

European Institute of Public Administration - Institut européen d'administration publique



The SME Definition

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General Scope

- Entered into force on 1 January 2005
- Member States must apply the Community SME ceilings for the purposes of applying competition rules
- SME definition taken over in the SME Regulation 70/2001 and the General Block Exemption Regulation

Criteria

Commission Recommendation 361/2003

- Undertaking
plus two cumulative criteria
- Staff head count and
- Turnover or balance sheet

Basic principles

- SME retain its status provided no change in the ceilings occurs in two consecutive years
- In general, the Commission examines each case on the basis of the information provided at the time of notification

Data

Category	Employees	Turnover [€]	Balance sheet [€]
Micro	<10	2mn.	2mn.
Small	<50	10mn. [1996: 7mn.]	10mn. [1996: 5mn.]
Medium	<250	50mn. [1996: 40mn.]	43mn. [1996: 27mn.]

Preconditions for calculation

- Is the aid applicant an autonomous enterprise?
- Does it form an economic group with any other company (“linked” or “partner” relation ship

Types of enterprises

Types of enterprises

- **Autonomous:** <25% capital or voting rights
- **Partner relationship:** >25% of capital and up to 50% of voting rights
- **Linked relationship:** >50% of voting rights or equivalent control

Exceptions

- **Autonomous:** >25% and up to 50% of capital or voting rights if control is held by:
 - public investment corporations, business angels, provided that the investment is <€1 250 000
 - universities, not profit centres, institutional investors
 - autonomous local authorities with annual budget <€10mn and <5000 inhabitants

No SME if >25% of capital or voting rights is controlled by the State

Calculations

Autonomous

Calculation of data using only the employees and financial data from the annual account of the applicant company

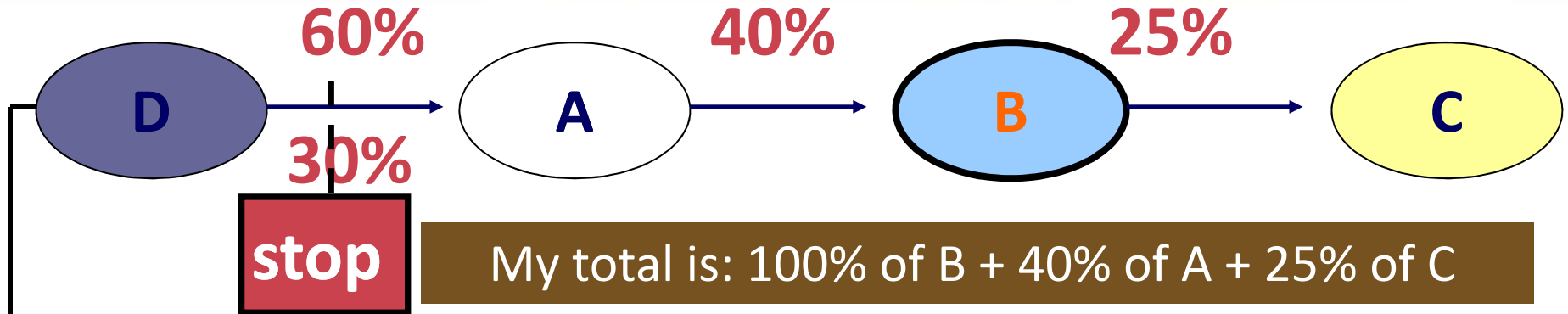
Partner relationship

Calculation of data adding the proportion of the other enterprises' employees and financial data to the account of the applicant company

Linked relationship

Calculation of data adding 100% of data of all linked enterprises

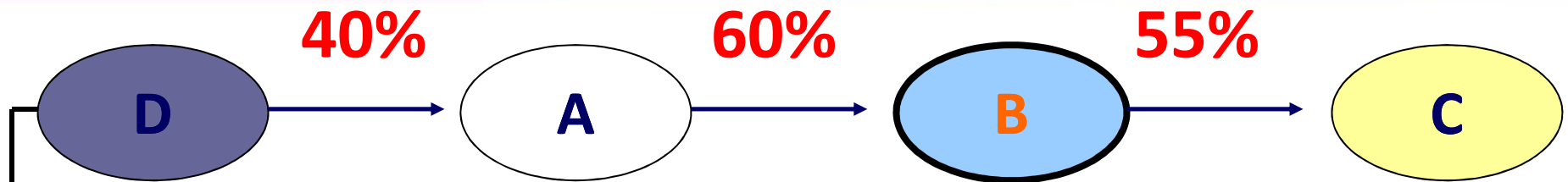
Example – Partner relationship



	A	B	C	=	B
Employees	30	150	80		12 + 150 + 20 = 182
Turnover	7m	40m	20m		2,8 + 40 + 5 = 47,8
Balance sh.	6m	30m	18m		2,4 + 30 + 4,5 = 36,9

