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COMMISSION RECOMMENDATION

of 21.5.2025

on the definition of small mid-cap enterprises

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) The Political Guidelines¹ announced the intention of the new Commission to introduce a new category of small midcaps and assess where existing regulation applying to large companies is too burdensome, disproportionate or a hindrance to their competitive development. In its Communication ‘A Competitiveness Compass for the EU’², the Commission committed to propose a new definition of small mid-caps in order to ensure proportionate regulation adapted to companies’ size. By creating such a new category of company, bigger than SMEs but smaller than large companies, thousands of companies in the EU will benefit from tailored measures.
- (2) In its Communication ‘SME Relief Package’³, the Commission put forward a large number of actions covering four main areas: making things easier for small and medium-sized enterprises (SMEs), improving their access to finance and to skilled workforce, and supporting them throughout their business lifecycle. While aiming to provide short-term relief, boost long-term competitiveness and resilience, and promote a fair and SME-friendly business environment, the goal is to allow SMEs to compete and grow. The Commission is therefore committed to the needs of companies that outgrow the thresholds of the SME definition set out in Commission Recommendation 2003/361/EC⁴, as well as the broader range of small mid-caps, and develop a harmonised definition for those enterprises.
- (3) *The ‘Study to map, measure and portray the EU mid-cap landscape’⁵ has shown that mid-caps represent a segment of the business sector that clearly distinguishes itself from SMEs, but also from large enterprises. Although mid-caps are stronger, usually grow faster, are more innovative and deal better with digitalisation than SMEs, they face certain similar challenges such as administrative burden or the lack of skilled employees. When compared to large enterprises on the other hand, they lag in key*

¹ POLITICAL GUIDELINES FOR THE NEXT EUROPEAN COMMISSION 2024–2029

² Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, A Competitiveness Compass for the EU, COM(2025) 30 final, https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, SME Relief Package, COM(2023) 535 final of 12 September 2023.

⁴ Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (notified under document number C(2003) 1422) (OJ L 124, 20.5.2003, p. 36, ELI: <http://data.europa.eu/eli/reco/2003/361/oj>).

⁵ European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Dachs, B., Siedschlag, I., Yan, W. et al., *Study to map, measure and portray the EU mid-cap landscape – Final report*, Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2873/546623>.

performance areas. Such a definition is also necessary to improve the consistency across policy measures which address the specific needs of small mid-caps. It is therefore appropriate to develop a formal definition of small mid-caps at Union level that could pave the way for policy measures focussing on that specific business segment of companies.

- (4) A definition of small mid-cap enterprises is already in use under the General Block Exemption Regulation⁶ and the Guidance on Risk Finance⁷, for the purpose of identified market failures susceptible to be addressed through targeted public financial support from national resources. The purpose of a general SMC definition is, however, not to replicate the definition used in State aid rules per se, but to serve as a basis for targeted policy support that can help companies to scale in relevant and important sectors. The definition of SMCs in this Recommendation is without prejudice to the thresholds deemed appropriate in the State aid context.
- (5) Several Member States, such as France and Germany⁸, have already introduced definitions for companies that are not small or medium-sized but are not large enterprises either. Following the logic of an EU single market without internal borders, the use of a common set of criteria when referring to small mid-caps would help to ensure a level playing field in the treatment of enterprises across the EU.
- (6) There is extensive interaction between national and Union measures assisting small mid-cap enterprises, for example in connection with Structural Funds or research. It is therefore necessary to avoid situations in which the Union focuses its action on a given category of enterprises and the Member States on another. It is also necessary to recommend the use of a common definition by the Commission, the Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF) to improve the coherence and effectiveness of policies aimed at small mid-cap enterprises. The use of a common definition is also necessary to consequently mitigate the potential risks of competition distortion.
- (7) Article 2, point (103e) of Commission Regulation (EU) No 651/2014⁹ and the Commission Guidelines on State aid to promote risk finance investments¹⁰ already contain a definition for small mid-cap enterprises. It is considered important to build on the experience and expertise thus acquired when further mainstreaming support towards this specific segment of enterprises. Nevertheless, in the current economic context, to better accompany scaling up of enterprises and to cover a larger number of

⁶ <https://eur-lex.europa.eu/EN/legal-content/summary/general-block-exemption-regulation.html>

⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2021.508.01.0001.01.ENG&toc=OJ%3AC%3A2021%3A508%3ATOC

⁸ France categorises companies with a staff headcount between 250 and 4 999 as ‘Entreprises de Taille Intermédiaire’ (<https://www.insee.fr/fr/metadonnees/definition/c2034>). Germany covers companies with a staff headcount between 50 and 499 employees under the name ‘Mittlere Unternehmen’ (Deutschland - Institut für Mittelstandsforschung Bonn (ifm-bonn.org)) and frequently uses the term ‘Mittelstand’ to cover companies that are less defined by the number of employees, but rather by shared values such as independence, unity of ownership and management (<https://www.kfw.de>).

