

# Review of the SME Definition

Fields marked with \* are mandatory.

## Introduction

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The European Commission is reviewing how micro, small and medium-sized enterprises (SMEs) are defined (Recommendation 2003/361/EC of 6 May 2003).

The goal of this review is to ensure that the SME Definition remains fit for purpose and meets its objectives in the current economic environment. This questionnaire will help assess to what extent the current SME Definition is appropriate and assess options for possible changes to the Recommendation, so that European small businesses can continue to receive dedicated policy support.

By providing one common definition of what is to be considered a 'genuine' SME, the main objectives of the Recommendation are to:

- create a level playing field and avoid distortion of competition between enterprises;
- ensure equal treatment of all SMEs; and
- improve the consistency and effectiveness of SME policies.

A 'genuine' SME is considered an enterprise for which size might represent a handicap. A number of European policies have been set up to ensure these SMEs benefit from financial support, fee reduction, reduced administrative burden, etc. The EU SME Definition is an operational tool to identify the SMEs that should benefit from these policies.

In order to identify these 'genuine' SMEs, the EU SME Definition is based on 3 criteria:

1. Staff headcount;
2. Financial parameters;
3. Independence/ownership.

The staff headcount criterion (< 250 in annual full-time equivalents) is considered the most important one and must be met.

In order to reflect the performance of an enterprise compared to its competitors and specificities of different sectors (e.g. the trade and distribution sector having by its nature higher turnover figures than the manufacturing sector), financial parameters relating to turnover ( $\leq$  EUR 50 million) or the balance sheet total ( $\leq$  EUR 43 million) must be met. The Definition provides for the possibility of exceeding one of these two financial ceilings.

'Independence/ownership' is the third criterion to be considered. An SME that belongs to a large group

can have access to support that is not available to competitors of equal size which do not have such links. The EU SME Definition therefore makes a distinction between autonomous enterprises, enterprises with partner relationships (ownership between 25% and 50%) and enterprises with linked relationships (ownership above 50%).

An enterprise is autonomous if it is totally independent or does not have any partners or linked entities. It is not autonomous if it has relationships with other entities (either as partners or links). In these cases, the staff headcount and financial data (turnover and balance sheet) of these other entities must be added to those of the enterprise.

Article 6 of the Recommendation describes how these relationships are taken into account and how the data should be calculated.

However, 2 Court of Justice rulings from September 2016 (<http://curia.europa.eu/juris/liste.jsf?language=en&num=T-675/13> and <http://curia.europa.eu/juris/liste.jsf?language=en&num=T-587/14>) limit the scope of the relationships that can be taken into account. This approach could allow large companies to design structures and set up 'satellite' entities to benefit from support that is intended for genuine SMEs that do not have support from large groups.

The full text of the Recommendation and guidance and examples on the practical application of the EU SME Definition are included in the User Guide. This can be found at: <http://ec.europa.eu/DocsRoom/documents/15582/attachments/1/translations>

**All questions in this survey refer only to the EU SME definition as set out in Recommendation 2003/361/EC. They do not refer to any national or other SME definition that may exist, nor to any variant that might be applied.** (e.g. Article 2 of Recommendation 2003/361/EC provides Member States, the EIB and the EIF with the possibility of using only the staff headcount in implementing certain of their policies.)

Thank you in advance for your input. Please note that you can upload a document (e. g. a position paper) at the end of the questionnaire.

## 1. About you

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### \* 1.1 You are replying

- On behalf of an organisation/association/institution etc.
- On behalf of an enterprise
- As an individual (private citizen)

\* 1.2 Contributions will be published on the Commission's website, along with the identity of the contributor. Please state your preference with regard to the publication of your contribution. Please note that regardless of the option chosen, your contribution may be subject to a request for access to

documents under Regulation (EC) No 1049/2001 on public access to European Parliament, Council and Commission documents. In this event the request will be assessed against the conditions set out in the Regulation and in accordance with applicable data protection rules.

