

An enterprise is **autonomous**:

1. if it owns no shares in other enterprises, and other enterprises own none of its shares, **or**
2. if it owns less than 25% of the shares of one or more other enterprises, and other enterprises own less than 25% of its shares, provided these enterprises are *not linked*, **or**
3. if it owns *in total* less than 25% of the shares of linked enterprises, and they own *in total* less than 25% of its shares, **or**
4. if other enterprises each own between 25% and 50% of its shares, provided they are *not linked* and are of the following types:
 - a) public investment corporations, venture capital companies, or business angels with stakes of less than €1.25 million
 - b) universities or non-profit research centres
 - c) institutional investors, including regional development funds
 - d) autonomous local authorities with annual budgets of less than €10 million and fewer than 5,000 inhabitants

An autonomous enterprise only needs to check its own payroll, turnover and balance sheet against the limits defined in the checklist.

An enterprise which is not autonomous may still qualify as an SME, but must take into account the effect of outside shareholdings – see ‘partner enterprise’ and ‘linked enterprise’.

Note: ‘shares’ = capital or voting rights

An enterprise is a **partner enterprise**:

1. if it owns between 25% and 50% of the shares of one or more other enterprises, or they own between 25% and 50% of its shares, provided these enterprises are not linked, **or**
2. if it owns in total between 25% and 50% of the shares of linked enterprises, or they own in total between 25% and 50% of its shares.

When calculating its payroll, turnover and balance sheet figures, a partner enterprise must add to its own data the percentage of the payroll, turnover and balance sheet that corresponds to the shareholding.

An enterprise is a **linked enterprise**:

if it owns more than 50% of the shares of one or more other enterprises, or they own more than 50% of its shares.

When calculating its payroll, turnover and balance sheet figures, a linked enterprise must add to its own data the entire payroll, turnover and balance sheet of the other enterprise (as well as a percentage of those of partner enterprises, as explained above).

An enterprise in which public bodies (other than those mentioned in point 4 under ‘autonomous’) own more than 25% of the shares cannot qualify as an SME.

Further information

- A full account of the background to the changes, a comprehensive user guide, and the texts of the Commission recommendation, are available at http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/index_en.htm
- Specific questions may be directed to:

SME Helpline

European Commission

Research Directorate-General

tel +32 2 295 71 75 - fax +32 2 295 71 10

research-sme@cec.eu.int

The new SME definition

Increased opportunities
in EU research

"Does my organisation qualify as an SME?"

Small and medium-sized enterprises (SMEs) are key players in the transformation of the European knowledge economy. Their ability to apply, adapt and spread new technologies, as well as to create and develop them, is unique. Realising the full potential of SMEs is an essential part of the European Union's strategy for maintaining prosperity and high-quality employment.

The European Commission is keen that all technology-oriented SMEs should consider participating in its Research Framework Programmes. In the current programme, it has earmarked more than €2.1 billion of research funding directly for SME participants. There are special measures to facilitate their involvement and to ensure that much of the research carried out is of immediate relevance to their needs.

On 1 January 2005, a new common European definition of SMEs came into force. This will be applied for all future EU measures in support of SMEs, including the Research Framework Programmes. It raises the financial limits at which an enterprise ceases to qualify as an SME, and introduces new exceptions to the requirements for autonomy.

The simple checklist opposite will be enough to determine the status of the majority of SMEs. Additional guidance is given overleaf, together with a link to the full definition.

We hope that you will take full advantage of the new opportunities created by these changes.

European Commission, Research DG
Research and SMEs unit

DISCLAIMER:

This leaflet offers general guidance on the application of the new SME definition. It does not have any legal value 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 the qualification as an SME.

If you can answer 'Yes' to all four questions, your organisation qualifies as an SME under the new EU definition.

NO

Is the organisation an enterprise, i.e. engaged in economic activity?

YES!

NO

Does it have fewer than 250 employees?

YES!

NO

Does it have an annual turnover* not exceeding €50 million?

or

Does it have a balance sheet total* not exceeding €43 million?

To answer Yes, at least one of these conditions must be fulfilled.

* according to its most recent audited accounts

YES!

NO

Is it autonomous?

YES!

For the definition of autonomy, and to learn how your enterprise may qualify as an SME even if it is not autonomous, see overleaf.

Your organisation is not an SME.

Your organisation is an SME.