disruptions that occurred in the European Single Market during the Covid-19 pandemic advised the European Commission of the need to propose a Single Market Emergency Instrument (SMEI)¹¹.

Even though PIMEC and SME United celebrate this mechanism, we believe that its implementation must be

used exceptionally, and that coercive and sanctioning measures should be avoided. Instead, the EU should provide fiscal and financial incentives for companies that manufacture strategic products, as well as promote joint purchases and strategic reserves, as already happened with the Covid-19 vaccines and which is currently occurring with military materials for Ukraine.

The SMEI should coordinate with other emergency response mechanisms, as stated in Proposal 46. The Spanish Presidency will move this initiative forward and should take into account SME United's views in this regard¹².

PROPOSAL 8

Continue disciplining digital platforms.

Regulation 2019/1150 on the promotion of equity and transparency for professional users of online intermediary services, established a first regulation to prevent abuse of digital platforms. An assessment of its effects was planned during 2022, which will undoubtedly have been disrupted by the effects of the pandemic and it would be good if this can be resumed by the end of 2023.

The Spanish Presidency should study the effects of the regulation in detail and make progress in other related areas. The Commission's proposal to regulate digital platforms for tourist rentals is one of the new areas of action, of particular relevance for island touristic regions such as the Balearic Islands¹³.

Similarly, the EU must face regulatory changes to **adequately compensate companies** in traditionally regulated sectors, which are now facing competition from new digital platforms, such as the taxi sector.

¹¹ COM(2022) 459 final.

¹² <https://www.smeunited.eu/publications/smeunited-is-concerned-about-the-proposal-for-a-single-market-emergency-instrumenty-instrument>

¹³ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_6493

3. A GREEN AND RESPONSIBLE EUROPE

The European Green Deal adopted in 2020 envisages making the EU the first CO₂-free continent by 2050, with an intermediate target of reducing emissions by 55% by 2030 (Fit for 55).

This is an unprecedented challenge that has generated a flood of new regulations, some of which are general, while others are more sectoral. The almost 50 rules set forth by the European Commission within the framework of the Green Deal are, to date, marked by prohibitions and obligations. Companies, and SMEs in particular, have found few incentives and motivation to make a change, and which moreover, is irreversible.

At the same time, the regrettable authoritarian drift in much of the world has pushed the European Commission to adopt a broad regulation on corporate responsibility, which passes commitments on human, social and environmental rights on to companies.

Even though European SMEs reaffirm their commitment to the environment and social responsibility, they do not consider that particularly onerous regulatory burdens should fall on them.

“The green transition in the EU should be based less on bans and obligations, but rather on incentivising and supporting SMEs”

PROPOSAL 9

Encourage fiscal incentives towards the green transition.

The Spanish Presidency should address a broad amendment to the **Value Added Tax Directive (Directive 2006/112/EC)** to allow a zero rate on electric vehicles and a reduced VAT on hybrid ones, as a more effective measure to promote sustainable mobility rather than the controversial ban on com-

bustion vehicles in 2035, already approved by the EU after taking a final pulse within the Council.

Similarly, the purchase of recycled, repaired and reused supplies and products should be rewarded with reduced, super-reduced or even a zero rate of VAT, at least tempo-

rarily. This would be an equally effective measure to guarantee the “right to repair” promoted by the European Commission in its recent proposal for a directive¹⁴.

¹⁴ COM (2023) 155 final:

https://commission.europa.eu/law/law-topic/consumer-protection-law/consumer-contract-law/rules-promoting-repair-goods_en

PROPOSAL 10

Limit the scope of the Due Diligence Directive.

The proposed Corporate Sustainability Due Diligence Directive (CSDDD) could have adverse effects on SMEs. Even if many of them are exempt from its direct reach, its indirect effects will end up coming through the value chain and at the command of large client companies. These large companies could choose to do without small suppliers, which may be ill-equipped to comply with the Directive¹⁵.

PIMEC has already addressed the European Parliament to put forward proposals that limit the scope of the regulation, such as its effect only on direct suppliers (Tier 1) and not on downstream distribution.

We also hope to specify the reporting obligations, taking advantage of Directive 2022/2464/EU already in force, on the presentation of information on the sustainability of companies.

In the same way, and in the interests of regulatory simplification, the CSDDD should also integrate the principles of the **proposal for a Regulation to ban products made by forced labour (COM(2022) 453)**, so that this would then be shelved.

PROPOSAL 11

Adapt sustainable finance to SMEs.

The European regulation on sustainable finance, arising from Regulation 2020/852 and its delegated acts, constitutes one of the great milestones in sustainability and at the same time an opportunity for European companies. Green financial assets are gaining

traction in global markets, but most SMEs still don't know how to take advantage of them.

In this regard, the **EFRAG working group**¹⁶ should complete its recommendations on sustainable finance

for SMEs as soon as possible and the Spanish Presidency could promote an **integrated market for green financial assets of European SMEs**. To do this, incentives should also be studied for institutional investors who back these assets.

PROPOSAL 12

Facilitate the green transition of SMEs.

The push for sustainable products reaches a wide range of initiatives in Europe, such as the proposal for a Regulation on Ecodesign, COM(2022) 142, the revision of the regulations on textile labelling, packaging and chemical substances (REACH and CLP) and the proposal for a Regulation

on packaging and packaging waste, COM(2022) 677.

