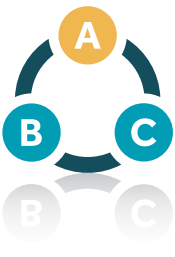




European  
Commission

# User guide to the SME definition



Internal Market,  
Industry,  
Entrepreneurship  
and SMEs

## DISCLAIMER

This SME User Guide serves as general guidelines for entrepreneurs and other stakeholders when applying the SME definition. It does not have any legal force and does not bind the Commission in any way. Commission Recommendation 2003/361/EC, as published in the Official Journal of the European Union L 124, p. 36 of 20 May 2003, is the sole authentic basis for determining the conditions regarding qualification as an SME.

### This guide contains:

- Details and explanations of the SME definition which took effect on 1/1/2005.
- A model declaration form that individual companies may complete when applying to SME support schemes in order to establish their SME status.

© Cover picture: Gettyimages

© Pictures: Thinkstock

***Europe Direct is a service to help you find answers  
to your questions about the European Union***

**Freephone number (\*):  
00 800 6 78 91 0 11**

(\* The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

More information on the European Union is available on the Internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2015

ISBN 978-92-79-45322-9 – doi:10.2873/782201 (print)

ISBN 978-92-79-45301-4 – doi:10.2873/620234 (online)

© European Union, 2015

Reproduction is authorised provided the source is acknowledged.

*Printed in Belgium*

PRINTED ON ELEMENTAL CHLORINE-FREE BLEACHED PAPER (ECF)

# TABLE OF CONTENTS

INTRODUCTION . . . . .	3
WHY A EUROPEAN SME DEFINITION? . . . . .	4
THE OBJECTIVES OF THIS GUIDE . . . . .	6
APPLYING THE SME DEFINITION. . . . .	7
AN OVERVIEW OF THE SME IDENTIFICATION PROCESS. . . . .	8
STEP 1: AM I AN ENTERPRISE? . . . . .	9
STEP 2: WHICH CRITERIA NEED TO BE CHECKED AND WHAT ARE THE THRESHOLDS? (ARTICLE 2). . . . .	10
STEP 3: WHAT DO THESE CRITERIA MEAN? . . . . .	12
<i>Criterion 1: Staff headcount (Article 5)</i> . . . . .	12
<i>Criteria 2 and 3: Annual turnover and balance sheet total (Article 4)</i> . . . . .	13
STEP 4: HOW DO I CALCULATE THESE DATA? . . . . .	15
<i>Am I an autonomous enterprise? (Article 3.1)</i> . . . . .	16
<i>Am I a partner enterprise? (Article 3.2)</i> . . . . .	18
<i>Am I a linked enterprise? (Article 3.3)</i> . . . . .	21
CONCLUSION . . . . .	24
EXAMPLES . . . . .	25
BACKGROUND TO THE CURRENT SME DEFINITION AND USER GUIDE . . . . .	31
GLOSSARY . . . . .	33
ANNEXES . . . . .	37
TEXT OF THE RECOMMENDATION . . . . .	38
MODEL DECLARATION FORM. . . . .	44



“The category of micro - small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.”

*Extract of Article 2 of the Annex of Recommendation 2003/361/EC*

## INTRODUCTION

*“Nine out of every 10 enterprises is an SME, and SMEs generate 2 out of every 3 jobs.”*

*A New Boost for Jobs, Growth and Investment is the first priority of Commission President Juncker*

“Jobs, growth and investment will only return to Europe if we create the right regulatory environment and promote a climate of entrepreneurship and job creation. We must not stifle innovation and competitiveness with too prescriptive and too detailed regulations, particularly when it comes to small and medium sized enterprises (SMEs). SMEs are the backbone of our economy, creating more than 85% of new jobs in Europe and we have to free them from burdensome regulation.”

*Jean-Claude Juncker,  
President of the European Commission*

### SMEs: the engine of the European economy

Micro - small and medium-sized enterprises (SMEs) are the engine of the European economy. They drive job creation and economic growth, and ensure social stability. In 2013, over 21 million SMEs provided 88.8 million jobs throughout the EU. Nine out of every 10 enterprises is an SME, and SMEs generate 2 out of every 3 jobs. SMEs also stimulate an entrepreneurial spirit and innovation throughout the EU and are thus crucial for fostering competitiveness and employment.

Given their importance to Europe's economy, SMEs are a major focus of EU policy. The European Commission aims to promote entrepreneurship and improve the business environment for SMEs, thereby allowing them to realise their full potential in today's global economy.

### Identifying genuine SMEs

SMEs come in many different shapes and sizes; however, in today's complex business environment they may have close financial, operational or governance relationships with other enterprises. These relationships often make it difficult to precisely draw the line between an SME and a larger enterprise. The SME definition is a practical tool designed to help SMEs identify themselves so that they can receive the full support of the EU and its Member States.

# WHY A EUROPEAN SME DEFINITION?

One of the main objectives of the SME Recommendation is to ensure that support measures are granted only to those enterprises that genuinely need them. The SME definition, therefore, applies to all policies, programmes and measures that the European Commission develops and operates for SMEs. It also applies to those kinds of State Aid where there are no ad hoc

guidelines applicable.<sup>1</sup> Deciding whether or not a company is an SME is not as simple as one might think, however.

- 1 Not all State Aid rules adhere to the strict interpretation of the SME definition. Some are directly based on it, others only apply the SME definition in part, and there are specific guidelines that apply in certain cases. It is therefore always necessary to carefully check the respective legal basis in case an enterprise receives State support.

## What EU support exists for SMEs?

For an overview of the main funding opportunities available to European SMEs, please visit:

<http://europa.eu/!RT38Ny>

## Size isn't everything



In determining whether or not an enterprise is an SME, the enterprise's size (employees, turnover and balance sheet total) is not the only factor that should be taken into account. In fact, an enterprise can be very small in these terms, but

if it has access to significant additional resources (e.g. because it is owned by, linked to or partnered with a larger enterprise) it might not be eligible for SME status. For enterprises with a more complex structure, a case-by-case analysis may therefore be required to ensure that only those enterprises that fall within the 'spirit' of the SME Recommendation are considered SMEs.

### SME vs. Non-SME: the main criteria

*"If an enterprise has access to significant additional resources it might not be eligible for SME status."*

#### SIZE

- Employees
- Turnover
- Balance sheet total

#### AND

#### RESOURCES

- Ownership
- Partnerships
- Linkages

## Helping to avoid competitive distortion



In a single market with no internal frontiers and in an increasingly globalized business environment, it is essential that measures in support of SMEs are based on a common definition. Lack of a common definition could lead to the uneven application of policies and thus distort competition across Member States. An enterprise in one Member State, for example, might be eligible for aid, while an enterprise in another Member State of exactly the same size and structure might not be eligible. A common definition helps to improve the consistency and effectiveness of SME policy across the EU. Moreover, it is all the more necessary given the extensive interactions between national and EU measures designed to help SMEs in areas such as regional development and research funding.

## A unique set of issues

It is also important to identify which enterprises truly are SMEs because SMEs require assistance that other enterprises do not. Compared with other enterprises, SMEs are confronted with a unique set of issues:

- **Market failures:** real SMEs often face market failures that make the environment in which they operate and compete with other players more challenging. Market failures may occur in areas such as finance (especially venture capital), research, innovation or environmental regulations; SMEs may be unable to access finance or invest in research and innovation, or they may lack the resources to comply with environmental regulations;
- **Structural barriers:** SMEs often must also overcome structural barriers such as a lack of management and technical skills, rigidities in labour markets and a limited knowledge of opportunities for international expansion.

*“SMEs require assistance that other enterprises do not.”*

Given the relative scarcity of funds, it is important to reserve the advantages of SME support programmes for genuine SMEs. With this in mind, the definition includes several anti-circumvention measures. The simplified approach of the present guide should not be used to justify the creation of artificial corporate structures that aim to bypass the definition.

For Member States, use of the definition is voluntary, but the Commission invites them, together with the European Investment Bank (EIB) and the European Investment Fund (EIF), to apply it as widely as possible.

# THE OBJECTIVES OF THIS GUIDE

The information contained in this guide is primarily designed for two audiences:

- **Entrepreneurs:** entrepreneurs running micro - small or medium-sized enterprises, who are interested in applying for grants or loans aimed at SMEs. These entrepreneurs may also want to know if they satisfy the criteria to benefit from specific legislative provisions or reduced fees for SMEs;
- **Government officials:** European, national, regional and local officials who draw up and run the various schemes, process the applications and ensure that companies satisfy the eligibility criteria for support.

The guide explains **step-by-step how to determine if an enterprise can qualify as an SME.**

It also contains a **glossary of terms** used in the definition or its practical implementation, as well as a **model self-assessment form**. The form gives an overview of the data that an enterprise has to provide when applying for SME support, and can be used by administrative departments to establish a company's SME status. Since the use of this form is voluntary, Member State administrations are free to adapt its content to suit customary national usage.

## Registering as an SME: multiple entry points

There is no single point of entry to register an enterprise as an SME. Depending on the funding programme and the managing authority (European, national, regional) to which one applies, there will be separate registration procedures. Efforts are being made to enable as much on-line registration as possible.

The 'Your Europe' website provides information on funding programmes and will point you to the relevant registration desks when applicable and available

[http://europa.eu/youreurope/business/funding-grants/eu-programmes/index\\_en.htm](http://europa.eu/youreurope/business/funding-grants/eu-programmes/index_en.htm)

One example is the Beneficiary Register on the Horizon 2020 Participant Portal

<http://ec.europa.eu/research/participants/portal/desktop/en/organisations/register.html>

## Need more help?

A Frequently Asked Questions section is available on the SME Definition website and is regularly updated.

All available language versions of this guide can be downloaded from the same website.

SMEs may also send questions they have on this topic to:

[GROW-SME-DEFINITION@ec.europa.eu](mailto:GROW-SME-DEFINITION@ec.europa.eu)



# APPLYING THE SME DEFINITION

The average European enterprise employs no more than six people and, without delving further into the details of the enterprise's situation, would be considered an SME. The definition applied here, however, takes into account possible relationships with other enterprises. In certain cases, those relationships, particularly if they create significant ownership links or give access to additional financial or other resources, imply that an enterprise is not an SME.

## SMEs: 3 categories

The SME definition distinguishes between three different categories of enterprises. Each category corresponds to a type of relationship that an enterprise could have with another. This distinction is necessary in order to establish a clear picture of an enterprise's economic situation and to exclude those that are not genuine SMEs.

The categories are:

- **Autonomous:** if the enterprise is either completely independent or has one or more minority partnerships (each less than 25%) with other enterprises (see page 16: "Am I an autonomous enterprise?");
- **Partner:** if holdings with other enterprises rise to at least 25% but no more than 50%, the relationship is deemed to be between partner enterprises (see page 18: "Am I a partner enterprise?");
- **Linked enterprise:** if holdings with other enterprises exceed the 50% threshold, these are considered linked enterprise (see page 21: "Am I a linked enterprise?").

## Control

An important notion in the SME definition is the concept of control – both legal and de facto. Control determines whether or not an enterprise is considered a partner or a linked enterprise. It is not only the capital or shareholdings, but also the control that one enterprise has over another that needs to be assessed.

## Making an SME calculation

Depending upon the category in which an enterprise fits, it may have to include data from one or more other enterprises when making the SME calculation. The result of the calculation will allow the enterprise to check whether it complies with the staff headcount and at least one of the financial thresholds set by the definition (see page 10: "Which criteria need to be checked and what are the thresholds" and page 15: "How do I calculate these data?"). Enterprises that exceed these thresholds are not considered SMEs.

Starting from page 25, some useful examples will clarify the possible relationships between enterprises and the extent to which they have to be taken into account in the SME calculation.



# AN OVERVIEW OF THE SME IDENTIFICATION PROCESS

The process of determining whether or not an enterprise is an SME consists of four steps:

## Step 1. Am I an enterprise?

The first step to qualify as an SME is to be considered an enterprise.

## Step 2. Which criteria need to be checked and what are the thresholds?

The second step is to identify the qualifying criteria and thresholds to apply.

## Step 3. What do these criteria cover?

The third step is to interpret the meaning of the various criteria and correctly apply them.

## Step 4. How do I calculate these data?

The fourth step is to identify which data need to be considered and assessed against the thresholds, and in which quantities or proportions. For this purpose, an enterprise must first establish whether it is an **autonomous** enterprise, a **partner** enterprise or a **linked** enterprise.





## Am I an enterprise? (Article 1)

# Step 1

The first step to qualify as an SME is to be considered an enterprise.

According to the definition, an enterprise is “any entity engaged in an economic activity, irrespective of its legal form”. This wording reflects the terminology used by the European Court of Justice in its judgments.

It is the economic activity that is the determining factor, not the legal form.

In practice this means that the self-employed, family firms, partnerships and associations or any other entity that is regularly engaged in an economic activity may be considered as enterprises.

An economic activity is usually seen as “the sale of products or services at a given price, on a given/direct market”.



# Which criteria need to be checked and what are the thresholds? (Article 2)

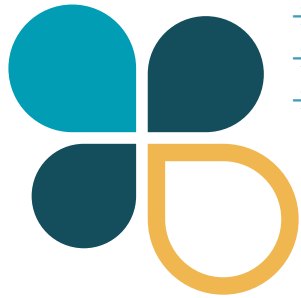
# Step 2

The SME definition takes into account the following three criteria:

- Staff headcount;
- Annual turnover;
- Annual balance sheet total.

