SME & mid-cap assessments

Tutorial

Central Validation Service (CVS)
SME/Mid-cap assessment

Content of the presentation

• Legal basis
• What is an SME
• What is a Mid-cap
• SME/Mid-cap process
• SME assessment
• Supporting documents
• Key messages
• Reference documents
Legal basis

1. Regulation (EU) 2021/697 establishing the European Defense Fund, foreseeing certain actions where the SME/Mid-cap status:
   - is an eligibility criterion
   - or
   - allows for a higher funding rate or other advantages


4. SME Definition – user guide
**What is an SME?**

**SMEs**

*means micro, small or medium-sized enterprises* within the meaning of Commission Recommendation 2003/361/EC

*The above SME thresholds, should not be compared only to the standalone data (headcount, balance sheet total and turnover) of the entity under assessment, but to the overall aggregated data, consolidated where applicable, of all linked and partner enterprises in accordance with Articles 3 to 6 of the Annex to the SME Recommendation.*
What is an Mid-cap?

Middle capitalisation companies or Mid-caps

Article 2(15) of the EDF Regulation

• An enterprise that is not an 'SME', as defined in Commission Recommendation 2003/361/EC

and

• Employs a maximum of 3 000 persons, where the headcount of staff is calculated in accordance with Articles 3 to 6 of the Annex to Recommendation 2003/361/EC
SME/Mid-cap status: rule on public bodies

An enterprise is not an SME/Mid-cap
Article 3.4 of the Annex to Commission Recommendation 2003/361/EC

If 25% or more of its capital or voting rights, are directly or indirectly controlled by one or more PUBLIC BODIES

The types of investors listed under in art. 3.2 having the status of a public bodies are not covered by this rule, as long as they do not hold majority of the voting rights/ control/dominant influence over the enterprise.
SME/Mid-cap process

Overview

Registration – Participant

Participants have to register in the Participant Register and obtain a PIC (Participant Identification Code)

SME/Mid-cap status – Participant

SME self-assessment and Mid-cap self-declaration through the SME section of the PIC account

SME/Mid-cap verification (if needed) – CVS

Based on supporting documents through messages via PIC account

COMMUNICATION with CVS only VIA PARTICIPANT REGISTER
SME/mid-cap process
How to claim SME/Mid-cap status

• **Registration in the Participant Register** *(e.g. obtaining a PIC number)*: required by all participants at the time of the application

• **SME self-assessment**: required from all participants in calls for which the SME/mid-cap status is eligibility criterion or allows for a higher funding rate or other advantages. In addition, they must submit a **mid-cap self-declaration**, if claiming a mid-cap status.

• **The SME self-assessment wizard** guides participants to establish their status through a series of question, by entering their financial and headcount figures as well as those of any other related organization, directly or indirectly.

• **Supporting documents**: must be submitted only upon request of CVS if a verification of the self-declared SME/mid-cap status is required.
SME/mid-cap process
How to register in the Participant Register (at proposal stage)

Participant Register

If you want to participate in a call for proposals or in a call for tenders with eSubmission, your organisation needs to be registered and have a 9-digit Participant Identification Code (PIC). Please quote your PIC in all correspondence with the Commission.

The register contains all participants of EU programmes.

Is your organisation already registered?
PIC search

Please check whether your organisation has already been registered. If so, no need to register it again.

Search a PIC

Register your organisation

To register your organisation or as a natural person, you need to login into the Portal or, if you are a new user, create your account.

Check what information you need to register in the Online Manual - and keep it to hand during the registration procedure. To start registration, click on the button below.

Search for a registered organisation

New registration
1. Launch the SME wizard as follows:

- Log on into the Funding & Tenders Portal
- Go to My Organisation(s) within the left-side navigation menu.
- Click on the Actions button next to your organisation
- Select Modify organisation:
SME self-assessment in the Participant Register

2. Go to the SME tab and click on to start the SME questionnaire:

Start SME self assessment
SME self-assessment in the Participant Register

3. **Add data** about participant and its "family tree" by replying to a series of questions

4. **Result overview**
5.1 Results
SME status confirmation

**Result**

Based on the information and financial figures related to the financial year 2018 taken into consideration under the terms of the SME Definition,

*My Company* qualifies as an SME

Please find hereafter the 2018 results for My Company concerning the SME criteria relevant under the SME Definition.

