

The SME Relief Package: state of delivery

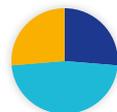
In September 2023, the European Commission published the SME Relief Package, to bring much requested relief for the 26,1 million small and medium sized enterprises in Europe. They weathered through the pandemic, energy crisis and increasingly vast regulatory demands. Since then, an extremely unstable geopolitical situation has exacerbated the challenges SMEs are facing.

Meanwhile, a new European Commission has called competitiveness their top priority. With this paper, SMEUnited provides insight in the delivery of measures which were aimed to reinforce SME competitiveness already in the previous mandate. Does the Commission deliver on their promise for SME competitiveness, with SMEs being the largest group in numbers (26,1 million), contributing to employment (65%) and added value (54%)?

The table below clearly shows, with only 26% of the 19 actions delivered, the result is scarce.

19 ACTIONS FROM THE SME RELIEF PACKAGE				
Head Office Tax System	EU Talent pool and skills	Sandboxes	Late Payment Regulation	Standardised procurement provisions
SME-Friendly Provisions	Dynamic Impact Assessment	OOTS & Single Digital Gateway	InvestEU	Standardised ESG reporting
SME Envoy	SME Support in EU Agencies	Rationalise reporting requirements	Export Credit Agencies	Green SME Financing
SME Envoy in RSB Meetings	Promote entrepreneurial potential	SMC Category	Business Transfer	Green: Delivered Orange: Ongoing Red: no actions

No measures announced
26%



Delivered 26%

Ongoing 48%

Out of 19 actions announced in September 2023 in the [SME Relief Package](#), almost half of them are still in the legislative process. SMEUnited stresses the responsibility of all actors in the legislative process decision makers for the slow progress and urges all Institutions to deliver an SME friendly business environment.

Such political announcements that are not subsequently matched by tangible results raise expectations and create frustration on the ground. When ambitious initiatives such as the SME Relief Package are communicated as decisive solutions, but implementation appears slow or limited, a credibility gap emerges. Overpromising and underdelivering undermines confidence not only in specific measures but in the broader capacity of the European Union to respond effectively to economic challenges.

1. Set up a Head Office Tax system for SMEs

Together with the SME Relief Package, the Commission presented a [proposal](#) for a Head Office Tax system (HOT) for SMEs to allow cross-border SMEs to calculate their taxable profits based on a single set of rules in their home Member State.

However, progress has been extremely slow. Discussions in Council have revealed strong resistance from several Member States. Concerns over tax sovereignty and potential revenue losses are blocking discussions in Council working parties and there is no clear timeline for political agreement.

- **SMEUnited calls on Member States to unlock the situation and focus on the concrete benefits for SMEs operating cross-border.**
- **The Commission should actively re-engage with Finance Ministries, clarify safeguards, and maintain this proposal as a key tool to strengthen the Single Market for SMEs.**

2. Implement systematically SME-friendly provisions

The SME Relief package provided for SME friendly provisions where appropriate, justified and in line with Union policy objectives. Three years later, Institutions still do not include such provisions and therefore do not adopt proportionate rules. SMEUnited highlights that one of the reasons behind the ongoing efforts to simplify EU legislation is the lack of proportionate measures. Systematic SME-friendly provisions would support the application of the Think Small First Principle and policy makers efforts to draft legislation based on the capacities of the smallest companies.

The SME Envoy Network has been working on compiling good practices both at EU and National level, providing a list of SME-friendly provisions with measures such as:

- Longer transition period
- Balancing certification requirements
- Simplified rules for authorised representatives

- Guiding before sanctioning
 - Timely guidance
 - Facilitated process for seeking redress
- **SMEunited urges the Commission to use the list established by the SME Envoy network on SME friendly provisions and to replicate these in every initiative. The Parliament and Council should follow the same approach.**
 - **Trilogue discussions should always assess if the final text includes SME friendly provisions.**

3. Appoint a dedicated EU SME Envoy

The SME Relief Package announced the appointment of a dedicated EU SME Envoy to strengthen SME representation at EU level.

In 2026, the proposal for an SME Envoy has completely disappeared from the political agenda. SMEunited believes it is the role of each DG to ensure proportionality of rules and to take into account the impact on SMEs, while applying the Think Small First principle.

- **SMEunited insists Commission services must systematically turn to SME organisations to ask for guidance and advise on how SMEs can thrive and grow in Europe.**
- **When setting up policy objectives, the Commission must discuss with SME organisations how these goals could be achieved, ensuring they can be reached in an SME feasible manner.**

4. Ensure SME check in RSB hearings

In the absence of an SME envoy, which was to participate in the Regulatory Scrutiny Board (RSB), the Board must ensure and strengthen its analysis of impact assessments and SME tests, while assessing the application of the Think Small First principle.