The category of micro - small and medium-sized enterprises consists of enterprises which:

- Employ fewer than 250 persons; and
- Have either an annual turnover not exceeding 50 million euro, OR an annual balance sheet total not exceeding 43 million euro.



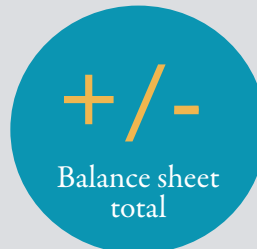
**Employ < 250 persons**

**And**



**< or =  
50 Million EUR**

**or**



**< or =  
43 Million EUR**

Meeting the staff headcount criterion is mandatory in order to be considered an SME. However, an enterprise may choose to meet **either** the turnover **or** balance sheet total ceiling. It does **not** need to satisfy both requirements and **may exceed one of them** without impact on its SME status.

The definition offers the above choice since, by their nature, enterprises in the trade and distribution sectors, have higher turnover figures than

those in manufacturing. Providing an option between this criterion and the balance sheet total, which reflects the overall wealth of an enterprise, ensures that SMEs engaged in different types of economic activity are treated fairly.

By comparing its data with the thresholds for the three criteria, an enterprise can determine whether it is a micro - small or medium-sized enterprise.

### What data do I use?

When making the calculations, you should use the data contained in the last approved annual accounts. Newly established enterprises that do not yet have approved annual accounts should make a declaration that includes a bona fide estimate<sup>2</sup> (in the form of a business plan) made over the course of the financial year. This business plan should cover the entire period (financial years) until the entity will generate turnover (see Article 4 of the Annex to the Recommendation on page 40).

<sup>2</sup> See glossary for more info on supporting documents.

- **Micro-enterprises** are defined as enterprises that employ fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed 2 million euro;
- **Small enterprises** are defined as enterprises that employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro;
- **Medium-sized enterprises** are defined as enterprises that employ fewer than 250 persons and whose annual turnover or annual balance sheet total does not exceed 50 million euro.

#### THRESHOLDS (Art. 2)

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ €50 million <small>(in 1996 € 40 million)</small>	or	≤ €43 million <small>(in 1996 € 27 million)</small>
Small	< 50	≤ €10 million <small>(in 1996 € 7 million)</small>	or	≤ €10 million <small>(in 1996 € 5 million)</small>
Micro	< 10	≤ €2 million <small>(previously not defined)</small>	or	≤ €2 million <small>(previously not defined)</small>

## What do these criteria cover?

# Step 3

### *Criterion 1: Staff headcount (Article 5)*

The staff headcount is a compulsory criterion for determining whether an enterprise can be considered an SME, and if so, in which category the SME falls. If an enterprise does not meet it, it cannot be considered an SME.

### Included in staff headcount

The staff headcount **criterion** covers full-time, part-time, temporary and seasonal staff and includes the following:

- Employees;
- Persons working for the enterprise who have been seconded to it and are considered to be employees under national law (this can also include temporary or so-called interim employees);
- Owner-managers;
- Partners engaged in a regular activity in the enterprise and deriving financial advantages from the enterprise.

### Not included in staff headcount

- Apprentices or students who are engaged in vocational training and have apprenticeship or vocational training contracts;
- Employees on maternity or parental leave.

### What is the definition of an 'employee'?

National labour rules apply. These vary from country to country, for instance, for temporary staff working as independent contractors or on hire from an interim employment agency. You should contact your own authorities to establish how your national legislation defines the term 'employee'.

## Measuring staff headcount

Basic headcount is expressed in **annual work units (AWU)**. Anyone who worked full-time within an enterprise, or on its behalf, during the entire reference year, counts as one unit. Part-time staff, seasonal workers and those who did not work the full year are treated as fractions of one unit.

### *Criteria 2 and 3: Annual turnover and balance sheet total (Article 4)*

#### Annual turnover

Annual turnover is determined by calculating the income that an enterprise received during the year in question from the sale of products and provision of services falling within the company's ordinary activities, after deducting any rebates. Turnover should not include value added tax (VAT) or other indirect taxes.<sup>3</sup>

3 See Article 28 of Council Directive 78/660/EEC of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies, (Official Journal L 222, 14/08/1978 P. 0011 – 0031).

#### Annual balance sheet total

The annual balance sheet total refers to the value of a company's main assets.<sup>4</sup>

4 For more details see Article 12.3 of Council Directive 78/660/EEC of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies, (Official Journal L 222, 14/08/1978 P. 0011 – 0031) Chapter 2.



## What happens if I go above a particular threshold?

Article 4.2 provides stability and certainty to companies that are close to the ceilings and risk exceeding them temporarily during an exceptional year and/or in volatile markets. Thus, if an enterprise exceeds the headcount or financial ceilings during the course of the reference year, this will not affect its situation and it will retain the SME status with which it began the accounting year. However, it will lose SME status if it goes above the ceilings for two consecutive accounting periods.

Conversely, an enterprise may gain SME status if it was previously a large enterprise, but then fell below the ceilings for two consecutive accounting periods.

Case No.	N (Reference year) <sup>4</sup>	N-1	N-2	Status of SME
1	SME	Not SME	Not SME	Not SME
2	SME	SME	Not SME	SME
3	SME	SME	SME	SME
4	SME	Not SME	SME	SME
5	Not SME	SME	SME	SME
6	Not SME	Not SME	SME	Not SME
7	Not SME	SME	Not SME	Not SME
8	Not SME	Not SME	Not SME	Not SME

.....  
5 Latest approved accounting period.

The purpose of Article 4.2 of the SME definition is to ensure that enterprises that experience growth are not penalised with loss of SME status unless they exceed the relevant thresholds for a sustained period. In line with this intention, Article 4.2 does not apply in the case of enterprises that exceed the relevant SME thresholds as a result of a change in ownership, following a merger or acquisition, which is usually not considered temporary and not subject to volatility.

Enterprises that are subject to a change in ownership need to be assessed on the basis of their shareholder structure at the time of the transaction, not at the time of closure of the latest accounts.<sup>6</sup> Therefore, the loss of SME status may be immediate.

.....  
6 See section 1.1.3.1, point (6) (e) of the Commission Decision 2012/838/EU of 18 December 2012.



## How do I calculate these data?

# Step 4

To work out the data to be considered and assessed against the thresholds, an enterprise must first establish whether it is:

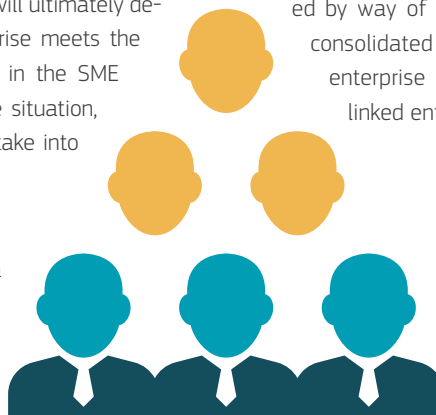
- An **autonomous** enterprise (by far the most common category);
- A **partner** enterprise; or
- A **linked** enterprise.

The calculations for each of the three types of enterprise are different and will ultimately determine whether the enterprise meets the various ceilings established in the SME definition. Depending on the situation, an enterprise may have to take into account:

- Only its own data;
- A proportion of the data in case of a partner enterprise; or
- All the data of any enterprise considered linked to it.

Any such relationships an enterprise has with other enterprises (direct or indirect) need to be taken into consideration. The geographical origin or the field of business activity of these enterprises is not relevant.<sup>7</sup> The examples in this guide illustrate the extent to which relationships need to be taken into account.

Please note that enterprises that draw up consolidated accounts or that are included by way of full consolidation in the consolidated accounts of another enterprise are usually treated as linked enterprises.<sup>8</sup>



- 
- <sup>7</sup> However, in case the link arises through natural persons, the markets on which the enterprises operate are a determining factor.
- <sup>8</sup> Please see glossary for more info on consolidation.

## Am I an autonomous enterprise? (Article 3.1)

### Definition

An enterprise is autonomous if:

- It is totally independent, i.e. it has no participation in other enterprises; and
- No enterprise has a participation in it.

**Or**

- It has a holding of less than 25% of the capital or voting rights (whichever is higher) in one or more other enterprises; and/or
- Any external parties have a stake of no more than 25% of the capital or voting rights (whichever is higher) in the enterprise.

**Or**

- It is not linked to another enterprise through a natural person in the sense of Art. 3.3.

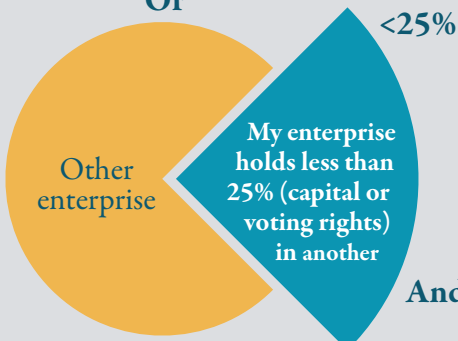
### AN AUTONOMOUS ENTERPRISE

IS NOT A PARTNER WITH OR LINKED TO ANOTHER ENTERPRISE  
(SEE ART. 3.1. P.35)

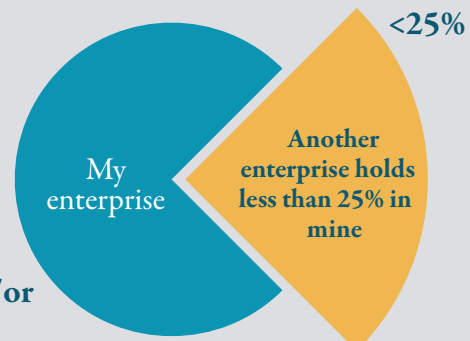
see pages 25, 26 and 29 for examples of indirect partners

My enterprise is totally independent

Or



And/or



### NOTE

- It is possible to have several investors each with a stake of less than 25% in an enterprise and still remain autonomous, **provided** these investors are not linked to each other as described in “Am I a linked enterprise?” on page 21.
- If the investors are linked, the enterprise may be considered a partner or linked enterprise, depending on its specific situation (see page 18: “Am I a partner enterprise?” and page 21: “Am I a linked enterprise?”).

### Establishing the data to consider (Art. 6.1)

If an enterprise is autonomous, it uses only the number of employees and the financial data contained in its annual accounts to check if it respects the thresholds mentioned in Art. 2 of the definition.

### Exceptions (Art. 3.2 (a-d))

An enterprise may still be considered autonomous, and thus as not having any partner enterprises, even if the 25% threshold is reached or exceeded by any of the following types of investors:

- Public investment corporations, venture capital companies and business angels<sup>9</sup>;

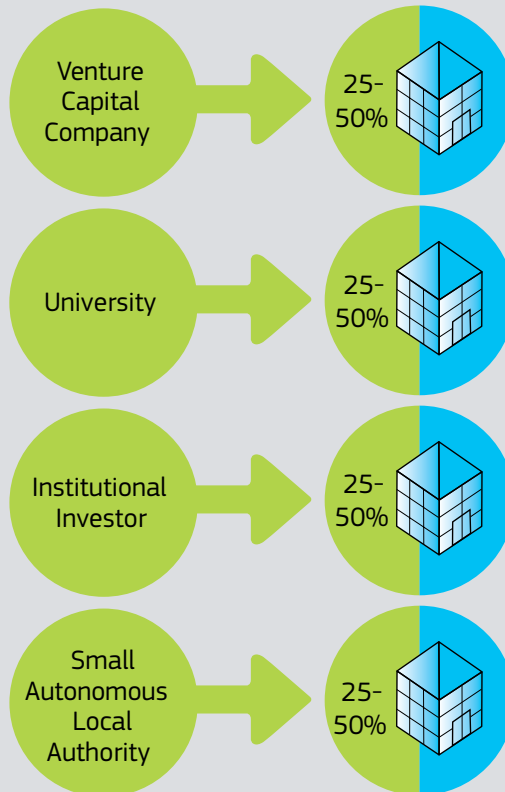
- Universities and non-profit research centres;
- Institutional investors, including regional development funds;
- Autonomous local authorities with an annual budget of less than 10 million euro and fewer than 5,000 inhabitants.

One or more of the above investors may individually have a stake of up to 50% in an enterprise, provided they are not linked, either individually or jointly, to the enterprise in question (see page 21: "Am I a linked enterprise?" for the notion of linked enterprise).