In all these initiatives, the Spanish Presidency of the EU should consider the very unique nature of SMEs which, with their limited resources, require more adaptation time, lower

compliance requirements (for example, with higher notification thresholds), as well as public support in the form of aids and fiscal incentives, such as those contemplated in proposal 9 above.

¹⁵ COM/2022/71 final:
https://commission.europa.eu/publications/proposal-directive-corporate-sustainability-due-diligence-and-annex_en

¹⁶ <https://www.efrag.org/>

3. A GREEN AND RESPONSIBLE EUROPE

PROPOSAL 13

Promote sustainable rail transport at a European level.

The transport sector is responsible for 37% of the world's CO₂ emissions, according to data from the International Energy Agency¹⁷. The EU has already adopted a number of measures to mitigate this climate impact, such as the ban on combustion-engine vehicles in 2035 or the inclusion of road transport in the European CO₂ emission rights mechanism (EU ETS) from 2025 onwards. However, there is still a lack of a clear and ambitious commitment to rail travel as a more sustainable means of transport for people and goods at a European level.

The Spanish Presidency should endorse the most recent proposals made by FERRMED, the European association for the promotion of railways, with Spanish roots, and a main supporter of the Mediterranean Corridor for almost two decades.

According to FERRMED, the investment in a European primary rail network of 18,000 km, plus 8,500 km in ancillary sections, would achieve a reduction of over 40% in current CO₂ emissions, in addition to cutting on transport costs of companies by 10-20%, depending on the sector¹⁸.

Investment in this priority rail network, with its ancillary infrastructures (such as stations and communication systems), would cost approximately €150 billion, which could be financed by the EU through the auction of CO₂ rights and the joint debt, as has already been done for the REPowerEU and Next Generation EU (NGEU) programmes, respectively.

The European transport ministers' summit, scheduled for September 2023 in Barcelona, would be a good opportunity to discuss this proposal.

¹⁷ <https://www.iea.org/topics/transport>

¹⁸ <http://www.ferrmed.com/ACTIVITY/studies>

4. A EUROPE OF TALENT AND EMPLOYMENT

A Europe that creates stable employment and achieves reasonable income for its citizens is the best guarantee against the Euroscepticism that has reigned in the EU in recent years.

Recently, the European Commission has focused its efforts on regulating aspects of the quality of employment, such as the Minimum Wage Directives (already published)¹⁹, on Salary Transparency (approved)²⁰ and on Platform Workers (currently being processed)²¹. In all these areas, Spain already has relatively advanced legislation, but European harmonisation will facilitate a more homogeneous working framework at a European level.

As for Europe, demographic regression continues relentlessly, with a dramatic loss of the working population, which is already affecting the digital and green transition, where the pressing needs of personnel are evident. European solutions must be imposed here, in the face of multiple national policies.

At the same time, the deployment of new technologies, such as robotics, autonomous driving and artificial intelligence, pose significant challenges for the labour market in the immediate future, with job losses in some fields and staff needs in others. In this matter, the EU should also show its leadership under the Spanish Presidency.

“Europe must face its demographic decline and the challenge of new technologies, while encouraging employment in SMEs”

PROPOSAL 14

Address the need for staff in Europe.

Within the overall framework of the European Migration and Asylum Pact²², the Spanish Presidency should take decisive measures at a European level that go beyond the current national framework for migration policies.

Even if it is impossible to achieve full harmonisation, the Spanish Presidency could implement the EU Talent Pool initiative²³, with campaigns in countries of the southern Mediterranean and in

areas difficult to cover, such as transport, construction, health and care professionals, as well as in the green and digital transition.

SMEs and their organisations in the member states and the countries of the Southern Neighbourhood must play an important role in the European Union's Talent Pool initiative, adding staff needs from the EU on the one hand and the supply of available professionals on the

other, in collaboration with training entities and employment agencies.

Finally, these initiatives could be extended to the large refugee communities located in the transit countries of North Africa, within the framework of the “professional corridors” initiative (compared to the exclusive concept of “humanitarian corridors”), promoted by the PIMEC, CNA (Italy) and IME GSE-VEE (Greece) employers' organisations.

¹⁹ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2041#:~:text=\(a\)%20adequacy%20of%20statutory%20minimum,2](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2041#:~:text=(a)%20adequacy%20of%20statutory%20minimum,2)

²⁰ COM (2021) 93 final.

²¹ COM (2021) 762 final.

²² https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/promoting-our-european-way-of-life/new-pact-migration-and-asylum_en

²³ https://eures.ec.europa.eu/eu-talent-pool-pilot_en

4. A EUROPE OF TALENT AND EMPLOYMENT

PROPOSAL 15

Develop recognition of qualifications and skills with third countries.

The European Commission plans to launch an initiative regarding the recognition of qualifications and skills of third-country citizens in the third quarter of 2023. This is an essential measure to complete the necessary recruitment of workers

from third countries to the EU.

As stated in Proposal 14, its practical implementation could begin with the states in the Southern Neighbourhood of the Mediterranean, under the Spanish Presidency.

In any event, the future Commission proposal should also establish **easy-to-apply mechanisms for SMEs, as SME United calls for**²⁴.

PROPOSAL 16

Promote skills and job reskilling.