- **The RSB must systematically give a negative opinion on legislative proposals that do not include a proper impact assessment and SME Test.**
- **The RSB must pay particular attention to how indirect and cumulative impacts are taken into account.**
- **The RSB must assess to which extent the Think Small First principle has been applied while drafting the legislative proposal.**

5. Promote dynamic impact assessments

The Commission committed to promoting dynamic impact assessments, including the assessment of amendments introduced during the legislative process.

Despite the requests in the SME Relief package and the [Simplification Communication](#) in 2025, the Parliament and Council still do not assess the impact of their amendments to Commission's proposals.

Germany and Italy proposed “an emergency break with the possibility to intervene if legislative activities of a Council formation raise serious concerns regarding additional administrative burden both on enterprises and on national authorities and when the impact on the EU economy, primarily on SMEs and SMCs, is not clearly assessed.” as part of their input to the Heads of State and Government informal retreat on 12 February,

To build on these requests, SMEUnited demands:

- **a state of play of current efforts towards dynamic impact assessment and how the research services of each Institution can support a qualitative assessment.**
- **The three Institutions to ensure that trilogue negotiations include an impact assessment of the final measures when there are substantial changes from the original Commission's proposal.**

6. Engage with executive and decentralised agencies to identify and promote good practices for SME support

Some exchanges have taken place between Commission services and agencies on SME access to funding and programmes.

Nevertheless, efforts remain fragmented and lack visibility for SMEs. Good practices are not systematically identified, shared or replicated across agencies and programmes.

- **The Commission should publish a structured mapping of SME-friendly practices across executive and decentralised agencies and ensure these are scaled up and communicated clearly to SME organisations and SMEs.**

7. Work with Member States to promote experimentation and innovation for start-ups through regulatory sandboxes

The Commission included regulatory sandboxes in various legislative proposals (e.g AI Act). Additionally, the Commission encouraged Member States to explore regulatory sandboxes, notably in digital and green sectors.

However, implementation varies widely across Member States. What is more, these sandboxes can come with legal uncertainty and high compliance costs when innovating, particularly in regulated sectors. Therefore, these sandboxes do not always deliver the expected support to SMEs.

- The Commission and Member States should promote a common framework and mutual learning on regulatory sandboxes, ensuring accessibility for SMEs and cross-border recognition of sandbox outcomes.

8. Launch the once-only technical system and expand the scope of the Single Digital Gateway

The work with Member States to launch the once-only technical system by the end of 2023 is ongoing, as well as discussions to further expand the scope of the Single Digital Gateway to cover new procedures, taking into account SME needs. The Commission continued developing the platform to cover additional procedures. Additionally, the Commission event in June 2025 '[Towards a Simpler Single Market](#)' showcased good examples of how it can support SMEs.

Nevertheless, the Single Digital Gateway is still [not sufficiently known by entrepreneurs](#), and the lack of interoperability of platforms at national level limits the efficiency of the platform.

- The Commission and Member States must accelerate implementation of the once-only system, expand the Gateway to additional procedures, and ensure SME needs are systematically taken into account.
- The Commission must create an outreach program with SME organisations to effectively promote the Single Digital Gateway.

9. Present proposals to rationalise reporting requirements

Since 2023, the Commission presented several Omnibuses and the Commission services continue efforts towards reduction of inconsistencies, overlaps and disproportionate rules.

SMEUnited welcomes the Commission efforts to rationalise reporting requirements. In 2024, the Fit for Future Platform [published](#) an opinion on how to stop piling up reporting obligations. Suggestions notably included:

- Emphasise analysis of reporting requirements in Commission evaluations and include a check of existing reporting obligations in impact assessments
 - Evaluate how stakeholders can access information on national transposition of EU law including reporting obligations
 - Streamline the exchange of business data in the EU and data required for (sustainability) reporting in the EU
 - Enable interoperability of information shared with public authorities
 - Evaluate existing infrastructure to further develop the once-only principle when reporting incidents in time-sensitive situations
- SMEUnited encourages policy-makers to take into account the F4F suggestions

- Policy makers must take more into account reporting requirements during evaluations, impact assessments and implementation of legislation.
- Policy makers must reflect how the Business Wallet can support the once-only principle and the interoperability of data.

10. A new Late Payment Regulation

The Commission published together with the SME Relief Package a proposal for a Regulation on Late Payment. The Parliament adopted a position in April 2024.

Three years after the publication of the proposal, the Council still has not entered in negotiations for a general approach, despite studies showing the situation is not improving and surveys underpinning the strong demand of SMEs for stricter rules.