9 See glossary. The financial involvement of business angels in the same enterprise must be below 1.250.000 euro.

## EXCEPTION

**AN ENTERPRISE CAN STILL BE RANKED AS AUTONOMOUS IF ANY OF THE FOLLOWING TYPES OF INVESTOR HOLDS 25-50% OF ITS CAPITAL OR VOTING RIGHTS**



## Am I a partner enterprise? (Article 3.2)

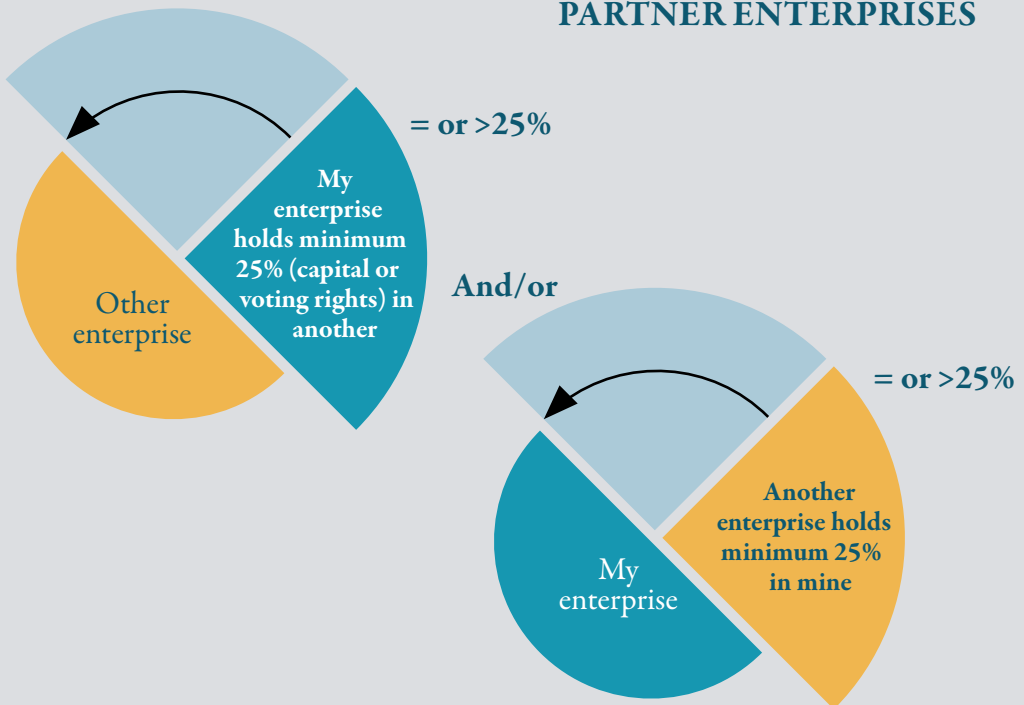
This type of relationship describes the situation of enterprises that establish certain financial partnerships with other enterprises, without one exercising effective direct or indirect control over the other. Partners are enterprises that are neither autonomous nor linked to one another.

### Definition

An enterprise is a partner enterprise if:

- The enterprise has a holding equal to or greater than 25% of the capital or voting rights in another enterprise and/or another enterprise has a holding equal to or greater than 25% in the enterprise in question; and
- The enterprise is not linked to another enterprise (see page 21: "Am I a linked enterprise?"). This means, among other things, that the enterprise's voting rights in the other enterprise (or vice versa) do not exceed 50%.

Examples involving indirect partners are provided as of page 25.



### ***Establishing which data to take into account (Art. 6.2, 6.3 and 6.4)***

With respect to partner enterprises, the enterprise in question must add a proportion of its partner's staff headcount and financial data to its own when determining its eligibility for SME status. This proportion will reflect the percentage of shares or voting rights – whichever is the higher – that are held.

For example, if an enterprise has a 30% stake in another enterprise, it adds 30% of the partner enterprises' headcount, turnover and balance sheet total to its own figures. If there are several partner enterprises, the same type of calculation must be done for each partner enterprise situated immediately upstream or downstream from the enterprise in question.

In addition, the proportionate data of any enterprise that is linked to any of an enterprise's partners need to be taken into account. Data of a partner to a partner, however, are not to be considered. (See example 2 on page 26).

Further data may be required on a case-by-case basis (e.g. consolidation by equity) to establish the relationships between the enterprise to be assessed and potential partner or linked enterprises.

### ***Case of public bodies (Art. 3.4)***

An enterprise is not an SME according to the definition if 25% or more of its capital or voting rights are directly or indirectly owned or controlled, jointly or individually, by one or more public bodies. The reason for this stipulation is that public ownership may give certain advantages to enterprises, notably financial, over other enterprises that are financed by private capital. In addition, it is often not possible to calculate the relevant staff and financial data of public bodies.

The types of investors listed on page 17, such as universities or autonomous local authorities, which have the status of a public body under national law, are not covered by this rule. The total holding by such investors in an enterprise may add up to a maximum of 50% of the enterprise's voting rights. Above 50%, the enterprise cannot be considered an SME.



## How to calculate the data of partner enterprises

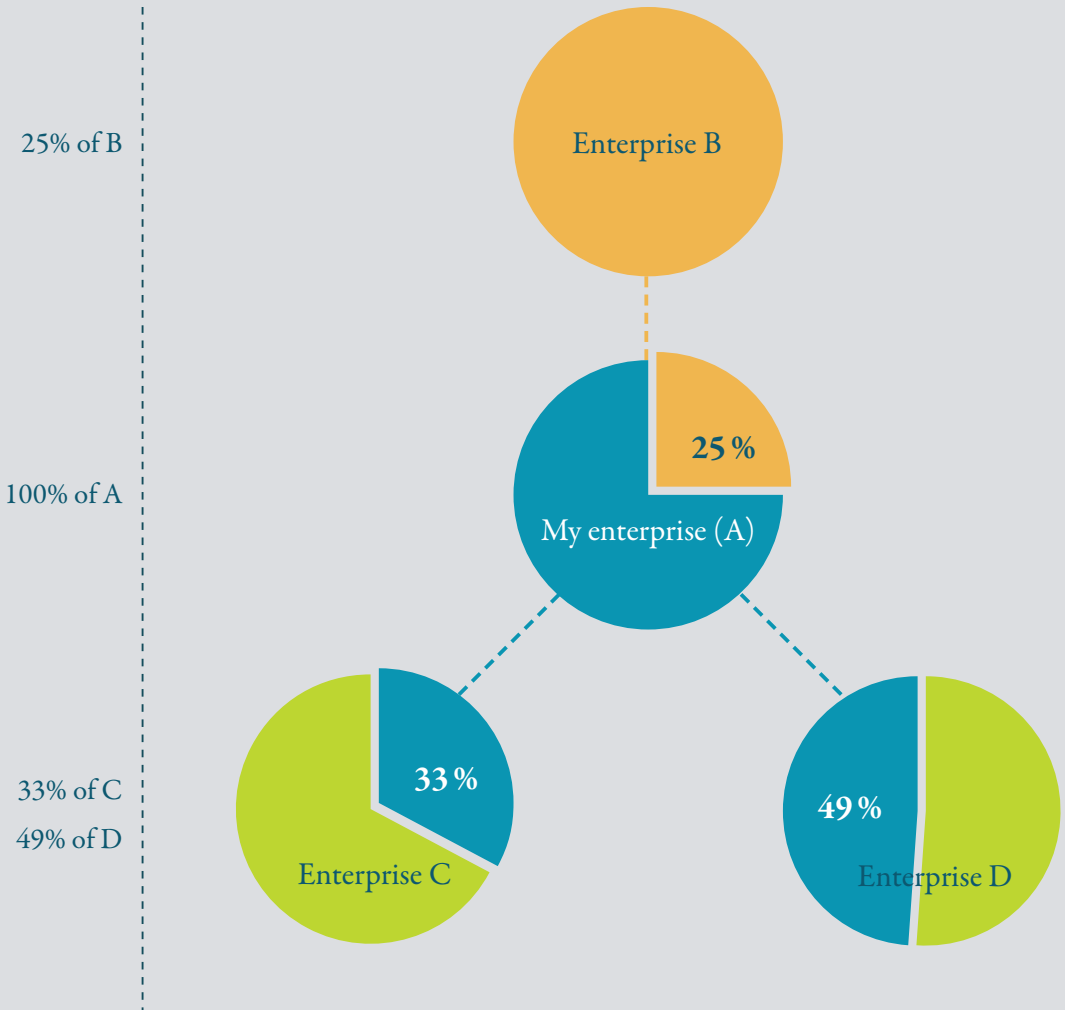
(The percentages given below are purely illustrative.  
For further examples, see pages 25 to 29.)

My enterprise A owns 33% of C and 49% of D, while B has a 25% stake in my business.

To calculate my headcount and financial data, I add the relevant percentages of the data for B, C and D to my total data.

**My TOTAL** = 100% of A + 25% of B + 33% of C + 49% of D.

My TOTAL



# Am I a linked enterprise? (Article 3.3)

Linked enterprises are those that form a group through the direct or indirect control of the majority of voting rights of an enterprise by another or through the ability to exercise a dominant influence on an enterprise.

## Definition

Two or more enterprises are linked when they have any of the following relationships:

- One enterprise holds a majority of the shareholders' or members' voting rights in another;
- One enterprise is entitled to appoint or remove a majority of the administrative, management or supervisory body of another;
- A contract between the enterprises, or a provision in the memorandum or articles of association of one of the enterprises, enables one to exercise a dominant influence over the other;
- One enterprise is able, by agreement, to exercise sole control over a majority of shareholders' or members' voting rights in another.

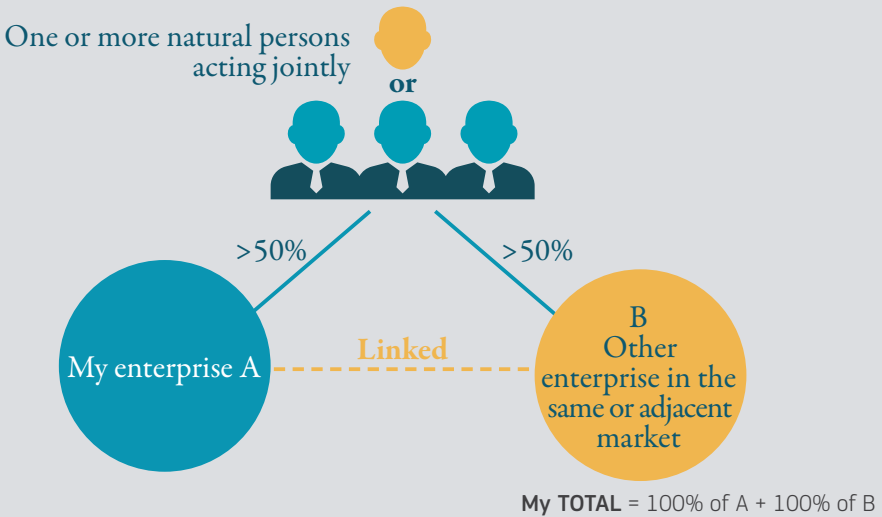
A typical example of a linked enterprise is the wholly-owned subsidiary.

In case a relationship of this kind occurs through the ownership of one or more individuals (acting jointly), the enterprises involved are considered as linked if they operate on the same or adjacent markets.<sup>10</sup>

### What about franchises?

Two enterprises with a franchise are not necessarily considered as linked. It depends on the terms of each individual franchising agreement. However, if the franchising agreement creates one of the four relationships listed above, the enterprises are considered linked.

<sup>10</sup> See glossary for more info.



## Establishing which data to take into account (Art. 6.2, 6.3 and 6.4)

With respect to linked enterprises, 100% of the linked enterprise's data must be added to those of the enterprise in question to determine if it meets the staff headcount and one of the financial thresholds of the definition.

In most Member States, such enterprises are required by law to draw up consolidated accounts or are included by way of full consolidation in the accounts of another enterprise.

When an enterprise does not draw up consolidated accounts and the enterprise to which it is linked is in turn related (partner of link) to other enterprises, the enterprise in question must add 100% of the data of all the linked enterprises and the pro rata % of the partner enterprises.

## How to calculate the data of linked enterprises

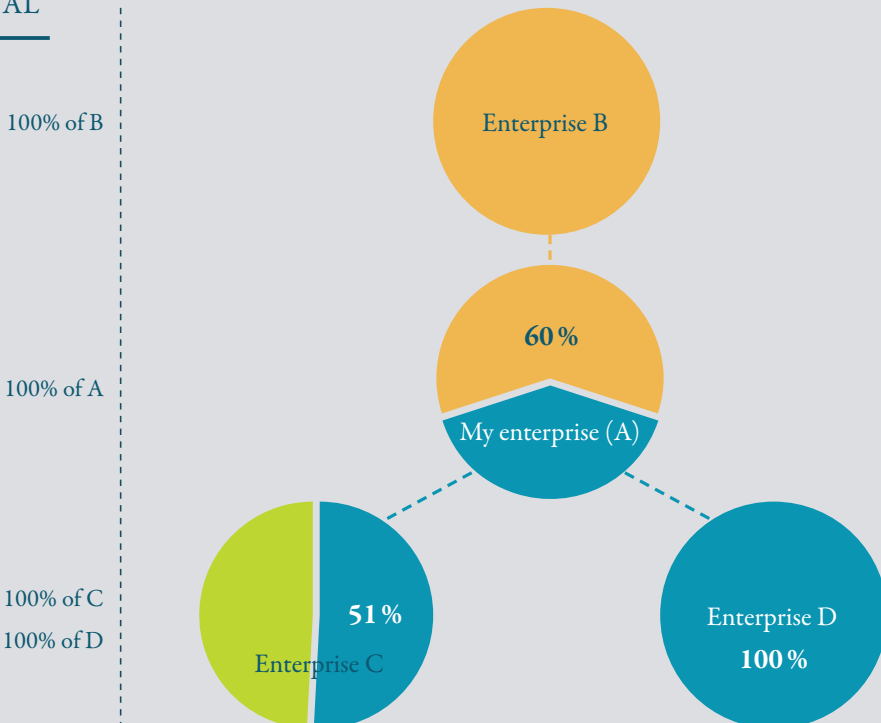
(The percentages given below are purely illustrative. For further examples, see pages 25-29.)

My enterprise A owns 51% of C and 100% of D, while B has a 60% stake in my business.

As the holding in each case is above 50%, I take 100% of the data from each of the four enterprises concerned when calculating my headcount and financial thresholds.

**My TOTAL** = 100% of A + 100% of B + 100% of C + 100% of D.

### My TOTAL





## Summary: which data?

Whether an enterprise draws up consolidated accounts or not, the ultimate data to consider should include the data of:

- Any partner company;
- Any company linked to it;
- Any company linked to any of its partners;
- Any of the companies linked to its linked companies;
- Any of the partners to the linked companies.