The Spanish Presidency should pay particular attention to the development of skills within companies, especially in SMEs, within the European Year of Skills and within the framework of the lifelong learning process.

Similarly, the retraining of workers (Reskilling) towards the sectors with the highest demand for staff will be one of the policies to be promoted by the EU, both for the green and digital transition, as well as the result of the impact of new technologies.

Years ago, this was the subject of a Council Recommendation, 2016/C 484/01, which now needs to be **reviewed and updated**²⁵.

PROPOSAL 17

Update the European Framework for Traineeships maintaining its non-binding nature.

The challenges faced by new generations and the pressing staffing needs in some sectors also highlight the need to update the Council Recommendation 2014/C 88/01 on the

quality framework for traineeships²⁶.

Both PIMEC and SME United hope that the Spanish Presidency will maintain the non-binding legal na-

ture of the Recommendation and, in any case, make a distinction between educational traineeships and the rest.

PROPOSAL 18

Balance the Platform Workers Directive.

The proposal for a Platform Workers Directive, COM(2021) 762 final, currently under interinstitutional negotiation, should strike a balance between worker protection and the development of this emerging business, in which Europe is clearly behind the United States and China.

We hope that the Spanish Presidency will **limit the scope of the presumption of employment** and that this presumption will be established in specific and reasoned terms. Similarly, we also believe that the future sanctions regime should be proportionate to the offences committed.

Finally, the new rule must allow adaptations to the reality of each Member State, all in line with the position already issued by SME United and conveyed to the European Parliament²⁷.

PROPOSAL 19

Establish an open, objective and transparent social dialogue throughout Europe.

The European Commission Recommendation on Social Dialogue, COM(2023) 38 final, will reach the European Council in the coming months and should include essential principles to be followed by all Member States.

Among them is the need for social dialogue to be open to any organisation that objectively and transparently proves its representativeness, both in bipartite and tripartite forums. Member States should develop **mechanisms for measuring representativeness**, which ensure a democratic and

open social dialogue.

The Spanish Presidency must ensure the timely application of these principles in the national social dialogue throughout the EU.

PROPOSAL 20

Support labour-intensive sectors through taxation.

New technologies will have a great impact in many sectors, with possible declines in employment. This is why it is time to promote fiscal measures aimed at supporting labour-intensive sectors, where SMEs and the self-employed predominate and the informal economy can also flourish.

In this regard, the Spanish Presidency should expand the list of sectors provided for in **Annex III of the Value Added Tax Directive (Directive 2006/112/EC)**, to which reduced VAT rates are allowed.

The last amendment to the Directive, made in December 2021, failed to include some labour-intensive activities, such as veterinary services, beauty services, fitness services and general cleaning (not only of streets and windows, as already provided for in the Directive).

PROPOSAL 21

Harmonise long-term residence towards productive investment.

The Spanish Presidency could contribute to solving one of the most controversial issues in recent years, which have been the national long-term residence and nationality schemes for investors, issues that are under the spotlight, following the invasion of Ukraine and their use by Russian citizens with a view to evading EU sanctions.

The revision of the **European rules on legal migration and long-term residence**, based on the European Commission's proposal, COM(2022) 0650, should boost productive investment in general, and in SMEs in particular, rather than the purchase of property or financial assets, as a way of accessing European residence and citizenship.

The free movement of people is one of the great achievements of European integration and we must give it value through some common rules.

²⁴ <https://www.smeunited.eu/news/smes-support-the-eu-legal-migration-package-for-skills-and-talents->

²⁵ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2016_484_R_0001

²⁶ [https://eur-lex.europa.eu/legal-content/ES/TXT/HTML/?uri=CELEX:32014H0327\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/ES/TXT/HTML/?uri=CELEX:32014H0327(01)&from=EN)

²⁷ <https://www.smeunited.eu/publications/smeunited-position-on-the-proposal-for-a-directive-on-improving-working-conditions-in-platform-work-com2021-762-final>

5. A EUROPE ADAPTED TO SMES

In her State of the Union address in September 2022, the President of the European Commission, Ursula von der Leyen announced a refocusing of its policies toward SMEs, through what has been named the “SME Relief Package”²⁸.

At the time of issuing this document, the European Commission had not yet specified the measures contained in this Plan, beyond the announced revision of Directive 2011/7/EU on payment terms, included here in Proposal 1.

At a recent meeting with SME United, the Commission’s President expressed her intention to propose a draft of the SME Relief Package in September 2023²⁹.

European SMEs demand customised regulations and policies that take into account their limitations, needs and difficulties. The European institutions must, without exception, apply the “Think Small First” principle when approaching any new regulation.

We cannot expect SMEs to adapt to Europe, but rather we must demand that Europe adapts its regulations to SMEs, as they represent 98% of businesses and 67% of employment in the EU.

“After 15 years of the 'Small Business Act', Europe needs a new ambitious framework for its SMEs through the 'SME Relief Package' ”

PROPOSAL 22

Specify and implement the SME Relief Package.

15 years after the Communication on the European Small Business Act, COM (2008) 394 final, it would be good if the EU were to produce an updated and specific framework to support SMEs, which are the backbone of

the European economy and society. The SME Relief Package could be this new reference tool.

The Spanish Presidency will have to evaluate the Commission’s proposal

and work closely with SME organisations for maximum specificity and agile implementation, including measures such as the proposals set forth below³⁰.

