



SME definition Evaluation Staff Working Document

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Unit A.2 – SMEs

Key conclusions – strategic objectives

Still fit for purpose - no evidence indicating a need for revision

- *Works well for identifying companies most confronted with disadvantages due to their size*
- *Successful in limiting proliferation of SME definitions at national and EU level, thus levelling the playing field*
- *Important harmonisation role - well integrated in EU legislation and provides flexibility to adapt to particular policy areas and target groups.*
- *Successful in putting policy focus on micro-enterprises*
- *Works well for the bulk of SMEs (small, independent)*

Our sources / evidence base

- *External study - available on our website*
- *Targeted interviews stakeholders (MS, Business associations, managing authorities)*
- *Public consultation (974 contributions – 117 position papers)*
- *Targeted SME survey (5651 participants)*
- *Eurobarometer*
- *Safe survey*
- *Data collection/reviews by our SPR team (ESTAT – Orbis)*

Financial thresholds

Turnover: average turnover remained well within the threshold and has not even reached to midpoint

*Balance sheet: asset turnover ratio stabilised in recent years
inflation has limited impact on population of companies moving
from medium-sized to large scale.*

*Maintaining thresholds penalizes some 10.000 companies that
keep up with economic development (based on 2015 data)*

Headcount

Changes in average headcounts of the SME categories not significant enough to indicate a need to change

Different coverage of company sizes across economic sectors and Member States: enough flexibility in the Definition

Call for tailored approach: could target population better but would increase complexity; decrease legal certainty; erode well-established nature of the headcount threshold (cfr US)

Call for Mid-cap category

Ownership

- *Works fine and seen as simple by bulk of SMEs*
- *Raises concerns for companies involved in complex structure*
- *Most stakeholders in favour of use of the criterion, but call for more clarity and guidance*
- *Efficiency could be improved by simplifying and clarifying key concepts, more/better guidance, access to business registries*

Specific ownership

- *Venture capital*

- Very limited number of companies concerned
- No decisive role of definition in attractiveness of SME – similar rules in US
- Support measures available (eg SME Strategy)

- *Public ownership*

- Call for change from concerned stakeholders
- No evidence of equal challenges compared to private SMEs, rather counterbalanced by benefits

Lock-in effects

- No evidence that SME definition itself has lock-in effect, rather labour market or taxation eg)
- Minority call for a longer grace period but no outspoken demand on the matter

Follow-up actions

- Use potential of recent Commission initiatives, mainly targeting at better availability and access to data and information:

- further digitalisation of companies and public administrations
- 'only once' principle
- further work on linking business registers
- promote more intensely existing tools (user guide, helpdesk, self-assessment tool)
- provide more targeted guidance

- Analyse situation of mid-cap companies

More information?

Visit our webpage:

https://ec.europa.eu/growth/smes/sme-definition_en