Partner-partner relationships are not to be considered.

The examples on pages 25-29 illustrate the calculation in more complex situations.



### What about the data of a partner's partner?

To avoid complicated and endless calculations, the definition includes the rule that, when a partner enterprise itself has other partners, only the data of the partner enterprise(s) situated immediately upstream or downstream need to be taken into account (see Art. 6.2 on page 41 and example 2 on page 27).

### What if a partner is linked to another enterprise?

In this case, 100% of the data of the linked enterprise must be included in the data of the partner enterprise (see page 21: "Am I a linked enterprise?").

The enterprise in question should then include in its own data the percentage equal to the holding of the partner enterprise (see Art. 6.3 on page 41 and page 22: "How to calculate the data of linked enterprises").

# CONCLUSION

The European Commission believes that the SME definition is an important tool for implementing efficient measures and programmes to support the development and success of SMEs. It therefore invites Member States, together with the European Investment Bank and the European Investment Fund, to apply it as widely as possible.

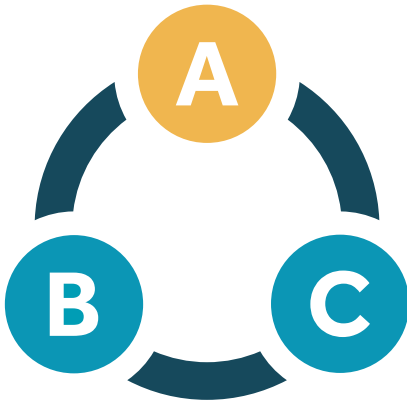
The Commission hopes that this revised guide will be useful to SMEs and that a very large number of enterprises will benefit from the measures introduced by European, national, regional and local authorities in accordance with this definition.

## Not an SME? Support is still available

While the focus of this guide is on SMEs, there are a large number of financing measures and support programmes available for enterprises that do not qualify as SMEs.

The 'Your Europe' website provides information on funding programmes and will point you to the relevant registration desks when applicable and available.

<http://europa.eu/!RT38Ny>



Further refinements may be made to the definition and the Commission will, if necessary, adapt it in the coming years to take account of experience gained and economic developments throughout the European Union.

*The text of the 2003 Commission recommendation and the model declaration form can be found from page 35 onwards.*

## Example 1 *Situation:*

### A link with two partners

My enterprise A is linked to enterprise B through the holding of 60% that B has in my enterprise.

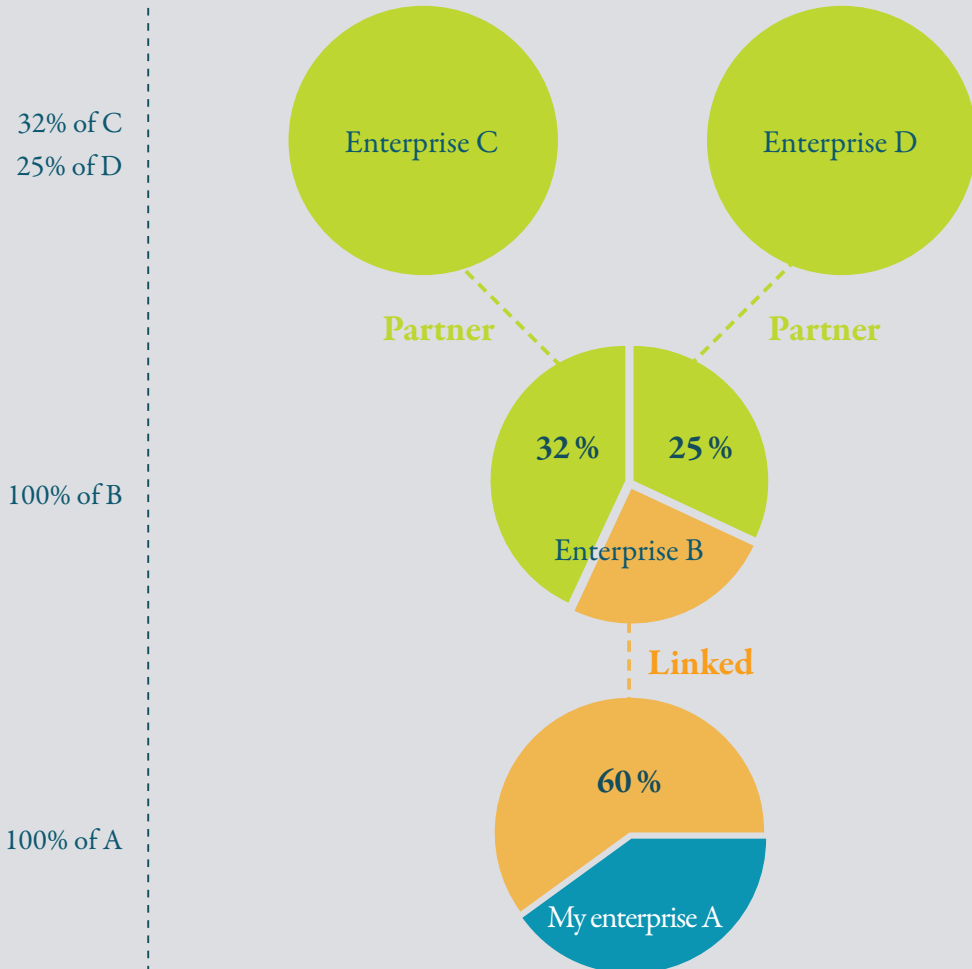
But B also has two partners, enterprises C and D, which own respectively 32% and 25% of B.

### *Calculation:*

To calculate my data, I must add 100% of the data of B, plus 32% of the data of C and 25% of the data of D to the data of my own enterprise.

**My TOTAL** = 100% of A + 100% of B + 32% of C + 25% of D.

My TOTAL



## Example 2 *Situation:*

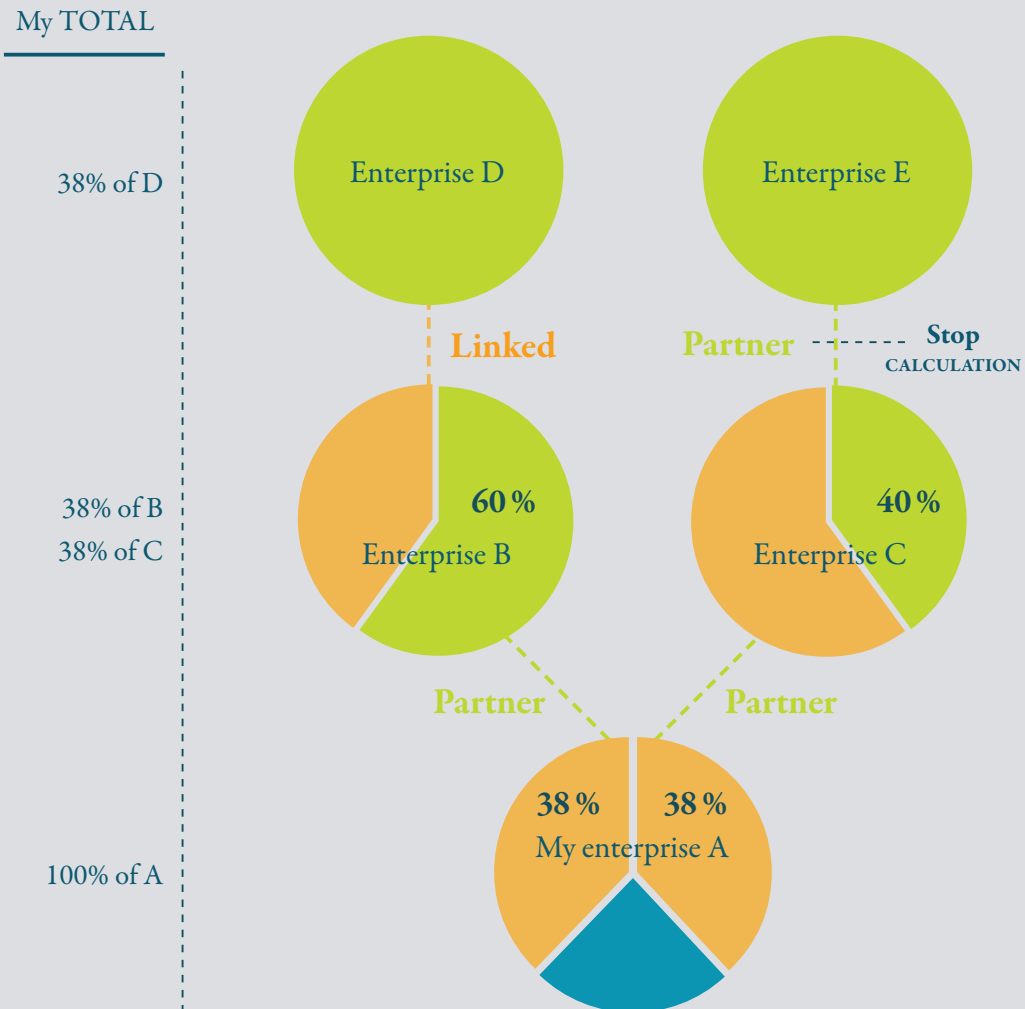
### Indirect partner and linked enterprise

Enterprises B and C are both partners of my enterprise A since they each have a stake of 38% in my enterprise. But B is also linked to D through a 60% stake and C and E are partners (40%).

### *Calculation:*

To calculate my data, I must add, on one hand, 38% of the cumulated data of B and D (because B and D are linked), and on the other hand, only 38% of the data of enterprise C to the data of my enterprise. I do not have to take into account the data of E because this partner enterprise is not situated immediately upstream of my enterprise (see page 19: "Establishing which data to take into account").

**My TOTAL** = 100% of A + 38% of (B + D) + 38% of C



### Example 3 *Situation:*

## Group of linked enterprises

My enterprise A has three investors, B, C and D, each owning 20% of my capital or voting rights. These investors are themselves linked to each other, forming a group of linked enterprises: B has a stake of 70% in C which itself has a stake of 60% in D.

### *Calculation:*

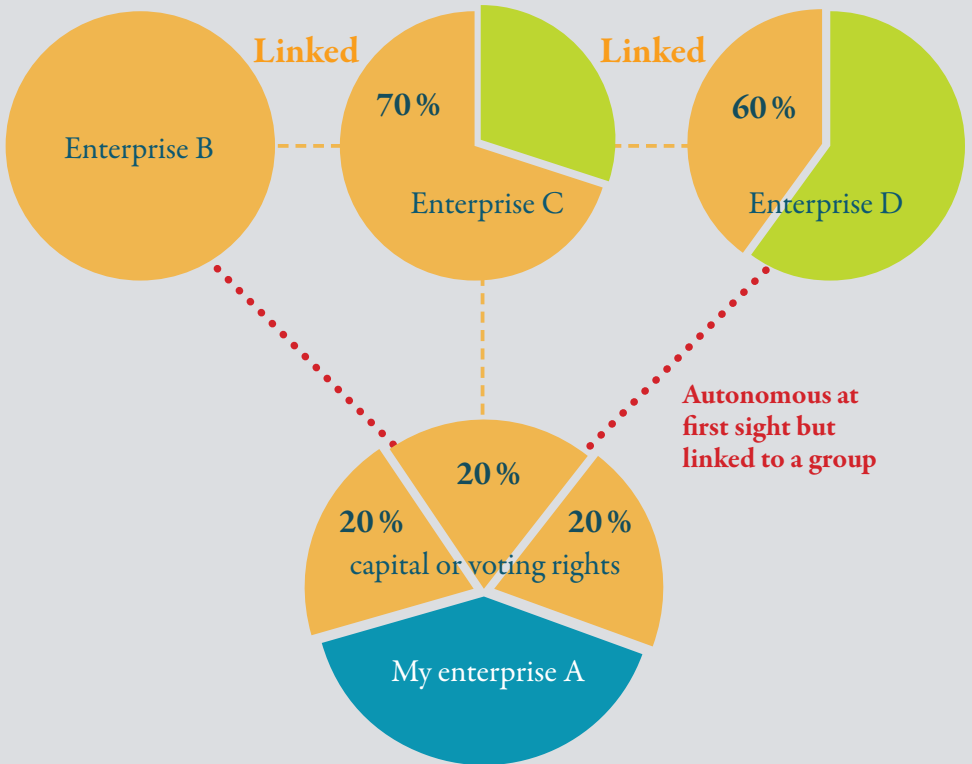
To calculate my data, at first sight my enterprise A would remain autonomous because each investor owns less than 25% of my enterprise. But because B, C and D are linked to each other, as a group they own 60% of my enterprise. Therefore, I must add 100% of the data of B, C and D to the data of my own enterprise.