²⁸ https://ec.europa.eu/commission/presscorner/detail/ov/speech_22_5493

²⁹ <https://www.smeunited.eu/news/petri-salminen-to-ursula-von-der-leyen-sme-relief-package-to-be-presented-by-june>

³⁰ <https://www.smeunited.eu/news/smes-ask-for-quick-adoption-of-sme-relief-package>

PROPOSAL 23

Update Europe's definition of SMEs.

Recommendation 2003/361/EC on the definition of SMEs is 20 years old and requires updating. On the one hand, the rulings of the European Court of Justice T-675/2013 (K-Chimica) and T-587/14 (Crossfield) have raised doubts regarding

the concept of an independent company; and on the other, companies in some labour-intensive sectors are penalised under the current definition, precisely when the EU should be boosting employment.

Therefore, it is essential to review the concept of SMEs and prevent the average workforce size from directly excluding companies with modest turnover and asset figures.

PROPOSAL 24

Apply the "SME Test" in all cases.

The assessment of the impact of the new European regulations on SMEs, through the SME Test, is an obligation for the European Commission which unfortunately is not always met.

According to a recent opinion report from the Fit for Future platform (Ref. 2023/1), a third of EU legislative pro-

posals do not take into account the impact on SMEs and only 38% include specific sections on SMEs.

The Spanish Presidency should ensure that this commitment is strictly complied with through objective and systematic methods, in close collaboration with European SME organ-

isations, such as SME United, which is already acting as a rapporteur on the aforementioned Fit for Future assessment document (Ref. 2023/1).

PROPOSAL 25

Assess the ex post impact of the regulation on SMEs.

The ex ante evaluation of the new regulation, through the SME Test, should be completed with an ex post study, 3 or 4 years after its entry into force or transposition of the new EU regulations.

This exercise could be conducted in collaboration with the SME organisations of the Member states within the framework of the **European Semester**, gathering the opinion and experience of business owners, based on their real impact on SMEs in various countries and sectors.

5. A EUROPE ADAPTED TO SMES

PROPOSAL 26

Identify and prevent overregulation (Gold-Plating).

The objective set by the European Commission to introduce a new regulation only when another one has been withdrawn (*One in, One out*) has never been achieved in practice. However, the main source of overregulation is often national and regional authorities, whose rules go beyond

the scope of European directives, the phenomenon known as Gold-Plating.

In the same way that the European Commission is pursuing delays in the transposition of directives, cases in which SMEs face regulatory burdens higher than those set forth in the di-

rectives should be identified, studied and perhaps even penalised. Once again, this exercise could be raised within the framework of the **European Semester** within the evaluation of the policies of the Member States.

PROPOSAL 27

Encourage the participation of SMEs in national and cross-border public procurement.

Almost a decade after the entry into force of the European Directives on public procurement 2014/24/EU and 2014/25/EU, the participation of SMEs in the procurement by public administrations is still **very limited**, according to a study commissioned by the European Commission in 2016³¹. Another more recent report, COM(2021) 245 final, acknowledges the lack of reliable data and the

shortcomings still existing in this market³².

The Spanish Presidency should encourage the **European Semester** to pay particular attention to this issue in the periodic assessment of the Member States' policies. In turn, Member states should provide reliable and regular data on the participation of SMEs in public contracts.

At the same time, the Spanish Presidency should promote **cross-border participation of SMEs in public procurement** in other Member states, as we are still far from achieving a Single European Market in this area.

PROPOSAL 28

Ensure SMEs' access to data and new technologies.

Data is one of the pillars of business competitiveness in the new century and SMEs must be guaranteed access to it. In this vein, it must be made easier for smaller companies to be able to use new technological tools, such as artificial intelligence, the Internet of Things and cybersecurity.

We therefore hope that the ambitious European Data Act, COM(2022) 68 final, will promote their shared management and ensure access to them

for SMEs, avoiding the unconditional veto of manufacturers, in line with **SME United's requests**³³.

In the same context, future regulations on artificial intelligence (COM(2021) 206) and cybersecurity (COM(2022) 454) should consider **exemptions and extenuating circumstances for SMEs**, given their lack of resources, but at the same time their need to enter new technologies.

Finally, the European Commission should assess the **flow of digital data** in any new legislative initiative raised. The Swedish federation Företagarna has already proposed the application of the "Data Flow Test" in any new regulation to the Swedish EU Presidency.

PROPOSAL 29

Promote alternative financing for SMEs.

European SMEs are more dependent on bank credit than their American counterparts. Successive reforms to the Basel standards and recent interest rate rises threaten to restrict credit and look towards encouraging alternative financing.

SME United has been calling for innovative financing instruments for SMEs, of a hybrid nature, with lower costs than bank credit, but with tax advantages³⁴

The Spanish Presidency should explore this path and promote integrat-

ed European crowdfunding markets, as well as for the issuance of shares and bonds for SMEs, once successive European rules have regulated this area (Regulation 2020/1503/EU and Directive 2020/1504/EU).

PROPOSAL 30

Adapting the European budget to SMEs.

PIMEC is committed to strengthening the financing instruments for SMEs in the Multiannual Financial Framework 2021-27 of the EU, reversing some recently made decisions.