My total is: 100% of B + 40% of [A + 100% of D] + 25% of C

Example – Linked relationship

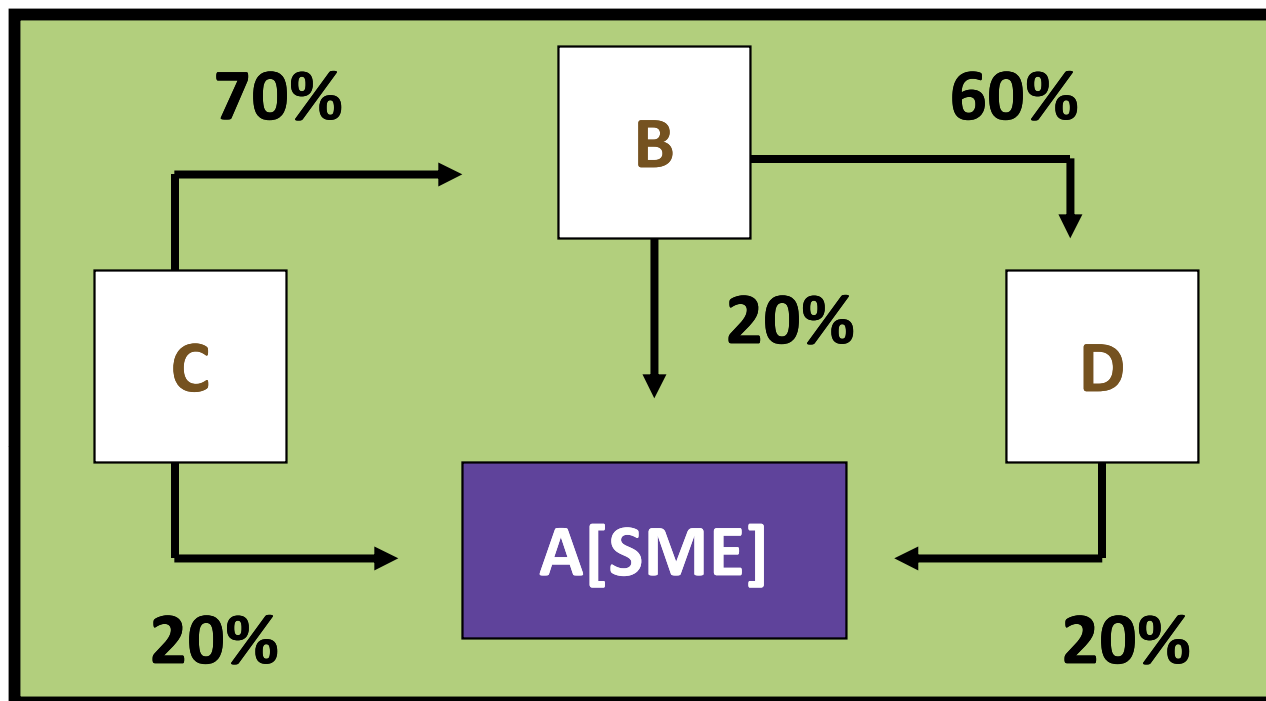


My total is: 100% of B + 100% of A + 100% of C

	A	B	C	=	B
Employees	30	150	80		30 + 150 + 80 = 260
Turnover	7m	40m	20m		7 + 40 + 20 = 67
Balance sh.	6m	30m	18m		6 + 30 + 18 = 54

My total is: 100% of B + 100% of [A + 40% of D] + 100% of C

Example - Joint participation



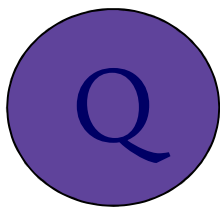
Is A an autonomous SME?

