



Plenary sitting

B8-0304/2018

26.6.2018

MOTION FOR A RESOLUTION

further to Questions for Oral Answer B8-0031/2018 and O-000050/2018

pursuant to Rule 128(5) of the Rules of Procedure

on the definition of SMEs
(2018/2545(RSP))

Markus Pieper

on behalf of the Committee on Industry, Research and Energy

**European Parliament resolution on the definition of SMEs
(2018/2545(RSP))**

The European Parliament,

- having regard to the Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (C(2003) 1422)¹,
 - having regard to the Commission communication of 23 February 2011 entitled ‘Review of the “Small Business Act” for Europe’ (COM(2011)0078), and to Parliament’s resolution on that communication of 12 May 2011²,
 - having regard to its resolution of 23 October 2012 on ‘Small and Medium-sized Enterprises (SMEs): competitiveness and business opportunities’³,
 - having regard to its resolution of 8 September 2015 on family businesses in Europe⁴,
 - having regard to the judgment of the General Court of the Court of Justice of the European Union of 15 September 2016,
 - having regard to the Commission communication of 22 November 2016 entitled ‘Europe’s next leaders: the Start-up and Scale-up Initiative’ (COM(2016)0733),
 - having regard to the question to the Commission on the definition of SMEs (O-000050/2018 – B8-0031/2018),
 - having regard to the motion for a resolution of the Committee on Industry, Research and Energy,
 - having regard to Rules 128 and 123(2) to (8) of its Rules of Procedure,
- A. whereas the 23 million small and medium-sized enterprises (SMEs) in the EU, which make up around 99 % of all businesses, employ almost two thirds of the European working population and provide more than 90 million jobs while generating some EUR 3.9 trillion in added value; whereas they make a vital contribution to economic growth, social cohesion and the creation and maintenance of sustainable and high-quality jobs, and are key drivers in the context of the energy transition, the fight against climate change and EU competitiveness on green technology, as well as a major source of innovation in the EU;
- B. whereas 90 % of EU SMEs and 93 % of all EU companies in the non-financial business sector are micro firms, which contribute the largest share of value added and employment among SMEs as they employ approximately 30 % of the EU workforce,

¹ OJ L 124, 20.5.2003, p. 36.

² OJ C 377E , 7.12.2012, p. 102.

³ OJ C 68E , 7.3.2014, p. 40.

⁴ OJ C 316, 22.9.2017, p. 57.

and thus need special attention;

- C. whereas, in comparison with larger firms and regardless of their organisational structure, SMEs are disproportionately affected by administrative burdens and financial obstacles that impede their competitiveness, exports, and job creation; whereas they benefit at EU, Member State, regional and local level from specific support, including financing opportunities and simplified procedures, but further efforts extending beyond the political pledges already given could be made to create a simpler SME-friendly environment;
- D. whereas the definition of SMEs (hereinafter ‘the SME definition’) is referred to in approximately 100 EU legal acts, primarily in the areas of competition policy, financial market legislation and structural, research and innovation funds, but also in labour, environmental, energy, consumer protection and social security legislation, such as in the REACH secondary legislation and the Energy Efficiency Directive;
- E. whereas a coherent legal environment with clear rules is advantageous for all businesses, and whereas a stringent SME definition is a tool that can mitigate market failures and problems inherent to competition between enterprises that differ in terms of size, volume of assets and business models;
- F. whereas the Commission regularly monitors the implementation of the EU SME definition; whereas evaluations have been carried out on a number of occasions (in 2006, 2009 and most recently 2012) and have concluded that there is no need for a major revision of the EU SME definition;
- G. whereas the cross-sectoral value chain for SMEs makes it possible to reduce institutional, technical and bureaucratic obstacles, and whereas effective support policies are needed for the creation of networks between businesses;
- H. whereas an SME definition has to contribute to facilitating quality job creation, improving working conditions and security, and limiting any abuses to the absolute minimum;

The SME definition

Commission efforts

1. Welcomes the Commission’s initial impact assessment, and approves of the focus on enterprises that are in need of support and simple rules with a view to streamlining planning and legal certainty for SMEs; welcomes in this context the public consultation conducted by the Commission;
2. Takes the view that, given the nature of this strategic instrument and the many differences between SMEs and Member States, the flexibility offered by the 2003 recommendation should be maintained; is convinced that the overall structure of the definition must be preserved and applied using the correct combination of the criteria already identified;

