

## Reaction to the public consultation on the review of the SME definition

### Position paper ONL voor Ondernemers

*ONL voor Ondernemers is a Dutch entrepreneurs organisation with one goal, to ensure that the voice of entrepreneurs is heard. The read thread of ONL are SMEs. Entrepreneurs determine our agenda. Our goal is to improve the business climate for SMEs, by being the bridge to politics for entrepreneurs. We do not only listen to entrepreneurs, we provide proposals and solutions as well. We believe that SMEs are the key to economic and societal challenges.*

SMEs are large contributors to the European internal market. The role SMEs take in the EU is growing, as does their importance. The amount of SMEs grew after the economic crisis and created more jobs in Europe, which caused the unemployment rate to decrease and stimulated the EU economic growth. Therefore, we encourage the evaluation of the SME definition by the European Commission.

#### **Growth of SMEs**

- ❖ There are possibilities to stimulate private investments and growth of SMEs. A possibility is to not link private investment thresholds of business angels to financial data and staff headcount. This creates more opportunities for SMEs to grow, seek for new private investors and hire more employees. Which, will result in more jobs and economic growth for the EU.

#### **SME status**

Enterprises can easily lose their SME status due to investments from business angels, while the enterprise is still operating as an SME. Having an SME status is beneficial since SMEs are allowed to receive preferential treatment in public support. SMEs receive preferential treatment since they are confronted with market failures and certain challenges due to their size. These enterprises need certain privileges to survive and to compete with larger enterprises.

- ❖ A clear definition to determine whether an enterprise is an SME, is desirable. A clear definition is significant since the term “SME” is often used in EU policies. Moreover, the definition is important to decide which enterprise is eligible for subsidies, exemptions and financial facilities.
- ❖ A clear definition of the SME status will help assure equal treatment for SMEs and fair competition.
- ❖ In the future, new business life-cycles and digitalisation may force regulation to adapt to these developments and apply suitable rules. For example, a digital platform that does not have many employees but is used all over the world as a mediator could be difficult to define. Therefore, in the future, the definition of an SME by staff headcount, and financial ceilings determining an enterprise, might need to change drastically.

#### **Thresholds**

If a business angel invests in an SME enterprise and the SMEs' total staff headcount will exceed 250 employees and the annual balance sheet will exceed the EUR 43 million, due to the investment of

business angel(s), the enterprise will lose their SME status, despite the fact that the enterprise is still operating as an SME. This is not favourable and obstructs SMEs to grow.

### **Staff headcount**

To achieve growth, SMEs need to hire more employees. Employees that work for the SME enterprise and not the employees that are added to the staff headcount because of a private investment, made by business angels.

- ❖ Employees are valuable to SMEs. The staff headcount to distinguish the definition of micro, small and medium- sized enterprises are clear and fair. However, adding the total staff headcount of the partner or linked enterprise to the SME obstructs the SME of hiring new and good employees in the future. Therefore, having a share in a SME should not determine the total staff headcount of the SME.

### **Financial data**

Access to finance is already a major challenge for SMEs. Many SMEs are not provided with a loan from the bank. Therefore, private investments are valuable to SMEs, this provides them with the opportunity to grow.

- ❖ Currently, if a business angel or multiple business angels exceed the investment threshold of EUR 1.250.000 in an SME enterprise, their financial data will be added to the SMEs financial data. This discourages SMEs from seeking private investments.