DStV Statement E 3/25

EU start-up and scale-up strategy

I. Statement on the EU Commission's initiative

1. Delimitations and definitions

In order to effectively pursue the objective of a Start-Up and Scale-Up Strategy, the Commission should define which enterprises are considered to be start-ups, scale-ups or innovative. Such a definition should be harmonised across Europe to avoid additional competition between Member States for locational advantages and to ensure fairness and legal certainty.

However, according to the German Tax Adviser Association – Deutscher Steuerberaterverband (DStV), such a definition will be more than difficult, as both start-ups and scale-ups have very different structures, pursue different business models and serve different markets. Their temporary nature as start-ups or scale-ups must also be taken into account, which can lead to differences depending on the sector.

The term "innovative" should be defined, too. Such a categorisation cannot be reduced to specific technologies or types of digital business processes. A company belonging to a more traditional sector may also develop innovative products and services or have high scaling potential.

In addition to the age of the enterprise and its innovative character, the management should also be a criterion for receiving special subsidies or facilitations. In particular, young entrepreneurs taking their first entrepreneurial steps need more support.

√ DStV recommends that the definitions of start-up, scale-up and innovative be defined holistically and cross-sector.

2. Risk of unfair competition

The Commission's strategy for start-ups and scale-ups should provide tailor-made support for companies falling into these categories and reduce the barriers that are predominantly attributed to these categories of companies. It must be ensured that other companies with which start-ups and scale-ups compete are not disadvantaged in a disproportionate manner.

Therefore, it should be evaluated whether certain actions and initiatives of this strategy benefit to the entire economy, such as the removal of bureaucratic obstacles in the single market or the fight against the shortage of qualified labour. Initiatives that remove or reduce these barriers should not be limited exclusively to start-ups and scale-ups. They should be assigned to other EU strategies that aim to improve Europe's economy and support all companies.

In this context, overlapping actions of other EU initiatives and strategies must be avoided. Otherwise, there is a risk of overlapping legislation that would hinder the removal of unjustified barriers and lead to legal uncertainty.

DStV therefore recommends integrating actions that are beneficial to all or to a large number of enterprises and do not exclusively concern start-ups and scale-ups into other strategies, such as the EU's internal market strategy, the Union of Skills or the Communication on the Savings and Investment Union.

√ The start-up and scale-up strategy should be limited to actions that are characteristic of this category of company. These actions should remove obstacles that do not exist for other companies or exist to a much lesser extent.

3. Common optional tax law

In its "Compass for Competitiveness" (COM(2025) 30 final) of 29 January 2025, the Commission announced a proposal for a so-called 28th legislative regime to simplify existing legislation, including aspects of company, insolvency, labour and tax law. According to the EU Commission, this should allow innovative companies to benefit from a

single set of rules.
It also addresses the problem of the complex environment of different standards for direct taxation of start-ups and scale-ups in the single market.

DStV did not analyse, if such an Common European Tax law is in line with the legal bases of the EU treaties.
However, DStV would like to take this opportunity to recall the proposal for a common European sales law (CESL -COM (2011) 0635), which was rejected by the EU legislator. The reasons for this rejection are likely to cause considerable concern with regard to a common optional corporate tax law for innovative companies:

- A risk of distortion of competition.
- A risk of regulatory gaps.
- A danger of fragmentation of the law instead of simplification of the law.

Furthermore, an additional workload for tax advisors, legal practitioners and tax authorities in case of the introduction of an additional EU legislation must be taken into account. In addition to the existing common European rules for the harmonisation of tax law and the national provisions, the new rules would apply in parallel to a common EU corporate tax law.
This would not only create more problems of demarcation but also make it more difficult to forecast Member States' tax revenues.

√ The DStV rejects the introduction of a 28th regime regarding taxation of innovative companies.