The Horizon Europe programme has been overly refocused on just a few companies of a certain size and high technological content, with cumbersome application procedures before the European Innovation Council (EIC).

Beyond the problems already identified by the European Parliament³⁵, the phase-out of the SME Instrument has excluded many small and micro enterprises, which can also be innovative.

In addition to **restoring the SME Instrument**, we are proposing to **significantly expand the SME Window** of the InvestEU programme, as its first calls have already been exhausted and most of its budget comes from the

Next Generation EU (NGEU) funds, meaning that it will expire in 2026.

The Spanish Presidency should make efforts to **correct the Multiannual Financial Framework and redirect it towards SMEs**, with the measures proposed above.

³¹ Study on SMEs access to public procurement markets and aggregation of demand in the EU. PWC, 2016, Research commissioned by the DG Internal Market of the European Commission.

³² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0245&from=ES>

³³ <https://www.smeunited.eu/publications/position-paper-on-the-proposal-on-harmonised-rules-on-fair-access-to-and-use-of-data-data-act-com2022-68-final>

³⁴ <https://www.smeunited.eu/news/recapitalisation-of-smes-can-drive-recovery-and-twin-transition>

³⁵ MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION on the implementation of the European Innovation Council (2022/2063(INI)).

5. A EUROPE ADAPTED TO SMES

PROPOSAL 31

Redirect NGEU funds to SMEs and extend its implementation.

According to a recent survey conducted by PIMEC³⁶, over half of Spanish SMEs have not taken advantage of Next Generation EU (NGEU) funds. A lack of knowledge about these resources, as well as operational obstacles (requirements for guarantees, short application deadlines, uncertainty about the grant payment date, etc.) make it difficult for SMEs to use them.

Similarly, the European Commission's assessment of recovery plans shows

that on average only 8% of SMEs are direct beneficiaries of NGEU funds in the EU³⁷.

The Spanish Presidency could propose a deep reflection on the NGEU funds, sharing best practices among Member States to ensure maximum access for SMEs. This exercise could be registered at the summit of finance ministers to be held in September in Santiago de Compostela, inviting SME organisations from Member States to enrich the debate.

A broad deployment of the NGEU funds could also require an extension of the expected implementation deadlines, beyond 2026. Otherwise, the rush in its allocation and execution could benefit large companies and public administrations, to the detriment of SMEs, which usually require more time to find out about the calls and prepare their applications.

PROPOSAL 32

Boost succession in SMEs.

According to a report by the European Economic and Social Committee, each year some 450,000 European companies face problems of continuity in the EU and 150,000 of them end up having to close due to lack of succession, even though they are viable, which causes the loss of 600,000 jobs³⁸.

There are several initiatives launched in various areas and Member States

to promote business succession. For example, PIMEC deploys its own programme for passing businesses onto the next generation, with a special emphasis on women and young people³⁹. In Italy, the CNA Confederation focuses its efforts on promoting succession with migrant entrepreneurs⁴⁰.

The Spanish Presidency could give special impetus to this issue through various measures, such as updating

Recommendation 94/1069/EC, which dates back to 1994, and accompanying it with a communication describing the initiatives existing in the Member States.

Finally, the Spanish Presidency should promote an ambitious European plan to meet this challenge, within the SME Relief Package (Proposal 22).

³⁶ SMEs and financing with Next Generation EU (NGEU) Funds. PIMEC. Febrero 2023. <https://www.pimec.org/es/institucion/sala-prensa/notas-prensa/pimec-pide-una-mejor-colaboracion-publicoprivada-despliegue>

³⁷ https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/3_SME.pdf

³⁸ Dictamen del Consejo Económico y Social 2016/C 013/03.

³⁹ <https://www.pimec.org/es/pymes-autonomos/agenda/relevo-intergeneracional-impulsando-jovenes-mujeres>

⁴⁰ <https://www.cna.it/silvestrini-gli-immigrati-imprenditori-in-crescita-costante-oltre-il-60-attivi-nel-commercio-e-nelle-costruzioni/>

PROPOSAL 33

Promote entrepreneurship, especially for women.

The various studies on entrepreneurship such as the Global Entrepreneurship Monitor (GEM) continue to show a less likely tendency to start a business among European citizens than in other territories such as the United States, India or China⁴¹. The situation is especially serious among women, as only one in three European companies is led by a woman and only 15% of new companies are created by women.

PIMEC has recently highlighted women's contribution to the economy through their unpaid work in taking care of family responsibilities. If this contribution were taken into account, the Spanish GDP would be 40% higher and women would represent 52% of it⁴².

The Spanish Presidency should look further into the calculation of the real contribution of women to our

economy, in collaboration with Eurostat, as well as lay the foundations for the promotion of entrepreneurship in European society in general, and among women in particular, focusing mainly on primary and secondary education.

PROPOSAL 34

Guarantee a second chance to entrepreneurs.

In addition to promoting business succession (Proposal 32) and the creation of new businesses (Proposal 33), it is equally important to prevent business form closing down in Europe. Each year, some 200,000 European companies face bankruptcy which result in the loss of 1.7 million jobs.

Directive (EU) 2019/1023 on the second chance provides for a review of its impact five years after its entry

into force, but its significance is of sufficient importance to propose a first reflection during the Spanish Presidency, especially considering that its final wording omitted some of SME United's recommendations on the exoneration of public debt.