⁹ Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1, ELI: <http://data.europa.eu/eli/reg/2014/651/oj>).

¹⁰ Communication from the Commission – Guidelines on State aid to promote risk finance investments, C/2021/8712 (OJ C 508, 16.12.2021, p. 1).

companies, the definition should cover enterprises that are three times the size of SMEs¹¹.

- (8) The focus on small mid-cap enterprises was deemed justified as the 2014 impact assessment on the Commission Communication ‘Guidelines on state aid to promote risk finance investments’¹² – identified the ‘funding gap’ as a market failure, affecting not only SMEs in their early seed and start up stages but also in their later expansion and growth stages. The report clarified that in some instances small mid-caps could face the same market failure as SMEs insofar as they are still at their growth stage.
- (9) To allow enterprises to seamlessly scale out of the SME segment and into the segment of small mid-caps, it is important that the definitions for both SMEs and small mid-caps build on the same principles and that there is no overlap between the two definitions. Establishing what constitutes small mid-caps is also necessary to ensure consistency across policies and to help smoothen the transition for companies that grow out of the SME definition.
- (10) In accordance with Articles 54, 101 and 102 of the TFEU, an enterprise is considered being any entity, regardless of its legal form, engaged in economic activities, including partnerships or associations regularly engaged in economic activities.
- (11) The criterion of staff numbers (the ‘staff headcount criterion’) is considered the most important one and should be observed as the main criterion. Introducing complementary financial criteria is nonetheless necessary to exclude from the definition enterprises with an exceptionally high financial scale of operations, measured by their turnover, and exceptionally high assets, measured by their balance sheet. It would not be desirable to use turnover as the sole financial criterion because enterprises in the trade and distribution sector have by the nature of their activities higher turnover figures than enterprises in the manufacturing sector. Thus, the turnover criterion should be combined with the balance sheet total, a criterion which reflects the overall wealth of a business, and an enterprise should be excluded from the definition of small mid-caps only if both its turnover and its balance sheet exceed the ceilings.
- (12) It is necessary that the financial ceilings and the staff ceilings represent maximum limits. The Member States, the EIB and the EIF can fix ceilings lower than the Union ceilings set out in point 2 of the Annex, if they wish to direct their measures towards a specific segment of small mid-cap enterprises. In the interest of administrative simplification, the Member States, the EIB and the EIF can use the staff headcount as the sole criterion for the implementation of their policies, as appropriate, and without prejudice to Union law rules on competition law and State aid.
- (13) To gain a better understanding of the economic position of small mid-cap enterprises and to remove from that category groups of enterprises whose economic power may exceed that of genuine small mid-cap enterprises, 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 limit set out in Recommendation 2003/361/EC, of a 25% holding below which an enterprise is to be

¹¹ As defined in Commission Recommendation 2003/361/ EC

¹² Commission Staff Working Document Impact Assessment accompanying the document Communication from the Commission Guidelines on State aid to promote risk finance investment, SWD (2014) 6.

considered autonomous, should be maintained also for the definition of small mid-cap enterprises.

- (14) To facilitate the scaling of enterprises out of the SME segment, equity financing of small mid-cap enterprises, and rural and local development, enterprises should be considered autonomous despite a holding of 25% or more by certain categories of investors that have a positive role in business financing and creation. This should also apply to investments up to EUR 5 000 000 by ‘business angels’ (individuals or groups of individuals pursuing a regular business of investing venture capital) because of the business management experience, skills, and contacts they bring to the entrepreneur compared to other venture capital investors. Their investment in equity capital also complements the activity of venture capital investors.
- (15) To preserve the ability of innovative enterprises to raise funding from alternative investment funds, such as venture capital or private equity funds, to finance their operations or growth, such entities should not qualify as linked enterprises for the purposes of calculating the staff headcount and the financial ceilings set out in this Recommendation. To take into account the current market practices of investing into innovative enterprises by venture capital or private equity funds, it is appropriate to specify that where the enterprises and the alternative investment fund, and its manager maintain separate accounting records and where the alternative investment fund has a pre-defined investment strategy to exit the enterprise, including by realising its value through the sale of the enterprise or other means, such entities should not to qualify as linked enterprises.
- (16) To simplify matters, Member States and enterprises should make use of the conditions set out in Article 22 of Directive 2013/34/EU of the European Parliament and of the Council¹³ when defining linked enterprises, in so far as those conditions are suitable for the purposes of this Recommendation. To incentivise equity investment in small mid-caps, there should be a presumption of absence of dominant influence on the enterprise in question for certain types of investors, where these are not involving themselves directly or indirectly in the management of the business, in accordance with provisions under Article 2(15) of Directive 2013/34/EU.
- (17) Account should also be taken, where relevant, of relations between enterprises which pass through natural persons, with a view to ensuring that the advantages accruing to small mid-caps from different rules or measures only benefit those enterprises which genuinely need them. To limit the examination of those situations to the strict minimum, the examination of such relationships should be restricted to the relevant market or to adjacent markets - reference being had to the Commission Notice on the definition of relevant market for the purposes of Community competition law¹⁴.
- (18) To avoid arbitrary distinctions between different public bodies of a Member State, and given the need for legal certainty, it is necessary to confirm that an enterprise with 25% or more of its capital or voting rights controlled by a public body is not a small mid-cap enterprise.