II. Actions to remove obstacles in the single market

1. Facilitating access to finance

DStV sees facilitating access to venture capital for private investors as an opportunity to sustainably strengthen start-ups in the EU. In this view, the publication of data from the European Investment Fund (EIF) could make a significant contribution to making investments in start-ups more attractive. Reliable data on investment performance and returns would allow a more accurate risk assessment and strengthen the commitment of institutional investors (e.g. insurance companies) and private investors (e.g. business angels). This would improve start-ups' access to a broader capital base and increase their ability to scale.

Another effective way to strengthen the competitiveness of European start-ups is to create pan-European transparency in financing rounds. A better overview of the market would enable start-ups to identify markets within the EU where access to capital is most attractive. This could accelerate expansion decisions and better target investment. Also, this would make European start-ups more competitive, as capital markets in other regions are already more integrated. The transparent recording of financing rounds would also provide investors with a better basis for evaluating potential investments, allowing capital to be channelled into companies more efficiently.

√ Improving private investors' access to venture capital and creating pan-European transparency in funding rounds is an effective way to strengthen the competitiveness of European start-ups.

2. Creation of one-stop shops to support European start-ups

The creation of central contact points in the Member States for start-ups wishing to operate cross-border could help to access the single market. Instead of dealing with extensive and complex regulations, start-ups would benefit from centralised contacts with bundled knowledge. Such a one-stop shop should provide comprehensive information on to access the market, how to set up a company in the Member State and on regulatory requirements.

It would be crucial for start-ups to receive qualified answers to their questions in a timely manner. A purely automated chatbot surely would not suffice. In addition, a central contact point could offer a network of coaching and mentoring schemes for young entrepreneurs as well. This would allow successful entrepreneurs to share their experience and networks with start-ups in the early stages of their business.

√ Start-Ups wishing to operate across borders in the single market would benefit greatly from one-stop shops in the Member States. They could also develop a coaching and mentoring network.

3. Better networking between start-ups, scale-ups and universities

DStV supports the introduction of actions to improve networking between start-ups and universities, to strengthen technology transfer and increase Europe's innovative strength. Matching platforms that bring students and young companies together in a targeted manner could help translate research results into marketable products more quickly. In addition, centres at universities could specifically support academic spin-offs and efficiently integrate their technological innovations into the market.

The European Union has the opportunity to establish itself as a leading deep-tech centre. This will require targeted funding to create a European innovation ecosystem for deep tech start-ups and scale-ups in particular. Technological infrastructure and sector-specific funding programmes play a central role.

Facilitating employee participation would make European start-ups more competitive internationally. There are currently no harmonised rules at the EU level, which puts European start-ups at a disadvantage in the talent competition. Especially compared to the US. There, for example, skilled workers benefit from Incentive Stock Options (ISO), a tax-advantaged stock option scheme that makes it more attractive for employees to buy company shares.

√ DStV supports the introduction of actions to improve networking between start-ups, deep-tech scale-ups and universities to strengthen technology transfer. To make start-ups more internationally competitive, employee participation should be facilitated.

4. Removing barriers to innovation for start-ups and scale-ups

The introduction of "regulatory sandboxes" as part of the planned European Innovation Act would help remove barriers to innovation for start-ups and scale-ups. They would allow young and fast-growing companies to test product prototypes in innovation labs and test facilities before they are subject to the regulatory requirements of the market (e.g. data protection). By participating in sandboxes, start-ups can increase their attractiveness to investors by demonstrating that their business models could be successful. In addition, scale-ups have the opportunity to test innovations under real market conditions before investing in new markets. DStV therefore advocates a targeted expansion of these test environments to foster innovation and strengthen the competitiveness of the European start-up and scale-up ecosystem.

√ Barriers to innovation for start-ups and scale-ups can be reduced through "regulatory sandboxes", where young and growing companies can test product prototypes in innovation labs before regulatory market requirements take effect.

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The German Tax Consultants Association (DStV) is the umbrella organisation representing members of the tax advisory and auditing professions at a national and international level vis-à-vis politicians, the executive and other stakeholders. Its 15 member associations voluntarily bring together 36,500 tax consultants, tax agents, auditors, sworn accountants and professional firms, most of whom work in their own offices or partnerships.

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