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DIGITALEUROPE submission to the Commission's call for evidence on the EU Start-up and Scale-up Strategy

The following text will serve as a foreword to DIGITALEUROPE's publications "[Winning the Tech Race. Cut-Simplify-Incentivise: Our three-step gameplan](#)" and "[The Single Market Love Story: 10 digital actions to save the 30-year marriage](#)", which will be uploaded as position papers in response to the call for evidence.

Introduction

DIGITALEUROPE is committed to transforming Europe's single market into a seamless, unified platform that empowers innovative startups to grow and scale up. Our attached reports outline concrete steps to address the difficulties that startups and scaleups face in accessing capital, markets, services, infrastructure and talent. Key recommendations are:

- **European Business Code:** Differing national rules complicate cross-border expansion, increase compliance costs and limit startups' potential customer base. DIGITALEUROPE fully supports the creation of an optional 28th regime to harmonise fragmented commercial, e-commerce and company laws.
- **Simplified Reporting Initiative:** Fragmented EU reporting requirements impose disproportionate burdens on SMEs. DIGITALEUROPE calls for streamlining reporting obligations on cybersecurity, sustainability and data processing. For example, ENISA could act as a one-stop shop for cybersecurity reporting. Automated reporting, inspired by Estonia's real-time data exchange model, would cut compliance costs, making Europe more competitive.
- **Single Digital Gateway:** An EU-funded platform for regulatory advice can provide SMEs reassurance of compliance with all applicable EU legislation, especially with the expanded and innovation-critical digital rulebook (AI Act, Cyber Resilience Act, GDPR, etc).
- **Rapid Compliance Pathway:** Regulatory complexity and ambiguity disproportionately hurt startups and scaleups. Removing burdensome requirements in critical areas such as the Cyber Resilience Act, AI Act and Data Act will benefit especially SMEs by creating clearer legal expectations.
- **Leverage public procurement:** European public authorities are too reluctant to adopt new technologies, making it difficult for startups and scaleups to gain traction in the EU market. As a result, many are forced to prioritise sales outside the EU. Harmonising procurement

requirements and processes to create demand for European scaleups, matchmaking programmes, and targeted funds for technology procurement (e.g. cybersecurity of critical infrastructure) would foster innovation and growth in strategic sectors.

- **Simplify funding applications and compliance:** Startups and scaleups face significant challenges navigating the complex EU funding environment. The lack of a central portal to identify relevant EU funding disadvantages startups. Reporting requirements need be streamlined to avoid excessive bureaucracy. Flexible cost allocation categories are crucial to accommodate the diverse needs of research and manufacturing projects. Shorter, more agile funding rounds could help scaleups secure capital.
- **Streamline financial support and unlock venture capital:** European funding, including private equity, is more risk-averse and fragmented than in other jurisdictions, pushing scaleups to seek capital in foreign markets. The Competitiveness Fund, the EIB's TechEU programme, and the Savings and Investments Union must effectively deliver funding to scaleups to prevent their relocation. Allowing the EIB to invest directly in listings and equity would provide scaleups with additional capital.
- **Harmonise tax requirements:** Harmonisation and digitalisation of tax procedures would make the single market easier to access for SMEs. Tax credits for tech investments or an EU-wide R&D tax deduction channelled towards commercialisation activities would significantly boost investment.
- **Attracting and retaining talent:** Complex legal processes and high administrative overhead block startups from hiring skilled workers across Member States. More EU funding should go towards upskilling SMEs on digital skills to realise productivity gains.

These solutions aim to enhance the single market's efficiency and attractiveness, enabling European businesses to scale and innovate. By reducing red tape, improving regulatory consistency and prioritising investments in digital infrastructure, Europe can reclaim its position as a global tech leader.

FOR MORE INFORMATION,
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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies. Our membership represents over 45,000 businesses who operate and invest in Europe. It includes corporations which are global leaders in their field of activity, as well as national trade associations from across Europe.