¹³ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19, ELI: <http://data.europa.eu/eli/dir/2013/34/oj>).

¹⁴ OJ C 372, 9.12.1997, p. 5.

- (19) To ease the administrative burden for enterprises, and to simplify and speed up the administrative handling of cases where small mid-cap enterprise status is required, enterprises should be allowed to use solemn declarations to certify certain of their characteristics.
- (20) It is necessary to establish in detail the staff headcount composition to consider an enterprise a small mid-cap enterprise. To promote the development of vocational training, it is necessary to disregard the apprentices and students with a vocational training contract when calculating staff numbers. Similarly, maternity or parental leave periods should not be counted when calculating staff numbers.
- (21) The various types of enterprise, whether autonomous, partner or linked, defined according to their relationship with and involvement in other enterprises, correspond to objectively differing degrees of integration. It is therefore appropriate to recommend applying distinct procedures to each of those types of enterprise when calculating the quantities representing their activities and economic power.
- (22) To ensure the Commission maintains a record of the use of the definition of small mid-cap enterprises provided for in this Recommendation or reference to that definition, Member States, the EIB and the EIF should be requested to inform the Commission about such use or reference.
- (23) For the Commission to produce statistics that consider this definition, information on additional size criteria (turnover, balance sheet total) would need to be collected. To avoid additional surveys and limit the burden on enterprises, national statistical authorities should gain sustainable access to relevant administrative sources in the Member States,

RECOMMENDS:

- 1. This Recommendation concerns the definition of small mid-cap enterprises used in Union policies applied within the Union and the European Economic Area.
- 2. Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF), are invited to:
 - (a) use the definition set out in the Annex when implementing their programmes directed towards small mid-cap enterprises;
 - (b) take the necessary steps to use the size class set out in point 2 of the Annex, especially where the monitoring of their use of Union financial instruments is concerned.
- 3. The ceilings set out in point 2 of the Annex should be regarded as maximum values. Member States, the EIB and the EIF may apply lower ceilings. In implementing certain of their policies, they may also choose to apply only the criterion of number of employees, as appropriate, and without prejudice to Union law rules on competition law and State aid.
- 4. The statistics produced by the Commission should be presented using the definition of small-mid cap enterprises set out in the Annex. For the purpose of producing comparable European statistics while minimising response burden, the Commission invites Member States to ensure national statistical authorities' access to relevant administrative data sources.

5. Union legislation or Union programmes to be amended or adopted and in which the term “small mid-cap enterprise”, or a focus on enterprises that match the specifications set out in the Annex occurs, should refer to the definition set out in this Recommendation.
6. As a transitional measure, current Union programmes referring to small mid-caps should continue to be implemented for the benefit of the enterprises which were considered small mid-caps when those programmes were adopted. Legally binding commitments entered into by the Commission based on such programmes should remain unaffected.
7. It is recommended that any amendment of the definition of small mid-cap enterprises within the programmes be made by making use of the definition set out in the Annex.
8. The Commission should review the application of the definition set out in the Annex by 31 May 2030 to take account of experience and economic developments in the Union.
9. When reviewing the definition in accordance with point 8, the Commission should ensure that there are no overlaps with the small and medium-sized enterprises set out in Recommendation 2003/361/EC.
10. This Recommendation is addressed to the Member States, the EIB and the EIF.
11. The Member States, the EIB and the EIF are requested to inform the Commission by 31 December 2026 of any measures they have taken to give effect to this Recommendation.
12. The Member States, the EIB and the EIF are also requested to inform the Commission without undue delay of any measure they take that refers to, copies the wording of, or otherwise uses the definition of small mid-cap enterprises contained in the Annex.

Done at Brussels, 21.5.2025

For the Commission
Stéphane Séjourné
Executive Vice-President

