

Brussels, 8 May 2003

Commission adopts a new definition of micro, small and medium sized enterprises in Europe

The European Commission adopted today a new definition of micro, small and medium-sized enterprises (SMEs), aimed at promoting entrepreneurship, investment and growth, facilitating access to venture capital, cutting administrative burdens and increasing legal certainty. The new definition was shaped by two rounds of extensive public consultation. It maintains the different staff thresholds which define the categories of micro, small and medium-sized enterprises. However, it provides for a substantial increase of the financial ceilings (turnover or balance sheet total), in particular as a result of inflation and productivity increases since 1996, the date of the first Community SME definition. Various provisions mean that the benefit of access to national SME support mechanisms and European Programmes supporting SMEs is reserved exclusively for those enterprises which have the characteristics of real SMEs (without the economic strength of larger groupings). To allow a smooth transition at EU and national level, the new definition will be used as of 1 January 2005. This modernisation of the SME definition will have an impact on promoting growth, entrepreneurship, investments and innovation. It will favour co-operation and clustering of independent enterprises.

Enterprise Commissioner Erkki Liikanen said: "Small and Medium Sized Enterprises form the backbone of the European economy. They are key to entrepreneurial spirit and innovation in the EU and thus crucial to ensure EU competitiveness. A proper definition of which enterprises are SMEs makes it easier to identify their needs and to develop efficient policies to compensate for the specific problems linked to their small size. This is vital for the competitiveness of an enlarged European Union, its growth and employment."

SME thresholds

Enterprise category	Headcount (unchanged)	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 million (in 1996: 40 million)		≤ € 43 million (in 1996: 27 million)
Small	< 50	≤ € 10 million (in 1996: 7 million)		≤ € 10 million (in 1996: 5 million)
Micro	< 10	≤ € 2 million (previously not defined)		≤ € 2 million (previously not defined)

The SME definition currently in force in Community law is that adopted in the

[Commission Recommendation 96/280/EC](#)

The proposed modifications of this definition were tested in two rounds of extensive public consultation in 2001 and 2002 and allowed considerable adjustments of the text to take account of the needs and realities on the ground. The key aims of the revision are to:

Reduce administrative burdens and speed up procedures

A model for a voluntary self-declaration by enterprises is proposed. This single form should reduce administrative burdens for enterprises and speed up procedures, by replacing the different forms currently used for differing administrative purposes.

Promote entrepreneurship and micro-enterprises

For the first time, the revised definition includes precise financial thresholds for micro-enterprises. Support schemes by regional and national authorities for this enterprise category should thereby be facilitated. The essential role of micro-enterprises for the development of entrepreneurship is thus recognised. Social economy activities and craft businesses are also recognised as enterprises.

Promote growth

The significant increase of the financial ceilings, taking into account price and productivity increases since 1996, will not lead to a marked rise in the number of SMEs, but will favour enterprises that invest. Minority investments of large firms in SMEs are also made easier, while preserving the independence of the SMEs.

Facilitate access to venture capital

The revision facilitates equity financing for SMEs by granting favourable treatment to regional funds, venture capital companies and "Business angels".

Promote investment in innovation and research

Similar exemptions are introduced for investment in spin-offs by universities and research institutes to promote investment in research and innovation.

Promote clusters and increase legal certainty

The revision favours clusters of independent SMEs by introducing a clear typology of enterprises (autonomous, partner and linked) and a transparent calculation method for the staff and financial thresholds. This method gives a more realistic picture of their economic strength, while limiting the number of levels of connection between enterprises that have to be taken into account for the calculation, thus considerably increasing legal certainty.

Prevent circumvention

Aligning the concept of “linked” enterprises with the

[consolidated accounts Directive](#)

will make the definition extremely difficult to circumvent. In that respect, the new definition takes account of experiences in the field of control of state aids.

Promote professional training and work-life balance

Apprentices or students in professional training are not counted in the staff ceilings, so as to favour enterprises that provide vocational training. Likewise, parental or maternity leave periods are not counted, in order not to penalise enterprises that promote the life-work balance.

Further information on the SME definition

http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/index_en.htm