Case study I: What is an SME?

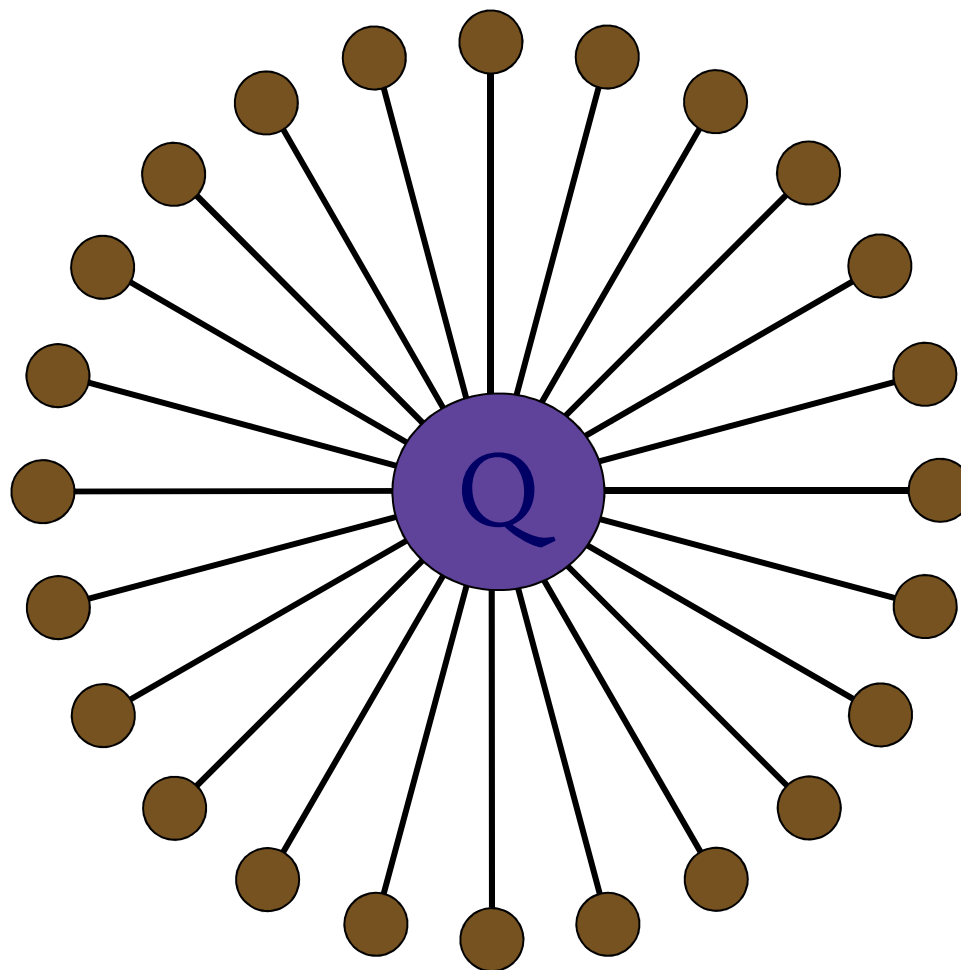
- Commission Decision on aid to Q-Cells [Q], N 457/2004 – Germany [D]
- Q is involved in manufacturing solar cells and is located in 87(3)(a) area with approved aid rates of 50% for SMEs and 35% for large enterprises
- D granted aid with intensity of 45%
- Question: Was Q an SME?
- Reference period: grand was made in 2004 and periods to be taken into account are those of 2003 and 2002.