**SME Thresholds**

<table>
<thead>
<tr>
<th>Staff Headcount</th>
<th>Aggregated Annual Turnover: 825,000.00 EUR</th>
<th>Aggregated Annual Balance Sheet: 460,000.00 EUR</th>
</tr>
</thead>
</table>

The My Company declared that it is engaged in an economic activity.

Relevant figures (in terms of staff headcount, annual turnover and/or annual balance sheet) for the following partner/linked entities (under Article 3 of the SME Definition) have been taken into consideration and consolidated:

<table>
<thead>
<tr>
<th>Name of the entity</th>
<th>Relationship</th>
<th>TO</th>
<th>BS</th>
<th>Staff</th>
<th>pub</th>
<th>NP</th>
<th>INV</th>
<th>Closing date</th>
<th>Core acc. y/y</th>
</tr>
</thead>
<tbody>
<tr>
<td>My Company</td>
<td>AGGREGATED</td>
<td>100.00</td>
<td>MAIN</td>
<td>825,000.00 EUR</td>
<td>460,000.00 EUR</td>
<td>10.00</td>
<td></td>
<td>04-02-2019</td>
<td></td>
</tr>
<tr>
<td>My first shareholder</td>
<td>INDIVIDUAL</td>
<td>100.00</td>
<td></td>
<td>175,000.00 EUR</td>
<td>200,000.00 EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My Minor Shareholders</td>
<td>actual %</td>
<td>25.00</td>
<td>Shareholder of My Company</td>
<td>150,000.00 EUR</td>
<td>200,000.00 EUR</td>
<td></td>
<td></td>
<td>13-02-2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>effective %</td>
<td>25.00</td>
<td>Shareholder of My Company</td>
<td>150,000.00 EUR</td>
<td>200,000.00 EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My Italian Subsidiary</td>
<td>actual %</td>
<td>80.00</td>
<td>Owned by My Company</td>
<td>500,000.00 EUR</td>
<td>60,000.00 EUR</td>
<td></td>
<td>4.00</td>
<td>14-02-2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>effective %</td>
<td>0.00</td>
<td>Shareholder of My Italian Subsidiary</td>
<td>0.00 EUR</td>
<td>0.00 EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.2 Results

Non-SME status
6. Submit SME assessment

The table below presents your existing SME data.

<table>
<thead>
<tr>
<th>Year</th>
<th>Result</th>
<th>Type</th>
<th>Closing date</th>
<th>Status</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>Not SME</td>
<td>Self-declared</td>
<td>31/12/2023</td>
<td>To Submit</td>
<td>Submit</td>
</tr>
<tr>
<td>2020</td>
<td>Mid-cap</td>
<td>Self-declared</td>
<td>31/12/2020</td>
<td>Submitted</td>
<td></td>
</tr>
</tbody>
</table>

Submit as not an SME
Self-declare as Mid-cap
Mid-cap declaration in the Participant Register

6. Mid-cap declaration

I hereby declare that my enterprise employs a maximum of 3,000 persons where the headcount of staff including any relevant direct and indirect partner and linked enterprises is calculated in accordance with Articles 3 to 6 of the Annex to Recommendation 2003/361/EC.

Should the aggregated headcount of staff as described above exceed 3,000 persons, the mid-cap status is not applicable and I will submit as not an SME.

☐ I declare under my responsibility that the information and data introduced is true and correct and has been declared in good faith and in compliance with the provisions of the Recommendation 2003/361/EC referred to above.

☐ I acknowledge that my declaration will be available to all relevant EU Services.

☐ I agree to submit supporting documents justifying my declaration should an ex post check be performed.
Enterprise with Economic activity
ARTICLE 1 of the SME Recommendation

• Is any entity engaged in an economic activity, irrespective of its legal form including, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in economic activity;

• Economic activity: any form of trade or activity done for remuneration or pecuniary interest in a given market i.e. sale of products and services at a given price, on a given market;

Specific cases:

✓ Newly established enterprises (e.g. start-up companies) may also qualify as SME on the basis of business plan covering the period necessary for the entity to generate turnover.