- My contribution may be published under the name I indicated;** I declare that none of it is unlawful or subject to copyright restrictions that prevent publication
- My contribution should be kept anonymous;** I declare that none of it is unlawful or subject to copyright restrictions that prevent publication

**\* 1.3 Please provide your name/the name of your company/organisation/association**

*Text of 1 to 200 characters will be accepted*

Katrin Sturm

**\* 1.4 Please provide your e-mail address**

*Text of 1 to 200 characters will be accepted*

katrin.sturm@aecm.eu

**\* 1.5 Your country**

- |  |                               |                                   |                                      |
|--|-------------------------------|-----------------------------------|--------------------------------------|
| <input type="radio"/> Austria            | <input type="radio"/> France  | <input type="radio"/> Lithuania   | <input type="radio"/> Slovenia       |
| <input checked="" type="radio"/> Belgium | <input type="radio"/> Germany | <input type="radio"/> Luxembourg  | <input type="radio"/> Spain          |
| <input type="radio"/> Bulgaria           | <input type="radio"/> Greece  | <input type="radio"/> Malta       | <input type="radio"/> Sweden         |
| <input type="radio"/> Cyprus             | <input type="radio"/> Hungary | <input type="radio"/> Netherlands | <input type="radio"/> United Kingdom |
| <input type="radio"/> Czech Republic     | <input type="radio"/> Ireland | <input type="radio"/> Poland      | <input type="radio"/> Other          |
| <input type="radio"/> Denmark            | <input type="radio"/> Italy   | <input type="radio"/> Portugal    |                                      |
| <input type="radio"/> Estonia            | <input type="radio"/> Croatia | <input type="radio"/> Romania     |                                      |
| <input type="radio"/> Finland            | <input type="radio"/> Latvia  | <input type="radio"/> Slovakia    |                                      |

## 1.a If you are replying on behalf of an organisation/association/institution etc.

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**\* 1.a.1 What type of organisation/ association / institution do you represent?**

- International organisation / association including at EU level
- National or regional public authority
- National organisation / association
- Venture capital / Business angel / Public Investment Fund
- Research institution
- Other

**\* 1.a.2 Are you registered on the Transparency Register?**

- Yes
- No
- Not applicable

## 2. Your opinion on the current SME Definition

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**\* 2.1 How familiar are you with the EU SME Definition as set out in the Recommendation?**

- I have good knowledge of the EU SME Definition
- I am aware of the existence of the EU SME Definition but not of its specific contents
- I do not know the EU SME Definition

**2.2 Please indicate whether you agree or disagree with the following statements on the EU SME Definition:**

	I agree to a great extent	I agree to some extent	I don't agree	Don't know /No opinion
* It allows the identification of enterprises facing potential market failure and particular challenges due to their size	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* It helps to limit the proliferation of different "SME definitions" at European and national level	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* It helps to make policies targeted at SMEs more effective and consistent across Member States and areas of intervention	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* It is a useful tool to improve equal treatment of SMEs throughout the EU	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* 2.3 The current EU SME Definition is based on three criteria: staff headcount, financial parameters and independence/ownership. Do you think these criteria are appropriate to determine if an enterprise is a genuine SME?**

- Yes
- No
- No opinion

**\* 2.4 In the current EU SME Definition, meeting the staff headcount threshold is obligatory while the financial parameters can be chosen in order to cater for sectorial specificities. Do you think meeting any combination of 2 out of the 3 criteria (e.g. meeting only the 2 financial parameters, but not the headcount limit) would be more appropriate to determine whether a company is an SME?**

- Yes
- No
- No opinion

**\* 2.4.1 Please explain**

*Text of 1 to 500 characters will be accepted*

A more flexible handling of the way the three criteria are combined should be very carefully examined, always having in mind that a market failure needs to be addressed. In this instance, an enterprise fulfilling the criteria of balance sheet and turnover but having more than the maximum number of employees could be newly introduced as being an SME.

**\* 2.5 The current thresholds of the financial criterion were set in 2003. Since then, price levels and real labour productivity per hour worked have risen. Do you think that the financial thresholds should be raised to reflect this?**

- Yes, both factors should be considered
- Yes, but only inflation should be considered
- Yes, but only labour productivity should be considered
- No, the thresholds should not be raised
- Don't know/No opinion
- Another factor should be considered

**\* 2.6 The staff headcount criterion states that the average headcount (in full time equivalents) for an SME over a financial year should be below 250 employees. Should this threshold be:**