Re-evaluation of the SME definition

3. Calls on the Commission to prevent larger players from attempting to create artificial corporate structures to take advantage of the SME definition, which would lead to a system in which the available support is wrongly and more widely distributed and hence not available to SMEs in need; emphasises that an adjustment of the SME definition should always work to the benefit of SMEs and ease their access to public support;
4. Calls on the Commission to consider updating the SME definition while also taking account of the Commission's economic forecasts regarding inflation and labour productivity, so as to obviate the need for any rapid further adjustment over the next few years; believes that any future adjustments to the SME definition should be made in a manner that ensures the long-term stability of the definition;
5. Points out that the employee headcount has become a widely accepted criterion and should remain the main criterion; recognises that the headcount criterion has certain limitations in terms of accuracy for an EU-wide comparison, and believes therefore that turnover and balance sheet totals are also important criteria for the definition; highlights furthermore the importance of the proper acknowledgement of start-ups and of 'micro enterprises' and thus of the acronym MSME;
6. Stresses that there is a need to clarify the terms 'linked enterprise' and 'partner enterprise' and the status of SMEs in mergers; regards it as imperative to simplify procedures, red tape and the applicable rules; calls on the Commission, in that connection, to simplify the applicable rules; takes the view that, if start-ups work together with joint ventures, enterprises linked with the joint ventures should not be taken into account when assessing the start-up's SME status, provided that it is not an artificial construct and there are no further connections between the start-up and the linked enterprises;
7. Calls on the Commission to support the aggregation of undertakings, particularly clusters and business networks, with the aim of promoting the rationalisation of costs and improvements to the exchange of knowledge and expertise, with particular reference to innovation relating to both products/services and processes;

Other points relating to the SME definition

8. Welcomes the Commission's start-up and scale-up initiative; views the promotion of entrepreneurship as important for economic growth in the EU; welcomes the two-year transitional period during which, for example, high-growth companies would retain SME status; calls for an evaluation of the need to extend the transitional period; calls on the Commission to continue work on assisting entrepreneurs, start-ups and SMEs on fundraising initiatives, including new ones such as crowdfunding;
9. Takes the view that economic diplomacy instruments employed at EU level, such as the Mission for Growth, could be used to address economic challenges and exploit economic opportunities at global level more effectively; calls on the Commission to step up its efforts in that area under the EU industrial policy strategy, without creating duplicate structures; calls, in that connection, for an 'Export potential in relation to enterprise size' indicator to be developed in order to improve information and best-practice examples on opportunities for the internationalisation and international competitiveness of SMEs, and for additional support to be offered to SMEs with high

export potential;

10. Is concerned that, despite the considerable contribution they make to employment and growth by virtue of their productivity, MidCaps (enterprises that have outgrown the SME definition but still typically have medium-sized structures) do not receive appropriate attention from policy-makers; calls, therefore, for a separate definition to be established for these companies so as to enable targeted measures for MidCaps while avoiding the risk of broadening the SME definition to an extent that would be detrimental to its original objectives;
11. Notes that, in addition to SMEs, freelancers and large enterprises, MidCaps also contribute to employment and growth, especially by virtue of their productivity, and therefore deserve a fair level of attention in EU policies;
12. Calls on the Commission, in addition to prioritising measures for EU SMEs, to look into launching an initiative aimed at growth-oriented MidCaps which would not merely mirror measures for SMEs but would address the specific challenges facing MidCaps and, using exclusively new funding, would cover collaborative research access, digitalisation strategies, export market development, and the easing of data protection rules where appropriate and fully justified;

Reporting obligations, statistics, studies and impact assessments

13. Believes that the future COSME, FP9 and Structural Funds programmes under the next MFF should continue to earmark sufficient amounts to support SMEs seeking to innovate and generate employment;
14. Underlines the importance of maintaining a clear and common definition of SMEs in the context of the ongoing negotiations on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union, as SMEs are defined in EU law and are often attributed a special status in the Union's trading agreements;
15. Calls on the Commission to analyse the merits of additional criteria - *inter alia* 'export-intensive' (high level of exports in relation to number of employees), 'largely independently-run' and 'high equity ratio' – to be taken into account when categorising companies, while maintaining clear and coherent rules, and to process the results accordingly;
16. Calls on the Commission to conduct a comprehensive study into the possible impact of the SME definition on business development and on 'lock-in effects', i.e. when enterprises deliberately opt not to expand in order to avoid bureaucratic burdens and other obligations that arise from the loss of their SME status;
17. Underlines that small local public service enterprises that meet the SME criteria fulfil important tasks for local communities, are deeply rooted in their local business environment and, *inter alia*, create the right preconditions for the growth of all other SMEs; notes that having public ownership does not necessarily imply financial or regulatory support by the public entity, thanks to national legislation, state aid laws or financially weak public entities; encourages the Commission, therefore, to conduct a study on the impacts of the definition on publicly owned enterprises which are

financially independent, organised under private law or operate under competitive conditions with private companies;

18. Calls on the Commission to conduct a feasibility study of sector-specific SME definitions in order to scrutinise the impact of such an approach on these sectors of the economy and the added value generated;
19. Calls for the SME impact test which implements the ‘Think Small First’ principle to be made mandatory for all EU legislative proposals, beyond the Commission’s own undertakings; stresses that the result of this test should be clearly indicated in the impact assessment of all legislative proposals; calls on the Commission to give such an undertaking in the next Interinstitutional Agreement on better law-making, and takes the view that an update of the Small Business Act for Europe could be considered;

Guidance for SMEs regarding the definition

20. Calls on the Member States and the Commission to provide guidance to enterprises on the procedures used to determine SME status and information about any changes concerning the SME definition or procedures, in a timely and optimal manner;
21. Instructs its President to forward this resolution to the Council and the Commission.