Similarly, the Spanish Presidency must also make progress on the European Commission's proposal to harmonise the insolvency regulation, COM(2022)

702 final, taking into account SME United's contributions⁴³, as well as its experience in the Early Warning Europe project on bankruptcies⁴⁴.

In its long tradition of supporting giving second chances, with programmes such as Emppersona⁴⁵, with more than a decade of experience, PIMEC and the the PIMEC Foundation hope that the Spanish Presidency will grant this matter a crucial role.

⁴¹ <https://www.gemconsortium.org/reports/latest-global-report>

⁴² https://www.pimec.org/sites/default/files/documents_pagines/estudio_castellano_ok_0.pdf

⁴³ <https://www.smeunited.eu/publications/reaction-on-the-proposal-for-a-directive-harmonising-certain-aspects-of-insolvency-law>

⁴⁴ <https://www.earlywarningeurope.eu/>

⁴⁵ <https://www.pimec.org/es/emppersona#programa>

6. A EUROPE INTEGRATED INTO THE WORLD

The European Union (EU) remains the world's leading trading bloc, both in exports and imports, and is the main trading partner of up to 80 countries⁴⁶. However, the Covid-19 pandemic highlighted the risks of excessive external dependence and the relocation of production.

Thus, the concept of an “open strategic autonomy”, coined in 2021 by the European Commission, COM(2021) 32 final⁴⁷, stands as one of the basic principles of European external action, which the Spanish Presidency must consolidate.

In this context, with a stagnated multilateral trading system and World Trade Organization (WTO), the EU must continue to promote bilateral trade and investment agreements, which open up business opportunities for our companies, maintaining and strengthening our productive fabric. The Spanish Presidency must make efforts to promote these bilateral agreements, especially in strategic regions.

With a war taking place on European land and fierce competition with Russia and China on the influence in third countries, the EU must also step up its international relations and begin to specifically deploy its new Global Gateway strategy⁴⁸.

“Europe must broaden and deepen its trade agreements, as well as improve their chapters on SMEs.”

PROPOSAL 35

Promote relations with Africa.

The African continent is already the fourth trading partner of the EU and a key region in the external projection of our continent, as a future consumer market and source of labour force, energy and strategic raw materials.

While the countries of North and West Africa are the closest and most relevant markets for our companies,

the EU has instead made more progress in its trade agreements with the East and South of the continent (SADC).

The Spanish Presidency should give a significant boost to negotiations with the ECOWAS (West Africa) and CEMAC (Central Africa) trade zones, as well as renew association agree-

ments with North Africa.

The Global Gateway initiative could find its first area of application in Africa under the Spanish Presidency of the EU, with special emphasis on key projects in the north and west of the continent.

⁴⁶ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade_en

⁴⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0032&rid=6>

⁴⁸ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en

PROPOSAL 36**Resolve the trade dispute with Algeria.**

Given the large number of companies affected, many of them SMEs, with a transaction value of close to €2 billion per year, the **Algerian block** of Spanish exports since June 2022 is currently one of the most serious trade disputes on the EU's foreign agenda.

After several failed attempts at a friendly resolution, the Spanish Presidency should propose the **temporary suspension of the association agreement between the EU and Algeria**, as a last resort measure, in order to force negotiations.

PROPOSAL 37**Consolidate relationships with MERCOSUR and Latin America.**

Recent political changes in Brazil could make it easier for the Spanish Presidency to give new impetus to the **EU-Mercosur trade agreement**, as a key player in the relationships with Latin America, together with trade agreements with Mexico and Chile.

In this regard, the reticence of environmental activism could be overcome by **integrating Brazil into the European CO₂ emissions Trading System (EU ETS)**, with an emission rights package assigned to the South American country in exchange for preserving the Amazon⁴⁹.

This measure would help to lower the price of CO₂ emission rights, which has recently reached historical levels, and would in turn contribute to the objectives of the European Regulation against deforestation, on which a political agreement was reached at the end of 2022 and approved in April 2023⁵⁰.

PROPOSAL 38**Build an ambitious framework of relationships with the United States.**

Political and strategic collaboration between the EU and the United States has been consolidated in the wake of the Russian invasion of Ukraine, however, weaknesses have also come to light with the US Inflation Reduction Act (IRA) and its discriminatory effect on European companies.

With the Transatlantic Trade & Investment Partnership (TTIP) project already in the bag, the Spanish Presidency could promote a new framework of relations focused on more practical and specific elements, such as the mobility of people, the mutual recognition of diplomas and degrees, the integration of R+D

support systems (Horizon Europe), the mutual recognition of technical standards, access to public procurement in both markets, and even the mutual abolition of roaming fees in the two territories.

⁴⁹ La última reforma del sistema europeo de derechos de emisión de CO₂ (EU ETS), con la modificación de la Directiva 2003/87/CE, se acordó a nivel político en diciembre de 2022.

⁵⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7444

6.A EUROPE INTEGRATED INTO THE WORLD

PROPOSAL 39

Move forward in relationships with India.

India has already become the most populated country in the world, slightly ahead of China and its demographic dividend will allow it to maintain its advantage for a long time as a solid base of low-cost manufacturing and a young and growing consumer market of the future.