In 2025, DG Grow carried out a [new survey](#). Results of the survey show that late payment (either payment after deadline or excessive payment terms) is not an isolated issue, but is systemic and structural. The Commission survey proves what SMEs have been saying for years: voluntary measures do not work. A striking 73% of respondents reported facing issues with late payment, particularly in B2B transactions. Respondents flagged the lack of sanctions and ineffective enforcement as the main causes behind the persistence of the problem. Late payment was also identified as a key barrier to investment and growth. For many SMEs, late payments mean postponed projects, lost opportunities and reduced competitiveness. Without ownership of their cashflow and investment capacities, SMEs, which represent 99.8% of European companies are not able to participate in improving EU competitiveness and productivity.

- SMEunited urges Member States to engage to reach a compromise.
- The Commission must cooperate with the current and upcoming Council Presidencies to address deadlocks and reach a suitable solution.

11. Encourage Member States to allocate additional resources to InvestEU national compartments and facilitate RRF contributions

The number of Member States which use the national compartments, provided for in the InvestEU governance structure to allocate additional resources to InvestEU, as well as the Recovery and Resilience Fund to provide additional funding for SME Financial Instruments has significantly increased.

Furthermore, the funding volume for InvestEU from EU Budget has been increased by the Omnibus on Investment.

However, SME loan guarantees from InvestEU have been over subscribed by three times and equity instruments by two times.

- **The upcoming European Competitiveness Fund must provide predictable funding of SME Instruments for the whole period, which cannot only depend on annual work programs to ensure the functioning of the ecosystem (EIF, national intermediaries, etc.)**
- **In order to ensure sufficient funding for SME instruments, the dedicated thematic windows of the ECF should use the InvestEU tool to create higher leverage and impact as well as a crowding-in of private investments.**
- **The ECF should include a 30% target for SMEs which would ensure that the part provided to SMEs remains at the current level.**

12. Set up with EIF a pilot facility for Export Credit Agencies to support SMEs in trading with Ukraine

Following the announcement of the European Commission and the EIB Group in June 2024, a €300 million export credit guarantee facility was launched under the InvestEU SME Competitiveness window to support exports by European SMEs and small mid-caps to Ukraine.

The EIF has partnered with Export Credit Agencies in seven EU Member States. While additional agreements with Export Credit Agencies in France, Germany, and Spain have been approved, coverage remains limited geographically.

- **The Commission and EIF should continue efforts to extend the facility to additional Member States and ensure SMEs are fully informed about access conditions.**

13. Promote the use of standardised procurement provisions and conditions suitable for SMEs to improve the participation of SMEs in public procurement

The Commission launched in 2025 the evaluation of the current Public Procurement Directive ahead of the revision planned for Q2 2026.

SME participation in public procurement remains low, due to large contracts, complex procedures and excessive requirements as main barriers.

SMEUnited developed [proposals](#) how the revision of the current rules can promote SME participation in public procurement.

Public procurement rules have become increasingly complex and overloaded with objectives that belong to other policy areas. The revision must focus on clear and simple procedure rules to provide SMEs with legal certainty and manageable rules.

Additionally, public buyers should be encouraged to look for the best price-quality ratio, not just the cheapest offer. Quality has to be defined properly, with clear and precise criteria. This improves transparency, makes evaluation decisions easier to justify, and could provide safeguards against corruption. Well-designed technical and quality specifications enable expertise, reliability and innovation to be rewarded, while ensuring value for public money.

Regarding subcontracting, SMEUnited stresses that SMEs often only participate in public contracts as subcontractors, which reduces transparency and increases risks. The best solution is therefore to divide contracts into lots. This enables SMEs to bid directly, limits excessive subcontracting, and creates more transparent procurement processes.

- **The upcoming revision of the Public Procurement Directive must deliver on simplifying rules for SMEs, making public procurement more accessible for every type of company.**

14. Ensure that SMEs have a simple and standardised framework to report on ESG

The Commission reacted to SME concerns on the trickle-down effects of the CSRD by publishing a proposal for simplification in Omnibus 1.

SMEUnited supported the efforts towards more proportionality of the rules. Additionally, the Commission Recommendation published in July 2025 endorsed the EFRAG Voluntary Standard for SMEs (VSME), supporting the market acceptance of the tool.

EFRAG launched a [survey](#) on the use of the VSME, which demonstrates that ‘the extent to which stakeholders have applied or used the information provided by the VSME varies across the three respondent categories (preparers, users, others). Among preparers (SMEs), the majority of respondents has applied the VSME: 43% have fully applied its information and 23% have partially done so. An additional 16% plans to apply it within the next 12 months. Preparers who are not applying the VSME (18%) emphasised that it is still very new and demanding’. Based on these results, SMEUnited insists that more efforts are needed to raise awareness and train SMEs to use the VSME.