**My TOTAL** = 100% of A + 100% of B + 100% of C + 100% of D.

My TOTAL

100% of B  
100% of C  
100% of D

100% of A



## Example 4 *Situation:*

Public and/or institutional partners which are exempt from the calculation

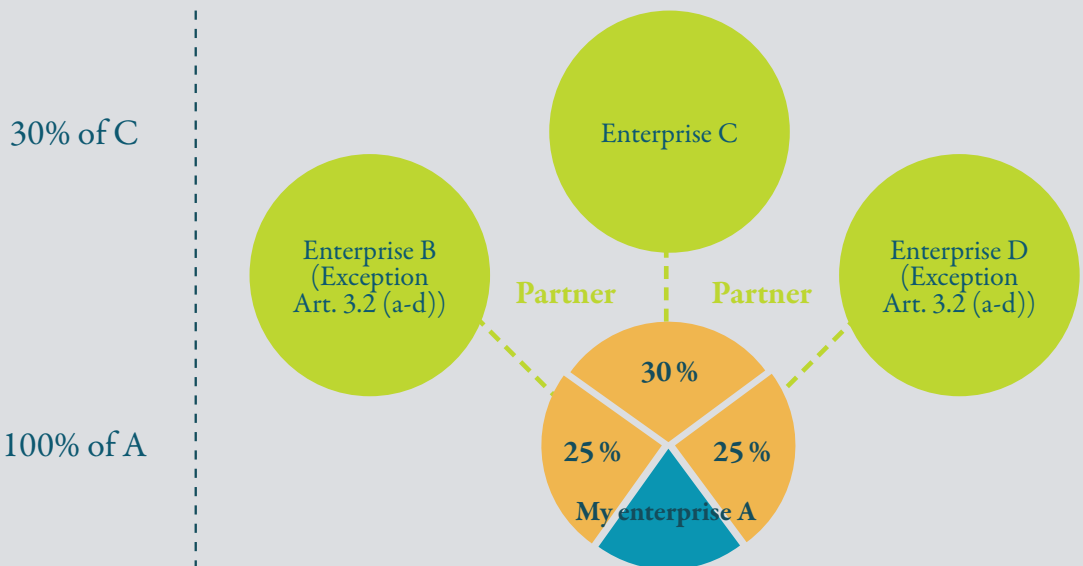
B, C, and D are all partners to my enterprise A, through shares of 25%, 30% and 25% respectively. However, B and D are a university and an institutional investor, they are not linked to each other, and their individual holding of voting rights does not exceed 50%. They are included in the list of exceptions (art. 3.2 a-d of the Recommendation) and thus their data is not included in the calculation.

### *Calculation:*

To calculate my data, I only need to include 100% of my own data and 30% of enterprise C's data.

**My TOTAL** = 100% of A + 30% of C

My TOTAL



## Example 5 *Situation:*

Linked public and/or institutional partners which are not exempt from the calculation

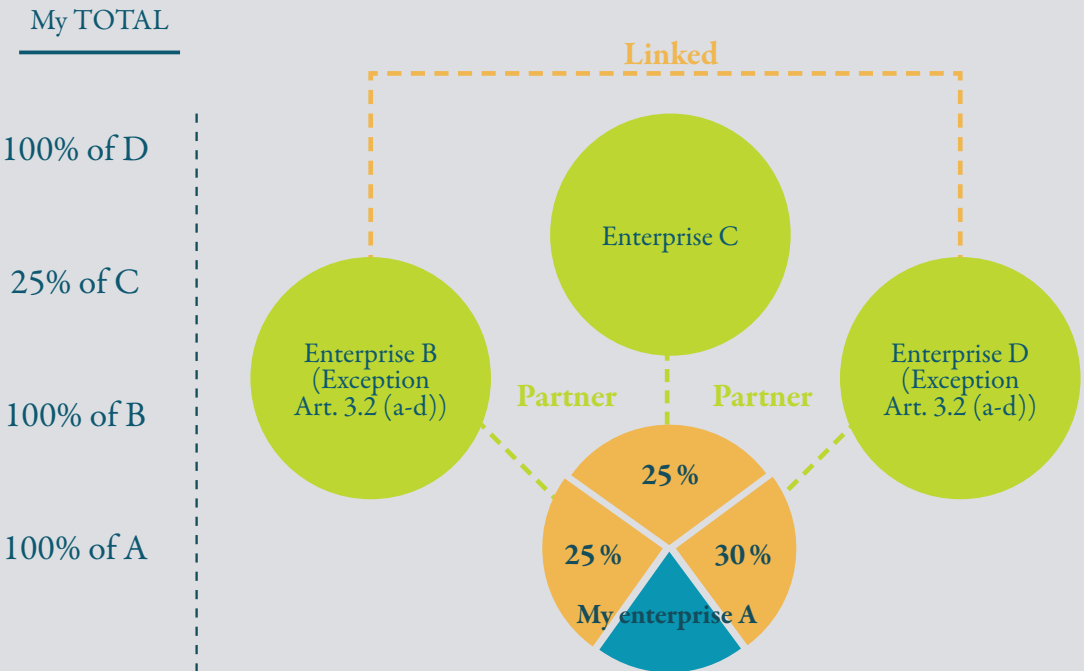
B, C, and D are all partners to my enterprise A, through shares of 25%, 25% and 30% respectively. Although B and D are a university and a public investment corporation, they are linked to each other, and their combined holding of voting rights is 55%, thus exceeding the 50% threshold for exceptions. Their data must, therefore, be included in the calculation.

### *Calculation:*

To calculate my data, I need to include 100% of my own data, 25% of C's data, as well as B and D's jointly held stake of 55% in the shares/voting rights. However, since B and D jointly hold 55% of the voting rights, I need to aggregate 100% of their data.

Note: if the linked entities are both public bodies or linked with public bodies, then my enterprise would not qualify as an SME (Art. 3.4 of the Annex to the Recommendation should apply instead).

**My TOTAL** = 100% A + 100% B + 25% C + 100% D



## Example 6 *Situation:*

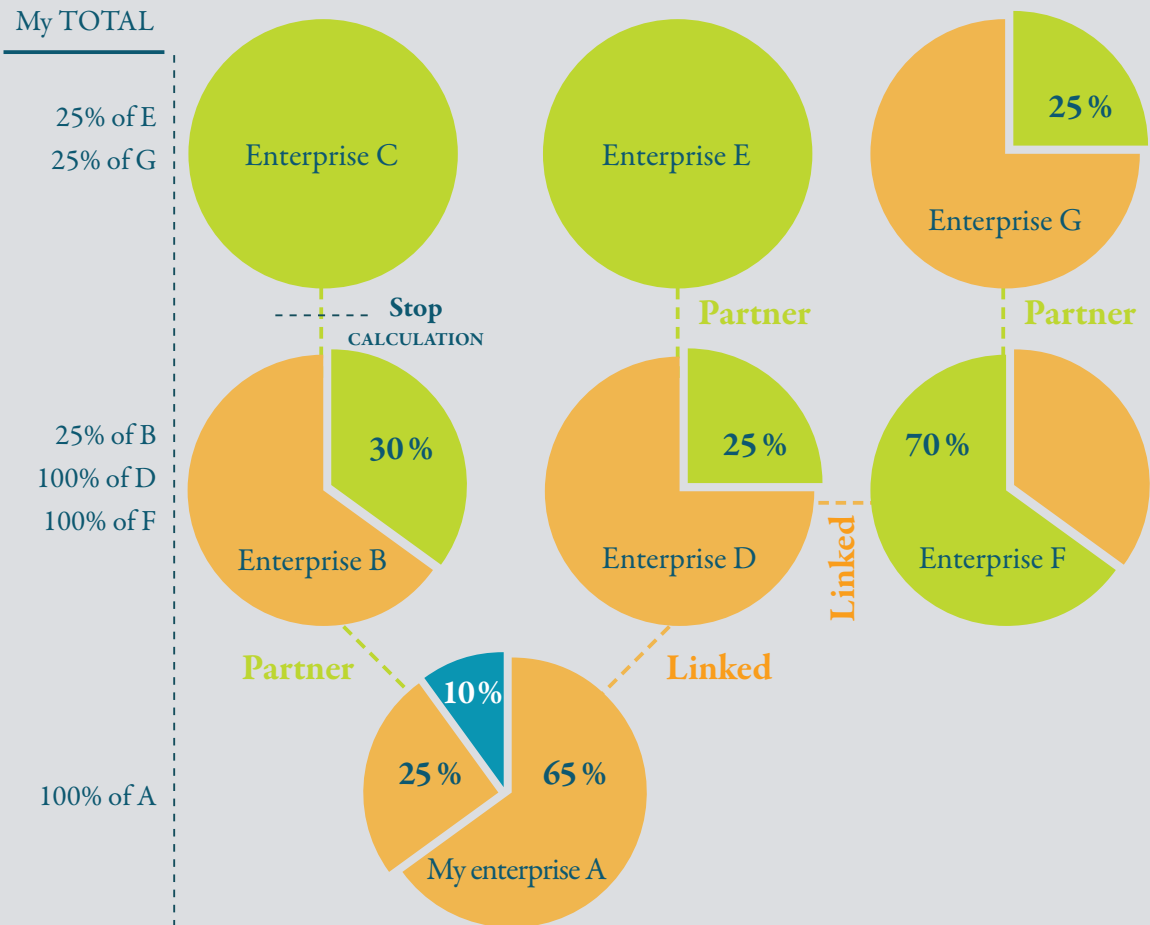
### Partners and partners to linked enterprises

Enterprise B is partner to my enterprise A through a share of 25%. Enterprise C is partner to enterprise B through a share of 30%. Furthermore, my enterprise A is linked to enterprise D through a holding of 65%. And enterprise E is partner to enterprise D through a share of 25%. Enterprise D has a linked company which in turn has a partner.

### *Calculation:*

The proportionate data of all enterprises that are partner to the enterprise to be assessed as well as partners to any linked enterprise need to be taken into account. Data of a partner to a partner of the enterprise to be assessed, however, are not to be taken into account.

**My TOTAL** = 100% of A + 25% of B + 100% of D + 25% of E + 100% of F + 25% of G





# BACKGROUND TO THE CURRENT SME DEFINITION AND USER GUIDE

A first EU wide SME definition was introduced in 1996 (*Commission Recommendation (96/280/EC) of 3 April 1996 concerning the definition of small and medium-sized enterprises*).

In 2003, it was revised in order to reflect general economic developments and address specific hurdles confronting SMEs. Wide-ranging discussions between the Commission, Member States, business organisations and experts as well as two open consultations took place and provided input and support for the revision. This process resulted in the adoption of the *current version of the SME definition*.

The 2003 definition is more suited to the different categories of SMEs and takes better account of the various types of relationships between enterprises. It helps to promote innovation and foster partnerships, while ensuring that only those enterprises that genuinely require support are targeted by public schemes.

The 2003 revisions to the SME definition mainly concerned:

- An update of the thresholds to follow developments in prices and productivity;
- Setting financial thresholds for the growing number of micro-enterprises in order to encourage the adoption of measures addressing the specific problems micro-enterprises face, especially during the start-up phase;
- Facilitating equity financing for SMEs by granting favourable treatment to certain

investors, such as regional funds, venture capital companies and business angels, as well as to small local autonomous authorities (for more info see page 17);

- Promoting innovation and improving access to R&D by enabling universities and non-profit research centres to have a financial stake in an SME (for more info see page 17);
- Taking into account different relationships between enterprises.

In essence, the current definition takes into account an SME's ability to call upon outside finance. Enterprises that are linked to others with large financial resources, for example, surpass the ceilings and would not qualify for SME status.

DG Internal Market, Industry, Entrepreneurship and SMEs carries out regular monitoring of the implementation of the SME definition. Building on the results of evaluations performed in 2006 and 2009, an independent study was carried out in 2012, focusing on how the SME definition works in practice.

Relatively minor changes in SME demographics since 2003, the policy of 'less and better targeted state aid' and the views of a majority of stakeholders did not justify the disruption that would be caused by any significant change to the definition. Thus, the 2012 study concluded that there was no need for a major revision of the SME Definition at the present time.

In its recommendations, however, the study suggested clarifying how to apply certain rules, such as by means of further guidance or by updating the existing User guide to the SME definition. To this end, an evaluation of the user guide was carried out in 2013-2014.

The conclusions and suggestions provided by this evaluation are reflected in this document.



# GLOSSARY

**Acting jointly:** Within the context of links via natural persons under Article 3.3 of the Annex to the SME Recommendation, family links have been considered sufficient to conclude that natural persons act jointly.<sup>11</sup> Moreover, natural persons who work together in order to exercise an influence over the commercial decisions of the enterprises concerned which precludes those enterprises from being regarded as economically independent of each other are to be regarded as acting jointly for the purposes of the fourth subparagraph of Article 3.3 of that annex, irrespective of the existence of contractual relations between those persons.<sup>12</sup>

**Adjacent / relevant market:** Adjacent markets, or closely related neighbouring markets, are markets where products or services are complementary to each other or when they belong to a range of products that is generally purchased by the same set of customers for the same end use.<sup>13</sup> Vertical relationships in a value chain should also be taken into account. A relevant market is understood to cover “all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products’ characteristics, their

prices and their intended use”. Supply-side considerations may also play a role and the outcome of the exercise depends on the nature of the competition issue being examined. Each case therefore has to be reviewed according to its own merits and in its own particular context.<sup>14</sup>

**Business Angel:** Business angels are private individuals who either solely invest their own cash in SMEs or alternatively invest in syndicates where typically one angel in the syndicate takes a lead role. Angels normally have no previous family connection with the business and make their own investment decision rather than making a decision through an independent manager. The lead angel of the syndicate or the angel investing alone will typically follow the investment after it is made by observing and providing his/her knowledge, experience and support to the investee company by way of mentoring assistance.<sup>15</sup>

**Consolidation: Full consolidation** – enterprises that are included in the consolidated accounts of another enterprise by way of full consolidation are usually treated as linked enterprises.

11 Case C-8 - *Nordbrandenburger Umesterungs Werke NUW*, OJ L 353, 13.12.2006, p. 60.

12 C-110/13 *HaTeFo GmbH v Finanzamt Haldensleben*, OJ C 112 from 14.04.2014, p.15.

13 See also Guidelines on the assessment of non-horizontal mergers (2008/C 265/07).

14 Commission Notice on the definition of the relevant market for the purposes of Community competition law (see: OJ C 372, 9.12.1997, p. 5–13).