Its commercial attractiveness and common values with Europe provide sufficient reasons for the Spanish Presidency to move forward with the negotiations initiated in June 2022 for a bilateral trade and investment agreement.

PROPOSAL 40

Intensify rapprochement with China.

The growing US competition with China should not send this Asian country running into the arms of Russia, and the EU can play a crucial geostrategic role in this regard.

High-level visits in recent months, ranging from Chancellor Scholz to Presidents Sánchez, Macron and Von

der Leyen, have marked the beginning of European rapprochement with China after almost three years of isolation forced by Covid.

More than 10,000 European companies continue to operate in China and European exports have grown exponentially there in the last decade.

The Spanish Presidency should strive to relaunch the bilateral investment agreement, completed at the end of 2020, but which the ratification continues to remain stagnant.

PROPOSAL 41

Deepen the integration of the Balkans.

The Balkans are one of the clashing points between the democratic and liberal model advocated by the EU and Russia's growing authoritarian influence, supported by the Slavic cultural legacy in the area. In addition, the Balkans are the EU's very "last frontier" in the potential enlargement and are therefore strategic in nature.

Under the Spanish Presidency, the EU should make progress in accession negotiations with Balkan states such as Montenegro and North Macedonia, as well as completing the **integration of Bulgaria and Romania into the Schengen area**. The Spanish diplomacy should strive to overcome the reluctance of some Member States in this area, while also ensuring the strength of Europe's external border.

Without these key developments in the Balkans, the future of the EU in a strategic area of the continent could be compromised.

PROPOSAL 42**Extend the scope of CBAM.**

The Carbon Border Adjustment Mechanism (CBAM) is one of the key instruments of the European Green Pact and a guarantee of fair trade relations in facing the global challenge of climate change.

In the context of its transitional deployment from 1 October 2023, PI-

MEC had proposed to the European Commission that the affected sectors are expanded from the five initially planned.

In addition to sectors dominated by large companies, such as iron or cement, already included in the scope of the CBAM, the Spanish Presidency

could propose adding other products facing similar issues of competitiveness and potential “carbon leakage”, such as paper, textile fibres or organic chemicals, where smaller enterprises predominate, albeit with often weaker leverage versus EU institutions to seek their protection.

PROPOSAL 43**Improve chapters about SMEs in trade agreements.**

The EU's most recent trade and association agreements (such as those in Japan, Korea and Mexico) already include a chapter on SMEs. However, their wording is standard to all agreements and mainly provides for the implementation of informative websites to facilitate their dissemination to small businesses. PIMEC proposes **greater ambition in these chapters.**

On the one hand, the forums for monitoring agreements, such as the Domestic Advisory Groups and the

Civil Society Dialogue, in which PIMEC and SME United actively participate, should be strengthened by supporting **civil organisations of external partners' markets.** European SME associations need strong counterparts, and we need a cohesive civil society in the markets with which the EU signs trade agreements.

On the other hand, support **mechanisms for European SMEs need to be implemented**, so that they can take advantage of the opportunities

offered by trade agreements, often signed with distant and expensive markets for smaller companies.

A programme such as INNOWWIDE is particularly appropriate for this purpose, however, its scope is still very limited at the moment⁵¹. The Spanish Presidency could promote a review and promotion of these instruments.

⁵¹ Within the framework of Horizon Europe, INNOWWIDE funds commercial and technical feasibility studies of European SMEs in emerging markets. However, its allocation is very small and benefits some 50 SMEs across the EU at the most: <https://innowwide.eu/>

7. A FAIR AND COHESIVE EUROPE

The Covid-19 pandemic made one of the most relevant exercises in the recent history of the EU, the Conference on the Future of Europe go unnoticed⁵².

During 2019 and 2020, thousands of citizens and organisations from all Member States contributed their ideas and opinions to shaping the future of the EU.

PIMEC and SME United contributed to the Conference, highlighting the key role of SMEs in achieving a fair, cohesive and balanced Union for the future.

SMEs rely on local markets. This means that their businesses can thrive in any corner of the Union, thus being the best guarantee of territorial balance, social equality, and gender parity in the EU.

The Spanish Presidency will have to play its part in laying the foundations for the future EU.

“Spain must lay the foundations for a fairer, stronger, more cohesive and more democratic Europe, where SMEs become the main focus of attention”

PROPOSAL 44

Promote a European rural policy focused on SMEs.

Under the Spanish Presidency, the European Rural Pact and the Rural Action Plan⁵³, launched in 2021, could be the subject of a first assessment, by the European Economic and Social Committee (EESC), in collaboration with SME organisations active in rural areas.

In 2024, the European Commission is expected to propose specific operational measures in this area, which the Spanish Presidency could begin to outline by the end of 2023.

Beyond measures for the primary sector (such as the CAP), the future Commission package will need to consider new emerging sectors in rural areas, led mainly by SMEs, such as tourism, sport, energy, and services provided remotely via telework.

⁵² <https://futureu.europa.eu/es/>

⁵³ https://rural-vision.europa.eu/action-plan_es

PROPOSAL 45

Adapt the European regulatory framework to the unique regions.

The territorial balance in Europe requires taking into account the uniqueness of the regions furthest from the major development poles, and often affected by very specific problems. This is the case for island, mountain and peripheral regions.

Firstly, PIMEC proposes to amend the *de minimis* regulation for state aid, in Regulation 1407/2013, currently under

review, to raise the thresholds for aid to companies located in these regions.