- **SMEUnited stresses that, now that the Commission is working on a delegated act on the VSME, any changes to the VSME should only be to simplify the standard following the ESRS simplification.**
- **Furthermore, SMEUnited insists the language of the standard and guidance document should be made fully SME Friendly.**

15. Encourage financial institutions to include green SME financing in their business models

SMEs continue facing difficulties accessing green finance due to complex criteria and reporting requirements. Three years after the SME Relief Package, the Commission is still to deliver on how to simplify SME access to sustainable finance.

The Sustainable Finance Platform [published](#) a proposal for a simplified taxonomy in March 2025. The report proposes an "SME Sustainable Finance Standard" to help SMEs and their lenders or financiers voluntarily demonstrate SMEs' environmental sustainability performance.

SMEUnited welcomes the proposal as it is a realistic instrument allowing SMEs to prove and disclose their sustainability efforts to banks, other finance providers and within supply chains.

- **The Commission must intensify efforts to make the green finance framework SME-friendly, building on the Sustainable Finance Platform proposals.**
- **Furthermore, the Commission in cooperation with supervisors has to simplify reporting requirements for Banks and Investors, to reduce trickle down effects on SMEs from those requirements.**

16. Present a proposal on an EU Talent Pool and improve the recognition of qualifications and skills of third country nationals

The Commission delivered on publishing a [proposal](#) for an EU Talent Pool in November 2023, which has currently reached the agreement of the Council and the European Parliament. SMEUnited calls for a swift deployment of the EU Talent Pool and continues to support the skills-based and demand-driven approach linking economic legal migration to the needs of the labour market and SMEs.

The Commission will present the Fair Mobility Package in 2026, including an initiative to improve skills portability and the recognition of qualifications and skills of third country nationals. SMEUnited welcomes the development of minimum procedural standards to reduce processing times and administrative burdens as well as improving guidance and information for workers, employers and authorities.

- **SMEUnited suggests this could be done in cooperation with EU delegation offices in key third countries with a perspective towards improving information flows and the understanding of qualifications and skills prior to a third country national arriving in a Member State.**

17. Promote entrepreneurial potential with less represented groups

The 2024 Draghi Report on European competitiveness identified a significant untapped potential in Europe's entrepreneurial ecosystem. The report urges the full mobilisation of human capital, specifically noting that tapping into female, migrant, and marginalised groups is a strategic advantage currently being ignored. Gender parity in entrepreneurship could generate €250 billion in additional annual Gross Value Added (GVA) by 2040 and close up to one-third of the EU-US productivity gap¹.

Taking the example of women, SMEUnited [highlighted](#) that despite a growing number of initiatives, women entrepreneurs still face persistent barriers, including limited access to finance, and the uneven sharing of caring responsibilities.

- **Policy makers must have a lifecycle approach to dismantle stereotypes, from education to entrepreneurship.**
- **Public-private partnership with local business organisations can develop frameworks to support incentives for potential entrepreneurs.**

18. Be attentive to the needs of companies that outgrow the thresholds of the SME definition

The Commission published an Omnibus proposal on Small Mid-Caps in 2025. As the legislative proposal is still being negotiated, SMEUnited repeats its [warning](#) that while such a definition can be a step in the growth path, it should not impact SME policy or resources.

Nevertheless, policy proposals continue putting SMEs and SMCs in the same category, risking SME measures to be more complex in the future. Additionally, resources allocated to SMEs are slowly being used for SMCs, reducing much needed efforts and support for SMEs (which remain the largest group of companies in Europe).

- **SMEUnited insists European Institutions should not dilute resources allocated for SMEs and ensure SME policy is built on the Think Small First Principle, so that legal requirements are easy to comply with for the smallest companies.**

19. Assess framework conditions for business transfers

The Commission committed to revise the current recommendation on Business Transfer by Q2 2024. Since the publication of the relief package, SME Envoys worked intensively in providing

¹ Female entrepreneurs: Europe's untapped competitive edge, Frontier Economics, 2 October 2025

suggestions to adapt the recommendations to the current context. SMEUnited together with other business organisations [published](#) additional suggestions in 2025.

In the coming years, a large number of businesses will have to be transferred. Discussions show that entrepreneurs are either not ready for it, or are not finding anyone to take over the business. Businesses closing down negatively impact local economy, jobs and attractiveness. Policymakers should adopt a coordinated approach, one that aligns economic, legal, and social policies into a comprehensive business transfer strategy, recognising the urgency of the issue.

While DG Grow has started the work to update the recommendation, efforts seem to have stopped and no publication is foreseen.

- **SMEUnited urges the Commission to finalise the work on updating the Recommendation on Business Transfer in order to continue developing an enabling framework at national level.**

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