15 Report of the chairman of the expert group on the cross-border matching of innovative firms with suitable investors”, p. 15 - [http://bookshop.europa.eu/en/report-of-the-chairman-of-the-expert-group-on-the-cross-border-matching-of-innovative-firms-with-suitable-investors-pbNB3212296/pgid=lq1Ekni0.1ISR000K4Myc09B0000lr\\_Od-Q4;sid=Plq\\_3KyOL3q\\_1fhMLz4he86rOYm5D6td0lk=?CatalogCategoryID=C5gKABstvcoAAAEJZJE4e5L](http://bookshop.europa.eu/en/report-of-the-chairman-of-the-expert-group-on-the-cross-border-matching-of-innovative-firms-with-suitable-investors-pbNB3212296/pgid=lq1Ekni0.1ISR000K4Myc09B0000lr_Od-Q4;sid=Plq_3KyOL3q_1fhMLz4he86rOYm5D6td0lk=?CatalogCategoryID=C5gKABstvcoAAAEJZJE4e5L)

### *Method of proportionate consolidation*

– usually used for the consolidation of a jointly controlled entity. The balance sheet of each consolidating party includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The income statement includes its share of the income and expenses of the jointly controlled entity. Those enterprises that are included in the consolidated accounts of another enterprise by the way of proportionate consolidation are usually treated as partner enterprises. Their separate standalone financial statements should be provided.

**Equity method of consolidation** - an equity investment is initially recorded as cost and is subsequently adjusted to reflect the investor's share of the net profit or loss of the associate. Those enterprises that are included in the consolidated accounts of another enterprise by the equity method are usually treated as partner enterprises and for them you should provide also the standalone financial statements.

**Dominant influence:** Within the context of Article 3.3, the exercise of a 'dominant influence' is presumed whenever the operating and financial policies of an enterprise are influenced in accordance with the wishes of another enterprise.

The notion of 'enterprise' exercising a dominant influence includes public bodies, private entities (irrespective of their legal form), as well as natural persons.

Examples of relationships which could confer dominant influence are the following (based on the Commission Consolidated Jurisdictional Notice under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings):

- A shareholder has 'veto rights' on strategic decisions of the enterprise, though this shareholder does not have the power, on his own, to impose such decisions. The veto rights must be related to strategic decisions on the business/financial policy and therefore, must go beyond the veto rights normally accorded to minority shareholders in order to protect their financial interests as investors in the undertaking. Veto rights that could confer control typically include decisions on issues such as budget, business plan, major investments or appointment of the senior management.
- Even in the case of a minority shareholding, sole control may occur on a legal basis in situations where specific rights are attached to this shareholding (i.e. preferential shares to which special rights are attached enabling the minority shareholder to determine the strategic commercial behaviour of the target company, such as the power to appoint more than half of the members of the supervisory board or the administrative board).
- Power which, acquired on the basis of long-term contracts, leads to the control of the

management and resources of the undertaking as in the case of acquisition of shares or assets (such as organisation contracts under national company law or other types of contracts, e.g. agreements for the lease of the business, giving to the acquirer control over the management and resources despite the fact that property rights or shares are not transferred).

- Very important long-term supply agreements or credits provided by suppliers or customers, coupled with structural links, may also confer decisive influence.

**Economic activity:** According to Article 1 of the recommendation, the SME status depends firstly on the economic activity of the entity, irrespective of its legal form. As a consequence, an SME can also be self-employed persons, family businesses engaged in craft or other activities, as well as partnerships or associations engaging in an economic activity on a regular basis. In general, any activity consisting in the offering of goods or services on a given market for remuneration or financial interest is considered an economic activity.

The following shall not be considered economic activities:

- Activities which do not entail some sort of pecuniary offset (e.g. grants, subventions and donations); or
- Activities for which there is no given/direct market; or
- Activities for which the income generated is not distinct from the personal income of its members or shareholders.<sup>16</sup>

**Estimate of relevant data:** A declaration including a bona fide estimate (in the form of a business plan) made in the course of the financial year. This business plan should cover the entire period (financial years) until the entity generates turnover.

Financial projections concerning the Profit & Loss Account, Balance Sheet and forecasted Headcount of the Company together with a narrative part describing the core activity of the company and its expected market position, should be considered as minimal requirements of the business plan. The document should be dated and signed by a person entitled to engage the company".

**Institutional investors:** The European Commission does not formally define the concept of 'institutional investors'. They are, however, usually seen as investors which trade large volumes of securities on behalf of a great number of individual small investors and which have no direct involvement in the management of the firms in which they invest. The term 'institutional investor' refers mainly to insurance companies, pension funds, banks and investment companies that collect savings and supply funds to the markets, but the term also applies to other types of institutional wealth (e.g. endowment funds, foundations, etc.). Usually these have substantial assets and are experienced investors.<sup>17</sup>

**Venture capital:** Venture capital is typically provided to finance undertakings that are very small, that are in the initial stages of their corporate existence and that display a strong potential for growth and expansion. In addition, venture capital funds provide undertakings with valuable expertise and knowledge, business contacts, brand equity and strategic advice. By providing finance and advice to those undertakings, venture capital funds stimulate economic growth, contribute

16 20 FP7 Rules for participation, [http://ec.europa.eu/research/participants/data/ref/fp7/100581/fp7-verification-rules\\_EN.pdf](http://ec.europa.eu/research/participants/data/ref/fp7/100581/fp7-verification-rules_EN.pdf)

17 See COM(2007) 853 final.

to the creation of jobs and capital mobilisation, foster the establishment and expansion of innovative undertakings, increase their investment in research and development and foster entrepreneurship, innovation and competitiveness.<sup>18</sup>

**Venture capital company:** A private equity/venture capital investment fund is a vehicle for enabling pooled investment by a number of investors in the equity and equity-related securities (such as quasi-equity) of companies (investee companies). These are generally private companies whose shares are not quoted on any stock exchange. The fund can take the form either of a company or of an unincorporated arrangement such as a limited partnership. In form, a private equity/venture capital company can either be a company or a limited partnership: a few are

quoted on stock markets.<sup>19</sup> Venture capital companies invest with the intention to participate in the growth of shareholder value by making a profitable exit (i.e. sale of the shares). This should be included in the statutes.

**Corporate venture capital** companies are considered ordinary companies (e.g. in the pharmaceutical, transport, energy sectors etc) that choose as an ancillary activity to invest money into another company (usually a start-up) while continuing their core activity. They are therefore not the type of investors considered in the context of Article 3.2 (a-d). This line of thought is supported by Regulation 345/2013<sup>20</sup> on European venture capital funds, where corporate venture capital would not be eligible for the EuVECA label.

18 <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0345&from=EN>  
REGULATION (EU) No 345/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 April 2013 on European venture capital funds.

19 See <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007SC1719:EN:HTML>

20 <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R0345>

# ANNEXES

## COMMISSION

## COMMISSION RECOMMENDATION

of 6 May 2003

**concerning the definition of micro, small and medium-sized enterprises***(notified under document number C(2003) 1422)***(Text with EEA relevance)**

(2003/361/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Article 211, second indent, thereof,

Whereas:

- (1) In a report submitted to the Council in 1992 at the request of the 'Industry' Council held on 28 May 1990, the Commission had proposed limiting the proliferation of definitions of small and medium-sized enterprises in use at Community level. Commission Recommendation 96/280/EC of 3 April 1996 concerning the definition of small and medium-sized enterprises <sup>(1)</sup> was based on the idea that the existence of different definitions at Community level and at national level could create inconsistencies. Following the logic of a single market without internal frontiers, the treatment of enterprises should be based on a set of common rules. The pursuit of such an approach is all the more necessary in view of the extensive interaction between national and Community measures assisting micro, small and medium-sized enterprises (SME), for example in connection with Structural Funds or research. It means that situations in which the Community focuses its action on a given category of SMEs and the Member States on another must be avoided. In addition, it was considered that the application of the same definition by the Commission, the Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF) would improve the consistency and effectiveness of policies targeting SMEs and would, therefore, limit the risk of distortion of competition.
- (2) Recommendation 96/280/EC has been applied widely by the Member States, and the definition contained in the Annex thereto has been taken over in Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises <sup>(2)</sup>. Apart from the need to adapt Recommendation 96/280/EC to

economic developments, pursuant to Article 2 of the Annex thereto, consideration must be given to a number of difficulties of interpretation which have emerged in its application, as well as the observations received from enterprises. In view of the number of amendments now requiring to be made to Recommendation 96/280/EC, and for the sake of clarity, it is appropriate to replace the Recommendation.

- (3) It should also be made clear that, in accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.
- (4) The criterion of staff numbers (the 'staff headcount criterion') remains undoubtedly one of the most important, and must be observed as the main criterion; introducing a financial criterion is nonetheless a necessary adjunct in order to grasp the real scale and performance of an enterprise and its position compared to its competitors. However, it would not be desirable to use turnover as the sole financial criterion, in particular because enterprises in the trade and distribution sector have by their nature higher turnover figures than those in the manufacturing sector. Thus the turnover criterion should be combined with that of the balance sheet total, a criterion which reflects the overall wealth of a business, with the possibility of either of these two criteria being exceeded.
- (5) The turnover ceiling refers to enterprises engaged in very different types of economic activity. In order not to restrict unduly the usefulness of applying the definition, it should be updated to take account of changes in both prices and productivity.

<sup>(1)</sup> OJ L 107, 30.4.1996, p. 4.

<sup>(2)</sup> OJ L 10, 13.1.2001, p. 33.



- (6) As regards the ceiling for the balance sheet total, in the absence of any new element, it is justified to maintain the approach whereby the turnover ceilings are subjected to a coefficient based on the statistical ratio between the two variables. The statistical trend requires a greater increase to be made to the turnover ceiling. Since the trend differs according to the size-category of the enterprise, it is also appropriate to adjust the coefficient in order to reflect the economic trend as closely as possible and not to penalise microenterprises and small enterprises as opposed to medium-sized enterprises. This coefficient is very close to 1 in the case of microenterprises and small enterprises. To simplify matters, therefore, a single value must be chosen for those categories for the turnover ceiling and balance sheet total ceiling.
- (7) As in Recommendation 96/280/EC, the financial ceilings and the staff ceilings represent maximum limits and the Member States, the EIB and the EIF may fix ceilings lower than the Community ceilings if they wish to direct their measures towards a specific category of SME. In the interests of administrative simplification, the Member States, the EIB and the EIF may use only one criterion — the staff headcount — for the implementation of some of their policies. However, this does not apply to the various rules in competition law where the financial criteria must also be used and adhered to.
- (8) Following the endorsement of the European Charter for Small Enterprises by the European Council of Santa Maria da Feira in June 2000, microenterprises — a category of small enterprises particularly important for the development of entrepreneurship and job creation — should also be better defined.
- (9) To gain a better understanding of the real economic position of SMEs and to remove from that category groups of enterprises whose economic power may exceed that of genuine SMEs, a distinction should be made between various types of enterprises, depending on whether they are autonomous, whether they have holdings which do not entail a controlling position (partner enterprises), or whether they are linked to other enterprises. The current limit shown in Recommendation 96/280/EC, of a 25 % holding below which an enterprise is considered autonomous, is maintained.
- (10) In order to encourage the creation of enterprises, equity financing of SMEs and rural and local development, enterprises can be considered autonomous despite a holding of 25 % or more by certain categories of investors who have a positive role in business financing and creation. However, conditions for these investors have not previously been specified. The case of 'business angels' (individuals or groups of individuals pursuing a regular business of investing venture capital) deserves special mention because — compared to other venture capital investors — their ability to give relevant advice to new entrepreneurs is extremely valuable. Their investment in equity capital also complements the activity of venture capital companies, as they provide smaller amounts at an earlier stage of the enterprise's life.
- (11) To simplify matters, in particular for Member States and enterprises, use should be made when defining linked enterprises of the conditions laid down in Article 1 of Council Directive 83/349/EEC of 13 June 1983 based on Article 54(3)(g) of the Treaty on consolidated accounts <sup>(1)</sup>, as last amended by Directive 2001/65/EC of the European Parliament and of the Council <sup>(2)</sup>, in so far as these conditions are suitable for the purposes of this Recommendation. To strengthen the incentives for investing in the equity funding of an SME, the presumption of absence of dominant influence on the enterprise in question was introduced, in pursuance of the criteria of Article 5(3), of Council Directive 78/660/EEC of 25 July 1978 based on Article 54(3)(g) of the Treaty on the annual accounts of certain types of companies <sup>(3)</sup>, as last amended by Directive 2001/65/EC.
- (12) Account should also be taken, in suitable cases, of relations between enterprises which pass through natural persons, with a view to ensuring that only those enterprises which really need the advantages accruing to SMEs from the different rules or measures in their favour actually benefit from them. In order to limit the examination of these situations to the strict minimum, the account taken of such relationships has been restricted to the relevant market or to adjacent markets — reference being had, where necessary, to the Commission's definition of 'relevant markets' in the Commission notice on the definition of relevant market for the purposes of Community competition law <sup>(4)</sup>.
- (13) In order to avoid arbitrary distinctions between different public bodies of a Member State, and given the need for legal certainty, it is considered necessary to confirm that an enterprise with 25 % or more of its capital or voting rights controlled by a public body is not an SME.
- (14) In order to ease the administrative burden for enterprises, and to simplify and speed up the administrative handling of cases for which SME status is required, it is appropriate to allow enterprises to use solemn declarations to certify certain of their characteristics.

<sup>(1)</sup> OJ L 193, 18.7.1983, p. 1.

<sup>(2)</sup> OJ L 283, 27.10.2001, p. 28.