Similarly, and at PIMEB's proposal for **island regions with high tourist pressure** and limited space, such as the Balearic Islands, possibilities of controlling the flows of capital and people foreseen in the Single Market should be studied, as a way of avoiding adverse effects on the environment and

on the prices of certain goods and assets, and therefore on the lives of their permanent residents.

The Spanish Presidency could propose a broad debate on this issue, in the framework of the **informal meeting of tourism ministers, scheduled to be held in October in Palma de Mallorca.**

PROPOSAL 46

Improve emergency response, in European and regional terms.

The Covid-19 pandemic has been the most serious of the recent emergencies in Europe, but there have also been other natural disasters in recent years, at local and regional levels, such as fires, floods, earthquakes and even volcanic eruptions. Climate change predicts a greater frequency and severity of these episodes.

The EU has had the EUSF solidarity fund since 2002⁵⁴, but it would be a good idea to improve the coordination between administrations and private sector. This policy should also be coordinated with the new Single Market Emergency Instrument (Proposal 7), as these episodes often distort the functioning of the European market.

The Spanish Presidency could propose a deep reflection in this area by **the European Economic and Social Committee (EESC) on the island of La Palma in autumn 2023.**

⁵⁴ https://ec.europa.eu/regional_policy/funding/solidarity-fund_en

7.A FAIR AND COHESIVE EUROPE

PROPOSAL 47

Update the trans-European infrastructure networks.

The energy crisis resulting from the war in Ukraine, as well as the green and digital transition, have made it necessary for European priorities to be revisited with regards cross-border infrastructure, enhancing energy interconnection and telecommunications networks. In turn, this infra-

structure remains a key element of territorial cohesion within the Union.

In addition to Proposal 13 on the railways, the Spanish Presidency could deepen the refocusing of trans-European infrastructures, in the face of new challenges, reinforcing green

hydrogen (after the first experience of collaboration between Spain, France and Portugal) and adding water supply and storage at European level as a key new element in the face of climate change⁵⁵.

PROPOSAL 48

Implement fair taxation at a European level.

Social cohesion and territorial balance in the EU require new investments with higher public revenues, but without stifling SMEs, which already face high tax compliance costs and often pay higher effective rates on profits than many large companies do⁵⁶.

In order to ensure common principles on corporate taxation and following the failure of the Common Consolidated Tax Base for Enterprises (CCCTB) proposal in 2016⁵⁷, the details of the new European Commission proposal, Business in Europe: Framework for Income Taxation (BEFIT), currently in its consultation phase.

The Spanish Presidency must follow this legislative initiative closely to ensure both an appropriate level of tax harmonisation and compliance with the principle of proportionality in the tax effort made by companies throughout the EU.

⁵⁵ <https://www.pimec.org/es/institucion/sala-prensa/notas-prensa/pimec-pide-que-ue-financie-infraestructuras-vitales-agua>

⁵⁶ https://single-market-economy.ec.europa.eu/smes/sme-strategy/taxation-and-smes_en

⁵⁷ https://taxation-customs.ec.europa.eu/common-consolidated-corporate-tax-base-ccctb_en

PROPOSAL 49

Strengthen the EU's own resources.

In the second half of 2023, the European Commission will present a proposal to strengthen the EU's own resources. Having added the environmental tax, first on plastics and soon on the Carbon Border Adjustment Mechanism (CBAM), the expected levies on financial transactions and digital businesses must still be explored.

The Spanish Presidency could go into more detail on how to tax cer-

tain activities at a European level which would benefit from particularly favourable circumstances and generate extraordinary profits (windfall profits), as is the case with energy, but also in the military industry as a result of War in Ukraine and the medical and pharmaceutical industry during Covid-19.

Other formulas to consider would be those arising from the **Schengen area**, because this is one of the most

significant achievements of the EU and its contribution to the EU's budget is therefore reasonable. Thus, in line with Proposal 21, a "European tranche" could be added to the fees charged by Member States on the over 20 million Schengen visas and residence permits issued each year by the Member States and thus contribute to the EU treasury.

PROPOSAL 50

Reform European governance.

The European Commission's proposal, COM(2022) 583 final⁵⁸, on the new European economic governance has been welcomed by PIMEC and SME United⁵⁹, as it combines fiscal discipline with a necessary dose of flexibility. The Spanish Presidency must implement these principles.

Beyond the strictly economic sphere, the Spanish Presidency could assess the changes in European governance proposed in the Conference on the Future of Europe, by **modifying the founding treaties**, especially to facilitate decision-making, restricting the unanimity rule and giving a greater role to the European Parliament and to its citizens⁶⁰.

SMEs would benefit from a stronger, more agile, transparent, and democratic future EU, whose reform could begin under the Spanish presidency.

⁵⁸ https://economy-finance.ec.europa.eu/system/files/2022-11/com_2022_583_1_en.pdf

⁵⁹ SME United supports reform of economic governance framework and fiscal rules <https://www.smeunited.eu/news/smeunited-supports-reform-of-economic-governance-framework-and-fiscal-rules>

⁶⁰ <https://www.europarl.europa.eu/news/en/press-room/20220429IPR28218/future-of-europe-conference-plenary-ambitious-proposals-point-to-treaty-review>

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