✓ Enterprises without turnover whose activity implies a long time-to market are allowed to demonstrate that they are engaged in an economic activity by showing the investments made and the likely expected return.
**SME assessment**

**Family tree**

**Autonomous enterprise**

ARTICLE 3.1 of the SME Recommendation

An enterprise is autonomous if NOT a partner with or linked to another enterprise:

- an enterprise (upstream or downstream) not having participation or holding less than 25% (capital or voting rights) in another enterprise, solely or jointly with one or more linked enterprises

and

- not linked to another enterprise i.e. not being under or not having control/dominant influence over another enterprise, solely or jointly through/with other linked enterprises, including through natural person(s)

Enterprise A is NOT autonomous!
An enterprise is a partner to another if it is:

- an enterprise (upstream or downstream) holding 25% or more of the capital or voting rights in another enterprise, either solely or jointly with one or more linked enterprises

and

- not linked to that enterprise i.e. not being under or not having control/dominant influence over that enterprise, solely or jointly through/with other linked enterprises, including through natural person(s)
An enterprise is linked if having any of the following relationships with another:

- has **majority** of its shareholders’ or members' **voting rights**;

- has **the right to appoint or remove a majority** of the members of its administrative, management or supervisory body;

- has **the right to exercise a dominant influence** over it pursuant to a contract or to a provision in the memorandum or articles of association of that enterprise;

- controls **alone**, pursuant to an agreement with other shareholders in or members of that enterprise, a **majority of its** shareholders' or members' **voting rights**
SME assessment
Rule on special investors

Autonomous - Partner - Linked

- An enterprise can still be considered as autonomous even if any of the following types of investors hold more than 25% of its capital or voting rights:
  - Venture capital company
  - University
  - Institutional investor
  - Small autonomous local authority

- Provided that these investors are not linked to the enterprise in question, either individually or jointly

Enterprise A is linked to B and D and partner to C
In addition to its headcount, turnover and balance sheet total, the entity under SME assessment should add the data of:

- any of its partner enterprises and their direct or indirect linked enterprises – *pro-rata* to the partnership % of interest;

- any of its linked enterprises, directly or indirectly (*at infinitum*), – at 100%;

- any partner to any of its direct or indirect linked companies - *pro-rata* to the partnership % of interest;

- partner-partner relationships are not to be considered;

#EUDefenceIndustry
SME assessment
Data aggregation

How far do I go?
Article 6 to the SME Recommendation
SME/Mid cap Assessment

Steps

What to take into account when assessing my company size?

1. My engagement in **economic activity**:  
   - am I an enterprise generating turnover or planning to enter into a market in future?

2. My **ownership structure** – upstream (shareholders) and downstream (participations in other enterprises) as well as governance rules and decision-taking modalities:  
   - do I have partner and/or linked enterprises directly and indirectly?

3. My data (headcount of staff, balance sheet total and turnover) as well as the aggregated data of all direct and indirect partner and linked enterprises, upstream and downstream:  
   - does my aggregated data exceed the SME/Mid-cap thresholds?
For the entity under assessment and all linked and partner enterprises

1. **Proof** of the **direct and indirect shareholders/owners** and their respective percentage of interest and voting rights:
   - e.g. shareholders book extract or commercial registry extracts presenting the exact allotment of shares/voting rights per shareholder

2. **Documents** explaining the entity’s mechanisms of ownership and control and **corporate governance and decision-making rules**:
   - e.g. statutes/articles of association and shareholders’ agreements; memorandum of understanding among shareholders, internal corporate governance rules, etc.

3. **Approved financial statements for the most recent accounting period**, including:
   - balance sheet statement;
   - profit and loss account - clearly indicating the amount of annual turnover;
   - annexes to these documents, indicating the number of employees and possible downstream participations
Tips – Key messages

• Get familiar with the SME Recommendation and the SME Definition - user guide.
• Pay attention to include all direct and indirect partner and linked enterprises, check for reference – “How far do I go” slide.
• Extra attention to relationships via natural persons and through group of linked enterprises (even if their individual interest is below <25%).
• In case of doubt, always consult your Finance or Legal department before claiming an SME/Mid-cap status.
• Be prepared to provide the correct supporting documents at CVS request in a timely manner.
• Confidentiality treatment – all documents and information treated with confidentiality and in compliance with the EU Data Protection Regulation 2018/1725.
• Communicate immediately to the GA any change in the ownership situation (e.g. merger, acquisition, etc.) that could lead to a change/loss of the SME/mid-cap status.
Reference documents


- SME Definition – user guide: https://ec.europa.eu/docsroom/documents/42921


- SME self-assessment wizard – Step by step: SME wizard — Step by step - IT How To - Funding Tenders Opportunities (europa.eu)

- Online Manual, IT How to, IT and RES Helpdesk and specific FAQs on the Funding and Tenders Portal: https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/support

- Legal notice on the Funding and Tenders Portal (terms and conditions, data protection): https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/support/legalNotice
MANY THANKS FOR YOUR ATTENTION