Description of operation

- private investors
 - D fund management companies
 - venture capital partners
- None of these with >25%
- members of the same family
- Total stake <20%



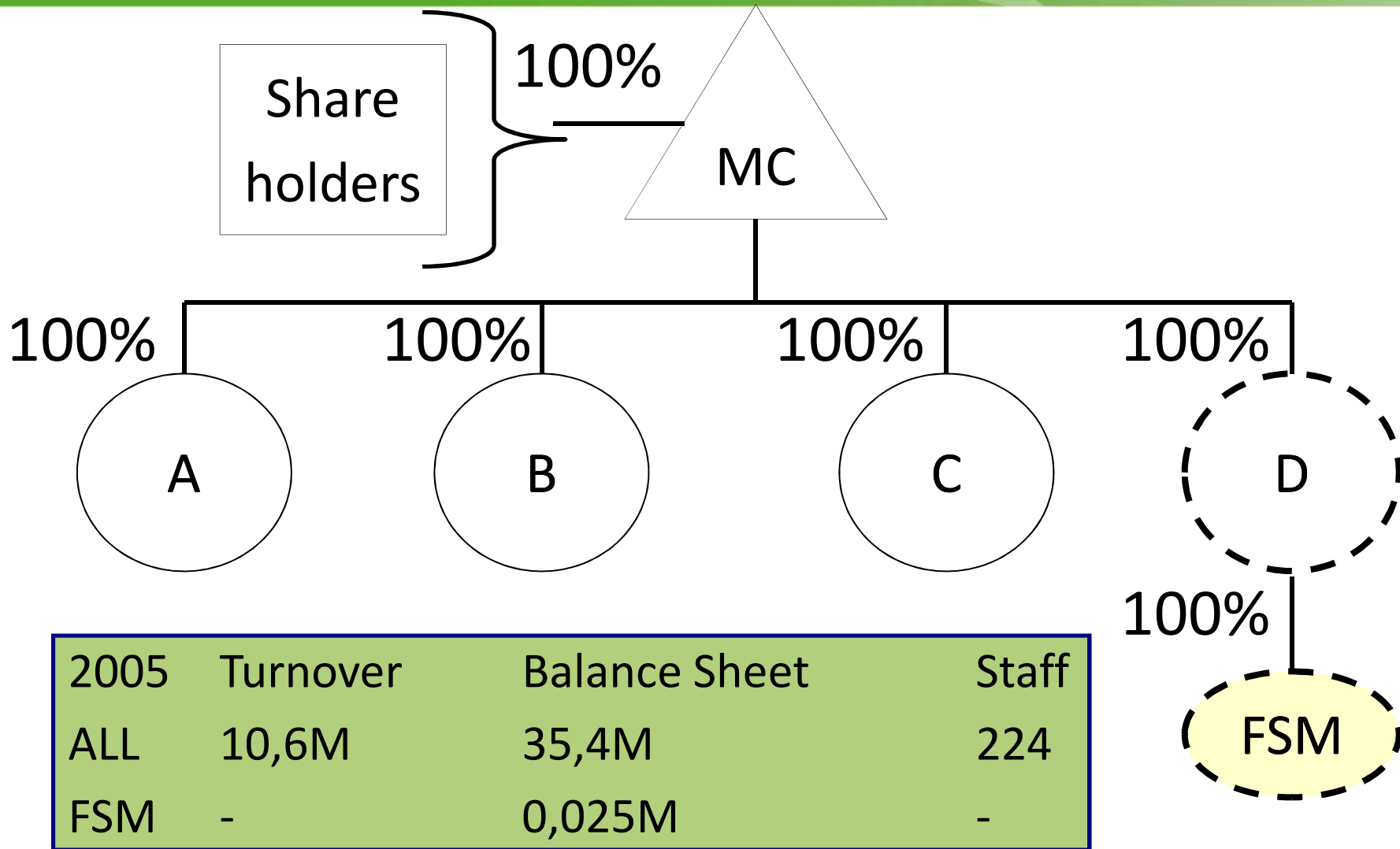
Employees
207 – 2003
82 – 2002



Case study II: Linked relationship

- Commission Decision on aid to FSM, N16/2006 – Germany [D]
- FSM is involved in manufacturing solar modules and is located in 87(3)(a) area
- D granted aid with intensity of 38,5%, including the 15% SME bonus
- Question: Was FSM an SME?
- Reference period: grand was made in 2006 and periods to be taken into account are those of 2005 and 2004.
- FSM was formed in 2005

Description of the operation



2005	Turnover	Balance Sheet	Staff
ALL	10,6M	35,4M	224
FSM	-	0,025M	-

2 last issues

- What about franchises?
 - it depends on the terms of each individual agreement
- What about natural persons
 - in relation to linked enterprises
 - market definition issues



Do You Have Any Questions?

We would be happy to help.