<sup>(3)</sup> OJ L 222, 14.8.1978, p. 11.

<sup>(4)</sup> OJ C 372, 9.12.1997, p. 5.

- (15) It is necessary to establish in detail the composition of the staff headcount for SME definition purposes. In order to promote the development of vocational training and sandwich courses, it is desirable, when calculating staff numbers, to disregard apprentices and students with a vocational training contract. Similarly, maternity or parental leave periods should not be counted.
- (16) The various types of enterprise defined according to their relationship with other enterprises correspond to objectively differing degrees of integration. It is therefore appropriate to apply distinct procedures to each of those types of enterprise when calculating the quantities representing their activities and economic power,

HEREBY RECOMMENDS:

*Article 1*

1. This Recommendation concerns the definition of micro, small and medium-sized enterprises used in Community policies applied within the Community and the European Economic Area.
2. Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF), are invited:
  - (a) to comply with Title 1 of the Annex for their programmes directed towards medium-sized enterprises, small enterprises or microenterprises;
  - (b) to take the necessary steps with a view to using the size classes set out in Article 7 of the Annex, especially where the monitoring of their use of Community financial instruments is concerned.

*Article 2*

The ceilings shown in Article 2 of the Annex are to be regarded as maximum values. Member States, the EIB and the EIF may fix lower ceilings. In implementing certain of their policies, they may also choose to apply only the criterion of number of employees, except in fields governed by the various rules on State aid.

*Article 3*

This Recommendation will replace Recommendation 96/280/EC as from 1 January 2005.

*Article 4*

This Recommendation is addressed to the Member States, the EIB and the EIF.

They are requested to inform the Commission by 31 December 2004 of any measures they have taken further to it and, no later than 30 September 2005, to inform it of the first results of its implementation.

Done at Brussels, 6 May 2003.

*For the Commission*  
Erkki LIIKANEN  
*Member of the Commission*

## ANNEX

## TITLE I

**DEFINITION OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES ADOPTED BY THE COMMISSION***Article 1***Enterprise**

An enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.

*Article 2***Staff headcount and financial ceilings determining enterprise categories**

1. The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
2. Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
3. Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

*Article 3***Types of enterprise taken into consideration in calculating staff numbers and financial amounts**

1. An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. 'Partner enterprises' are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of paragraph 3, either individually or jointly to the enterprise in question:

- (a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ('business angels'), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
  - (b) universities or non-profit research centres;
  - (c) institutional investors, including regional development funds;
  - (d) autonomous local authorities with an annual budget of less than EUR 10 million and fewer than 5 000 inhabitants.
3. 'Linked enterprises' are enterprises which have any of the following relationships with each other:
    - (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
    - (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
    - (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
    - (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

There is a presumption that no dominant influence exists if the investors listed in the second subparagraph of paragraph 2 are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as stakeholders.

Enterprises having any of the relationships described in the first subparagraph through one or more other enterprises, or any one of the investors mentioned in paragraph 2, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An 'adjacent market' is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

4. Except in the cases set out in paragraph 2, second subparagraph, an enterprise cannot be considered an SME if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.

5. Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the ceilings set out in Article 2. The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Community rules.

#### Article 4

##### **Data used for the staff headcount and the financial amounts and reference period**

1. The data to apply to the headcount of staff and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax (VAT) and other indirect taxes.

2. Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial ceilings stated in Article 2, this will not result in the loss or acquisition of the status of medium-sized, small or microenterprise unless those ceilings are exceeded over two consecutive accounting periods.

3. In the case of newly established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made in the course of the financial year.

#### Article 5

##### **Staff headcount**

The headcount corresponds to the number of annual work units (AWU), i.e. the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration. The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of AWU. The staff consists of:

- (a) employees;
- (b) persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- (c) owner-managers;
- (d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

#### Article 6

##### **Establishing the data of an enterprise**

1. In the case of an autonomous enterprise, the data, including the number of staff, are determined exclusively on the basis of the accounts of that enterprise.

2. The data, including the headcount, of an enterprise having partner enterprises or linked enterprises are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation.

To the data referred to in the first subparagraph are added the data of any partner enterprise of the enterprise in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights (whichever is greater). In the case of cross-holdings, the greater percentage applies.

To the data referred to in the first and second subparagraph is added 100 % of the data of any enterprise, which is linked directly or indirectly to the enterprise in question, where the data were not already included through consolidation in the accounts.

3. For the application of paragraph 2, the data of the partner enterprises of the enterprise in question are derived from their accounts and their other data, consolidated if they exist. To these is added 100 % of the data of enterprises which are linked to these partner enterprises, unless their accounts data are already included through consolidation.

For the application of the same paragraph 2, the data of the enterprises which are linked to the enterprise in question are to be derived from their accounts and their other data, consolidated if they exist. To these is added, pro rata, the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under the second subparagraph of paragraph 2.

4. Where in the consolidated accounts no staff data appear for a given enterprise, staff figures are calculated by aggregating proportionally the data from its partner enterprises and by adding the data from the enterprises to which the enterprise in question is linked.

## TITLE II

### SUNDRY PROVISIONS

#### Article 7

##### Statistics

The Commission will take the necessary measures to present the statistics that it produces in accordance with the following size-classes of enterprises:

- (a) 0 to 1 person;
- (b) 2 to 9 persons;
- (c) 10 to 49 persons;
- (d) 50 to 249 persons.

#### Article 8

##### References

1. Any Community legislation or any Community programme to be amended or adopted and in which the term 'SME', 'microenterprise', 'small enterprise' or 'medium-sized enterprise', or any other similar term occurs, should refer to the definition contained in this Recommendation.

2. As a transitional measure, current Community programmes using the SME definition in Recommendation 96/280/EC will continue to be implemented for the benefit of the enterprises which were considered SMEs when those programmes were adopted. Legally binding commitments entered into by the Commission on the basis of such programmes will remain unaffected.

Without prejudice to the first subparagraph, any amendment of the SME definition within the programmes can be made only by adopting the definition contained in this Recommendation in accordance with paragraph 1.

#### Article 9

##### Revision

On the basis of a review of the application of the definition contained in this Recommendation, to be drawn up by 31 March 2006, and taking account of any amendments to Article 1 of Directive 83/349/EEC on the definition of linked enterprises within the meaning of that Directive, the Commission will, if necessary, adapt the definition contained in this Recommendation, and in particular the ceilings for turnover and the balance-sheet total in order to take account of experience and economic developments in the Community.

**Commission communication****Model declaration on the information to the qualification of an enterprise as an SME**

(consolidated version)

This Communication aims to promote the application of Commission Recommendation 2003/361/EC<sup>(1)</sup> on the definition of SMEs, which replaces Recommendation 96/280/EC of 3 April 1996.

There are some 20 million micro, small and medium-sized enterprises in the European Economic Area. They are a major source of jobs and a challenge for competitiveness. Their ability to identify new needs of both end-consumers and industrial operators, their potential for absorbing new technologies, and their contribution to apprenticeship, vocational training and local development, govern future advances in productivity of the entire European Union and its ability to achieve the objectives set at the Lisbon European Council. The responsibility of local, national and Community administrations in devising enterprise policies which take account of the specific needs and skills of these categories of enterprise is thus a question of major importance.

Promoting the development of such policies is the main objective of the new the Commission Recommendation on the definition of SMEs. A more precise definition will ensure greater legal certainty. More suited to the various sub-categories of SME, and taking account of the various types of relations between enterprises, it will promote investment and innovation in SMEs and foster partnerships between enterprises. These advantages should be acquired while preventing enterprises which do not have the economic characteristics or face the problems of genuine SMEs from benefiting unduly from measures targeted at SMEs.

This Recommendation has been the subject of extremely wide-ranging discussions with business organisations, with the Member States and individual business experts within the Enterprise Policy Group<sup>(2)</sup>. The preliminary draft was in addition the subject of two open consultations on the Internet. After work lasting for more than one year, there was almost complete consensus despite the diversity of the objectives pursued.

All those who contributed to the revision felt that it is important that the increased legal certainty and improved recognition of the economic reality, should be accompanied by an effort by administrations to simplify and speed up the administrative handling of cases requiring qualification as a micro, small or medium-sized enterprise. To this end, offering enterprises the possibility to complete themselves a concise declaration was considered a modern and convenient method. This declaration could, if necessary, be completed on-line and could also function as a practical "users' manual" for enterprises.

The document attached to this Communication is a model for such a declaration. It is in no way mandatory as regards its use or content, either for enterprises or for the administrations of the Member States, but is designed as one possible example amongst others. Such declarations are without prejudice to the checks or investigations provided for under national or Community rules.

---

(1) JOL 124 of 20.05.2003, p. 36

(2) Commission Decision 2000/690/EC of 8 November 2000 setting up an Enterprise Policy Group, OJ L 285 of 10.11.2000, p. 24

If those Member States using the definition of SMEs wish to speed up the processing of administrative files, it would of course be desirable for this declaration not to increase the overall administrative burden on enterprises, but to replace whenever possible other requests for information previously required. Also it could be preferably incorporated into the files relating to applications to take part in measures for which SME qualification is required.

To this end, the model can be used in the form proposed in the annex. It can also be completed, simplified or adapted to take account of customary national administrative usage. In order to maximise the simplification effect, it would of course be desirable that the same model declaration established by a Member State be used for all administrative purposes in that Member State for which the SME qualification is required.

As the aim of the Recommendation is to provide a common reference framework for the definition of SMEs, it would of course be counter-productive if the use of such a model declaration were to lead to diverging interpretations of that definition. Attention is therefore drawn to the fact that any other model declaration serving the same purpose must take account of all the provisions of the text of the Recommendation in order to determine the qualification of the applicant enterprise as a micro, small or medium-sized enterprise within this Recommendation's meaning. It is the text of the Recommendation, and not that of the declaration, which sets out the conditions for the SME qualification.

In this regard, it must be stressed that the model declaration proposed refers to the Seventh Council Directive 83/349/EEC concerning consolidated accounts. Enterprises meeting one or other of the conditions set out in Article 1 of that Directive are in fact linked within the meaning of Article 3(3) of the definition of SMEs, having regard to the nature of those conditions. It is therefore convenient for enterprises which are obliged to draw up consolidated accounts, pursuant to that Council Directive, to know automatically that they are also linked within the meaning of the definition of SMEs. In the event of a subsequent amendment to that Directive leading to a divergence between the two definitions, the model declaration would, however, have to be adapted to take account of that.

In view of the timetable for the entry into force of any such possible amendment, that adaptation could probably take place simultaneously with any possible future amendment to the Recommendation on the definition of SMEs, pursuant to Article 9 of its annex.

MODEL DECLARATION  
INFORMATION ON THE SME QUALIFICATION

**Precise identification of the applicant enterprise**

Name or Business name .....

Address (of registered office) .....

Registration / VAT number <sup>(1)</sup> .....

Names and titles of the principal director(s) <sup>(2)</sup> .....

**Type of enterprise** (see explanatory note)

Tick to indicate which case(s) applies to the applicant enterprise:

- Autonomous                      In this case the data filled in the box below result from the accounts of the enterprise applicant enterprise only. Fill in the declaration only, without annex.
- Partner enterprise              Fill in and attach the annex (and any additional sheets), then complete the declaration by copying the results of the calculations into the box below.
- Linked enterprise

**Data used to determine the category of enterprise**

Calculated according to Article 6 of the Annex to the Commission Recommendation 2003/361/EC on the SME definition.

Reference period (\*)

Headcount (AWU)	Annual turnover (**)	Balance sheet total (**)

(\*) All data must be relating to the last approved accounting period and calculated on an annual basis. In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply shall be derived from a reliable estimate made in the course of the financial year

(\*\*) EUR 1 000.

**Important:**

Compared to the previous accounting period there is a change regarding the data, which could result in a change of category of the applicant enterprise (micro, small, medium-sized or big enterprise).

- No
- Yes (in this case fill in and attach a declaration regarding the previous accounting period <sup>(3)</sup>).

**Signature**

Name and position of the signatory, being authorised to represent the enterprise: .....

.....

I declare on my honour the accuracy of this declaration and of any annexes thereto.

Done at .....

Signature

<sup>(1)</sup> To be determined by the Member State according to its needs

<sup>(2)</sup> Chairman (CEO), Director-General or equivalent.

<sup>(3)</sup> Definition, Article 4 paragraph 2 of the annex to Commission Recommendation 2003/361/EC



## EXPLANATORY NOTE

## ON THE TYPES OF ENTERPRISES TAKEN INTO ACCOUNT FOR CALCULATING THE HEADCOUNT AND THE FINANCIAL AMOUNTS

**I. TYPES OF ENTERPRISES**

The definition of an SME <sup>(1)</sup> distinguishes three types of enterprise, according to their relationship with other enterprises in terms of holdings of capital or voting rights or the right to exercise a dominant influence <sup>(2)</sup>.

**Type 1: Autonomous Enterprise**

This is by far the most common type of enterprise. It applies to all enterprises which are not one of the two other types of enterprise (partner or linked).

*An applicant enterprise is autonomous if it:*

- does not have a holding of 25% <sup>(3)</sup> or more in any other enterprise,
- and is not 25% <sup>(3)</sup> or more owned by any enterprise or public body or jointly by several linked enterprises or public bodies, apart from some exceptions <sup>(4)</sup>,
- and does not draw up consolidated accounts and is not included in the accounts of an enterprise which draws up consolidated accounts and is thus not a linked enterprise <sup>(5)</sup>.