- Increased
- Kept as it is
- Lowered
- Eliminated
- Don't know/No opinion

**\* 2.7 The current SME definition distinguishes between 3 categories of enterprises: micro-sized (0-9 employees; ≤ EUR 2 mil turnover/balance sheet), small-sized (10–49 employees; ≤ EUR 10 mil turnover/balance sheet) and medium-sized (50-249 employees; ≤ EUR 50 mil turnover/< EUR 43 mil balance sheet). Do you think this categorisation is appropriate?**

- Yes
- No
- No opinion

**2.8 Enterprises where a venture capital company owns a more than 50% share are not considered autonomous. The same applies to enterprises in which a business angel participates with more than EUR 1.250.000. These enterprises might therefore not be considered an SME, even if individually they meet the staff headcount and financial thresholds. What is your opinion on the following statements?**

Business angel: individual or group of individuals pursuing a regular business of investing venture capital.

	Strongly disagree	Somewhat disagree	Somewhat agree	Strongly agree	Don't know /No opinion
* These thresholds (50% and EUR 1.250.000) are appropriate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* These thresholds should be substantially increased	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* These thresholds should be removed and a full exemption for venture capital and business angel investments should apply	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>

* This rule may discourage SMEs from seeking private investment	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* This rule may hinder venture capital investment in SMEs	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

**2.9 Enterprises in which a public authority controls more than 25% of the capital or voting rights are not considered SMEs. What is your opinion on the following statements?**

	Strongly disagree	Somewhat disagree	Somewhat agree	Strongly agree	Don't know /No opinion
* The threshold of 25% is appropriate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* The threshold should be substantially increased	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* The threshold should be removed and public control should not have an impact on the SME status of an enterprise	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* This rule puts publicly-owned companies at a disadvantage when competing with privately-owned businesses	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>
* This rule puts privately-owned companies at a disadvantage when competing with publicly-owned business	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**\* 2.10 In order to determine the real economic capacity of an SME, the current EU SME Definition takes into account ALL (direct and indirect) partner and linked enterprises. Recent rulings of the Court of Justice suggest that only some relationships should be taken into account. This creates potential loopholes for large groups to artificially set up separate entities that would then be considered SMEs.**

**Do you agree that all relationships should continue to be taken into account in order to determine if an enterprise is a genuine SME?**

- Yes
- No
- No opinion

**\* 2.10.1 Please explain**

*500 character(s) maximum*

The concept of "linked enterprise" should be abandoned as a whole.

**\* 2.11 The EU SME Definition establishes a 2-year ‘grace period’: enterprises only lose their SME status if they exceed the headcount and financial thresholds for two consecutive years. What is your opinion about this ‘grace period’?**

- The length of the “grace period” is appropriate
- The “grace period” is too short
- The “grace period” is too long
- I don't know/No opinion

**2.12 To what extent would the following changes to the current EU SME Definition increase the risk of granting preferential treatment to enterprises that are not genuine SMEs and for which size does not represent a disadvantage?**

	Not at all	To a small extent	To a large extent	I don't know/No opinion
* Raising the staff headcount threshold	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Raising the financial thresholds	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Raising the threshold for venture capital fund participation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Raising the threshold for business angel participation	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Raising the threshold for control by a public entity	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Extending the duration of the 'grace period'	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
* Limiting the relationships that are taken into account to determine whether an enterprise is part of a group	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**2.13 If you have additional comments or remarks please provide them here:**

*1500 character(s) maximum*

We would like to suggest some points in order to improve the application of the definition:

- Increase of the financial thresholds to account at least for economic factors and inflation since it was first adopted in 2003;
- Increase of the threshold of the staff headcount to up to 500;
- More flexible combination of the above mentioned three criteria;
- The 2-year rule should be extended to a longer period;
- The Definition should be as simple and as clear as possible; e.g. currently notions like public investors holding more than 25% and less than 50% is not always easy to determine and should be abandoned;
- Alternatively, verification of the “linked enterprise” without verifying any personal linkage; this would be similar to the verification performed prior to granting the de minimis aid, where the criteria of a “single enterprise” is verified.

**\* 2.14 Do you agree to be contacted by our consultant for an individual interview on your experience with the EU SME Definition?**

- Yes

No

You can upload here additional contribution such as position papers. Uploading your file here you agree on its publication on the website dedicated to this consultation.

The maximum file size is 1 MB

## Useful links

[SME Definition web site \(http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition\\_en\)](http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en)

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## Contact

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