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OPINION “We refuse to accept a situation that could mean that thousands of viable companies are forced to shut down”, the Association for small business writes.

The global financial crisis has drastically slowed the process of ownership transition in Swedish small companies. Without the successful transfer of ownership, 60,000 profitable companies are at risk of shutting down. This means that the jobs of more than 300,000 employees are put at risk. Today, we lack solutions for stopping this negative trend. Therefore the Association for small business, trade and industry, FöretagarFörbundet, have come up with five direct measures to avoid a massive loss of Swedish small companies in the near future.

Today, more than 99 percent of Swedish companies employ fewer than 50 people. Many of those small businesses are both owned and managed by a single person, who is expected to go into retirement in the next few years. These companies are in dire need of new ownership. In order to investigate how the financial crisis is impacting ownership transitions, we recently commissioned a report on the topic.

The findings of the report clearly show that ownership transitions have been severely hampered by the current crisis. Economic uncertainly relating to the sudden loss of bank credit has led to a sharp drop in the number of ownership transfers. In just a year the number of companies that are sold to a new owner has declined by nearly 20 percent! Therefore, new solutions must be found. If no new owners are found for the small businesses at risk, thousands of otherwise viable small companies might be forced to close, which would further deepen the recession.

In order to handle the current ownership transfer problem, new targeted measures should be used in order to make it easier for companies facing a transition of ownership to weather the current crisis. And we must act now!

What policy changes do we suggest in order to make it easier to transfer ownership?

1) Introduce a venture-capital deduction for investments in small businesses

We want to introduce a tax deduction for people who invest in small businesses. For too long Swedish savings have been concentrated into vast, faceless pension funds. By stimulating the investment in smaller companies, we can strengthen local enterprise and provide the capital needed for ownership transfers.

2) Introduce “starter loans” for ownership transitions
We want to make it possible for those who are unemployed to take over a company in need of a new management. Given the difficulty of getting a bank loan while unemployed, we advocate the introduction of a “starter loan” for those who are unemployed.

3) Introduce a system for deferring capital gains tax when reinvesting in a different small company
Another way of mitigating the problem of generational changeover is to make older entrepreneurs stay in business longer. Therefore, we want it to be possible to move capital from one venture to another, without company capital being diluted by taxation. We suggest that capital gains tax should be deferred until money is actually paid out to the owner.

4) Encourage start-ups through tax-deductible savings for starting a business
We want to make it possible for employees to take over the company where they work when the owner is considering retirement. That process could be eased if we introduce the possibility of tax-deductible savings for the purpose of starting or buying a company.

5) Make it easier for ALMI (the small-business financing agency of the Swedish government) to finance the buying of companies

We want ALMI to be given a temporary green light to finance 100 percent of a company purchase. Today, the government allows ALMI to stand for 80 percent of the financing, with a commercial bank providing the last 20 percent. Given the difficulty of getting a loan due to the economical situation of today, ALMI should be given more leeway to solve the situation.

If we make it possible for small businesses to transfer ownership from one generation to another in an orderly fashion there is much to gain. For instance, we all know how much the local store can mean for a community.

Our organization works to improve the conditions for small business. We want to make it easier to start, own and to develop a business in Sweden. That is why we refuse to accept a situation that could mean that thousands of viable companies are forced to shut down.

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