**Type 2: Partner Enterprise**

This type represents the situation of enterprises which establish major financial partnerships with other enterprises, without the one exercising effective direct or indirect control over the other. Partners are enterprises which are not autonomous but which are not linked to one another.

*The applicant enterprise is a partner of another enterprise if:*

- it has a holding or voting rights equal to or greater than 25% in the other enterprise, or the other enterprise has a holding or voting rights equal to or greater than 25% in the applicant enterprise,
- the enterprises are not linked enterprises within the meaning defined below, which means, among other things, that the voting rights of one in the other do not exceed 50%,

<sup>(1)</sup> Henceforth in the text, the term "Definition" refers to the Annex to Commission Recommendation 2003/361/EC on the definition of SMEs.

<sup>(2)</sup> Definition, Article 3

<sup>(3)</sup> In terms of the share of the capital or voting rights, whichever is higher is applied. To this percentage should be added the holding in that same enterprise of each enterprise, which is linked to the holding company (Definition, Article 3 paragraph 2)

<sup>(4)</sup> An enterprise may continue being considered as autonomous when this 25% threshold is reached or exceeded, if that percentage is held by the following categories of investors (provided that those are not linked with the applicant enterprise):

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses ("business angels"), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000,
- b) universities or non-profit research centres,
- c) institutional investors, including regional development funds,
- d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5000 inhabitants.

(Definition, Article 3 paragraph 2, second sub-paragraph)

- <sup>(5)</sup> – If the registered office of the enterprise is situated in a Member State which has provided for an exception to the requirement to draw up such accounts pursuant to the Seventh Council Directive 83/349/EEC of 13 June 1983, the enterprise should nevertheless check specifically whether it does not meet one or other of the conditions laid down in Article 3 paragraph 3 of the Definition.
- There are also some very rare cases in which an enterprise may be considered linked to another enterprise through a person or a group of natural persons acting jointly (Definition, Article 3 paragraph 3).
  - Conversely, there are very few cases of enterprises drawing up consolidated accounts voluntarily, without being required to do so under the Seventh Directive. In that case, the enterprise is not necessarily linked and can consider itself only a partner.

To determine whether the enterprise is linked or not, in each of the three situations it should be checked whether or not the enterprise meets one or other of the conditions laid down in Article 3 paragraph 3 of the Definition, where applicable through a natural person or group of natural persons acting jointly.

- and the applicant enterprise does not draw up consolidated accounts which include the other enterprise by consolidation, and is not included by consolidation in the accounts of the other enterprise or of an enterprise linked to it <sup>(6)</sup>.

### **Type 3: Linked Enterprise**

This type corresponds to the economic situation of enterprises which form a group through the direct or indirect control of the majority of the voting rights (including through agreements or, in certain cases, through natural persons as shareholders), or through the ability to exercise a dominant influence on an enterprise. Such cases are thus less frequent than the two preceding types.

In order to avoid difficulties of interpretation for enterprises, the Commission has defined this type of enterprise by taking over – wherever they are suitable for the purposes of the Definition – the conditions set out in Article 1 of Council Directive 83/349/EEC on consolidated accounts <sup>(6)</sup>, which has been applied for many years.

An enterprise thus generally knows immediately that it is linked, since it is already required under that Directive to draw up consolidated accounts or is included by consolidation in the accounts of an enterprise which is required to draw up such consolidated accounts.

The only two cases, which are however not very frequent, in which an enterprise can be considered linked although it is not already required to draw up consolidated accounts, are described in the first two indents of endnote 5 of this explanatory note. In those cases, the enterprise should check whether it meets one or other of the conditions set out in Article 3 paragraph 3 of the Definition.

## **II. THE HEADCOUNT AND THE ANNUAL WORK UNITS <sup>(7)</sup>**

The headcount of an enterprise corresponds to the number of annual work units (AWU).

### **Who is included in the headcount?**

- The employees of the applicant enterprise,
- persons working for the enterprise being subordinate to it and considered to be employees under national law,
- owner-managers,
- partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not taken into account in the headcount.

### **How is the headcount calculated?**

One AWU corresponds to one person who worked full-time in the enterprise in question or on its behalf during the entire reference year. The headcount is expressed in AWUs.

The work of persons, who did not work the entire year, or who worked part-time - regardless of its duration - and seasonal work is counted as fractions of AWU.

The duration of maternity or parental leaves is not counted.

<sup>(6)</sup> Seventh Council Directive 83/349/EEC of 13 June 1983, based on Article 54(3)(g) of the Treaty and concerning consolidated accounts (OJ L 193 of 18.7.1983, p. 1), as last amended by Directive 2001/65/EC of the European Parliament and of the Council (OJ L 283 of 27.10.2001, p. 28).

<sup>(7)</sup> Definition, Article 5.

ANNEX TO THE DECLARATION  
CALCULATION FOR THE PARTNER OR LINKED TYPE OF ENTERPRISE

**Annexes to be enclosed if necessary**

- Annex A if the applicant enterprise has at least one partner enterprise (and any additional sheets)
- Annex B if the applicant enterprise has at least one linked enterprise (and any additional sheets)

**Calculation for the partner or linked type of enterprise <sup>(1)</sup>** (see explanatory note)

Reference period<sup>2</sup>:

	Headcount (AWU)	Annual turnover (*)	Balance sheet total (*)
1. Data <sup>(2)</sup> of the applicant enterprise or consolidated accounts (copy data from box B(1) in annex B <sup>(3)</sup> )			
2. Proportionally aggregated data <sup>(2)</sup> of all partner enterprises (if any) (copy data from box A in annex A)			
3. Added up data <sup>(2)</sup> of all linked enterprises (if any) – if not included by consolidation in line 1 (copy data from box B(2) in annex B)			
<b>Total</b>			

(\*) EUR 1 000.

<sup>(1)</sup> Definition, Article 6 paragraphs 2 and 3

<sup>(2)</sup> All data must be relating to the last approved accounting period and calculated on an annual basis. In the case of newly-established enterprises whose accounts have not yet been approved, the data to apply shall be derived from a reliable estimate made in the course of the financial year (Definition, Article 4).

<sup>(3)</sup> The data of the enterprise, including the headcount, are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation.

The data entered in the "Total" row of the above table should be entered in the box "Data used to determine the category of enterprise" in the declaration.

ANNEX A  
Partner enterprises

For each enterprise for which a 'partnership sheet' has been completed (one sheet for each partner enterprise of the applicant enterprise and for any partner enterprises of any linked enterprise, of which the data is not yet included in the consolidated accounts of that linked enterprise <sup>(\*)</sup>), the data in the 'partnership box' in question should be entered in the summary table below:

**Box A**

<b>Partner enterprise</b> (name / identification)	<b>Headcount (AWU)</b>	<b>Annual turnover (*)</b>	<b>Balance sheet total (*)</b>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
<b>Total</b>			

(\*) EUR 1 000.

(attach sheets or expand the present table, if necessary)

**Reminder:**

This data is the result of a proportional calculation done on the 'partnership sheet' for each direct or indirect partner enterprise.

The data entered in the "Total" row of the above table should be entered in line 2 (regarding partner enterprises) of the table in the Annex to the declaration.

## PARTNERSHIP SHEET

**1. Precise identification of the partner enterprise**

Name or business name .....

Address (of registered office) .....

Registration / VAT number <sup>(1)</sup> .....

Names and titles of the principal director(s) <sup>(2)</sup> .....

**2. Raw data regarding that partner enterprise**

Reference period

	Headcount (AWU)	Annual turnover (*)	Balance sheet total (*)
<b>Raw data</b>			

(\*) EUR 1 000.

**Reminder:** These raw data are derived from the accounts and other data of the partner enterprise, consolidated if they exist. To them are added 100% of the data of enterprises which are linked to this partner enterprise, unless the accounts data of those linked enterprises are already included through consolidation in the accounts of the partner enterprise <sup>(3)</sup>. If necessary, add “linkage sheets” for the enterprises which are not yet included through consolidation.

**3. Proportional calculation**

- a) Indicate precisely the holding <sup>(4)</sup> of the enterprise drawing up the declaration (or of the linked enterprise via which the relation to the partner enterprise is established) in the partner enterprise to which this sheet relates:

.....

.....

Indicate also the holding of the partner enterprise to which this sheet relates in the enterprise drawing up the declaration (or in the linked enterprise):

.....

.....

- b) The higher of these two holding percentages should be applied to the raw data entered in the previous box. The results of this proportional calculation should be given in the following table:

**‘Partnership box’**

Percentage: ....	Headcount (AWU)	Annual turnover(*)	Balance sheet total(*)
<b>Proportional results</b>			

(\*) EUR 1 000.

These data should be entered in *Box A* in Annex A.

<sup>(1)</sup> To be determined by the Member State according to its needs

<sup>(2)</sup> Chairman (CEO), Director-General or equivalent.

<sup>(3)</sup> Definition, Article 6 paragraph 3, first sub-paragraph

<sup>(4)</sup> In terms of the share of the capital or voting rights, whichever is higher. To this holding should be added the holding of each linked enterprise in the same enterprise (Definition, Article 3 paragraph 2 first sub-paragraph).

ANNEX B  
Linked enterprises

**A) DETERMINE THE CASE APPLICABLE TO THE APPLICANT ENTERPRISE:**

- Case 1:** The applicant enterprise draws up consolidated accounts or is included by consolidation in the consolidated accounts of another enterprise. (Box B(1))
- Case 2:** The applicant enterprise or one or more of the linked enterprises do not establish consolidated accounts or are not included in the consolidated accounts. (Box B(2)).

**Please note:** The data of the enterprises, which are linked to the applicant enterprise, are derived from their accounts and their other data, consolidated if they exist. To them are aggregated proportionally the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included through consolidation (1).

**B. CALCULATION METHODS FOR EACH CASE:**

**In case 1:** The consolidated accounts serve as the basis for the calculation. Fill in Box B(1) below.

**Box B(1)**

	Headcount (AWU) (*)	Annual turnover (**)	Balance sheet total (**)
<b>Total</b>			

(\*) Where in the consolidated accounts no headcount data appears, the calculation of it is done by adding the data from the enterprises to which the enterprise in question is linked.

(\*\*) EUR 1 000.

The data entered in the "Total" row of the above table should be entered in line 1 of the table in the Annex to the declaration.

**Identification of the enterprises included through consolidation**

Linked enterprise (name / identification)	Address (of registered office)	Registration / VAT number (*)	Names and titles of the principal director(s) (**)
A.			
B.			
C.			
D.			
E.			

(\*) To be determined by the Member State according to its needs

(\*\*) Chairman (CEO), Director-General or equivalent.

**Important:** Partner enterprises of such a linked enterprise, which are not yet included through consolidation, are treated like direct partners of the applicant enterprise. Their data and a 'partnership sheet' should therefore be added in Annex A.

**In case 2:** For each linked enterprise (including links via other linked enterprises), complete a "linkage sheet" and simply add together the accounts of all the linked enterprises by filling in Box B(2) below.

(1) Definition, Article 6 paragraph 3, second sub-paragraph

**Box B(2)**

<b>Enterprise No.:</b>	<b>Headcount (AWU)</b>	<b>Annual turnover (**)</b>	<b>Balance sheet total (**)</b>
1.(*)			
2.(*)			
3.(*)			
4.(*)			
5.(*)			
<b>Total</b>			

(\*) attach one "linkage sheet" per enterprise

(\*\*) EUR 1 000.

The data entered in the "Total" row of the above table should be entered in line 3 (regarding linked enterprises) of the table in the Annex to the declaration.

## LINKAGE SHEET

(only for linked enterprises not included by consolidation in Box B)

**1. Precise identification of the enterprise**

Name or business name .....

Address (of registered office ) .....

Registration / VAT number <sup>(1)</sup>.....Names and titles of the principal director(s) <sup>(2)</sup> .....**2. Data on the enterprise**

Reference period			
	Headcount (AWU)	Annual turnover (*)	Balance sheet total (*)
<b>Total</b>			

(\*) EUR 1 000.

These data should be entered in Box B(2) in Annex B.

**Important:** The data of the enterprises, which are linked to the applicant enterprise, are derived from their accounts and their other data, consolidated if they exist. To them are aggregated proportionally the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included through consolidation <sup>(3)</sup>.

Such partner enterprises are treated like direct partner enterprises of the applicant enterprise. Their data and a 'partnership sheet' have therefore to be added in Annex A.

---

<sup>(1)</sup> To be determined by the Member State according to its needs

<sup>(2)</sup> Chairman (CEO), Director-General or equivalent.

<sup>(3)</sup> If the data of an enterprise are included in the consolidated accounts to a lesser proportion than the one determined under Article 6 paragraph 2, the percentage rate according to that article should be applied (Definition, Article 6 paragraph 3, second sub-paragraph).







## HOW TO OBTAIN EU PUBLICATIONS

### Free publications:

- one copy:  
via EU Bookshop (<http://bookshop.europa.eu>);
- more than one copy or posters/maps:  
from the European Union's representations ([http://ec.europa.eu/represent\\_en.htm](http://ec.europa.eu/represent_en.htm));  
from the delegations in non-EU countries ([http://eeas.europa.eu/delegations/index\\_en.htm](http://eeas.europa.eu/delegations/index_en.htm));  
by contacting the Europe Direct service ([http://europa.eu/europedirect/index\\_en.htm](http://europa.eu/europedirect/index_en.htm))  
or calling 0080067891011 (freephone number from anywhere in the EU) (\*).

(\* The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

### Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

## HOW TO OBTAIN OECD PUBLICATIONS

- The OECD library: <http://www.oecd-ilibrary.org>
- The OECD Bookshop online: <http://www.oecdbookshop.org>

