

# **EUROPEAN DEFENCE FUND**

The tutorial video relating to these slides is accessible from the [EDF webpage](#)

# **SME & mid-cap assessments**

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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**
2. Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises
3. Rules for Legal Entity Validation, LEAR Appointment and Financial Capacity Assessment for EU Grants and Tenders.
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](#)



**Thresholds (Article 2)**

Enterprise category	Headcount annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

\* 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

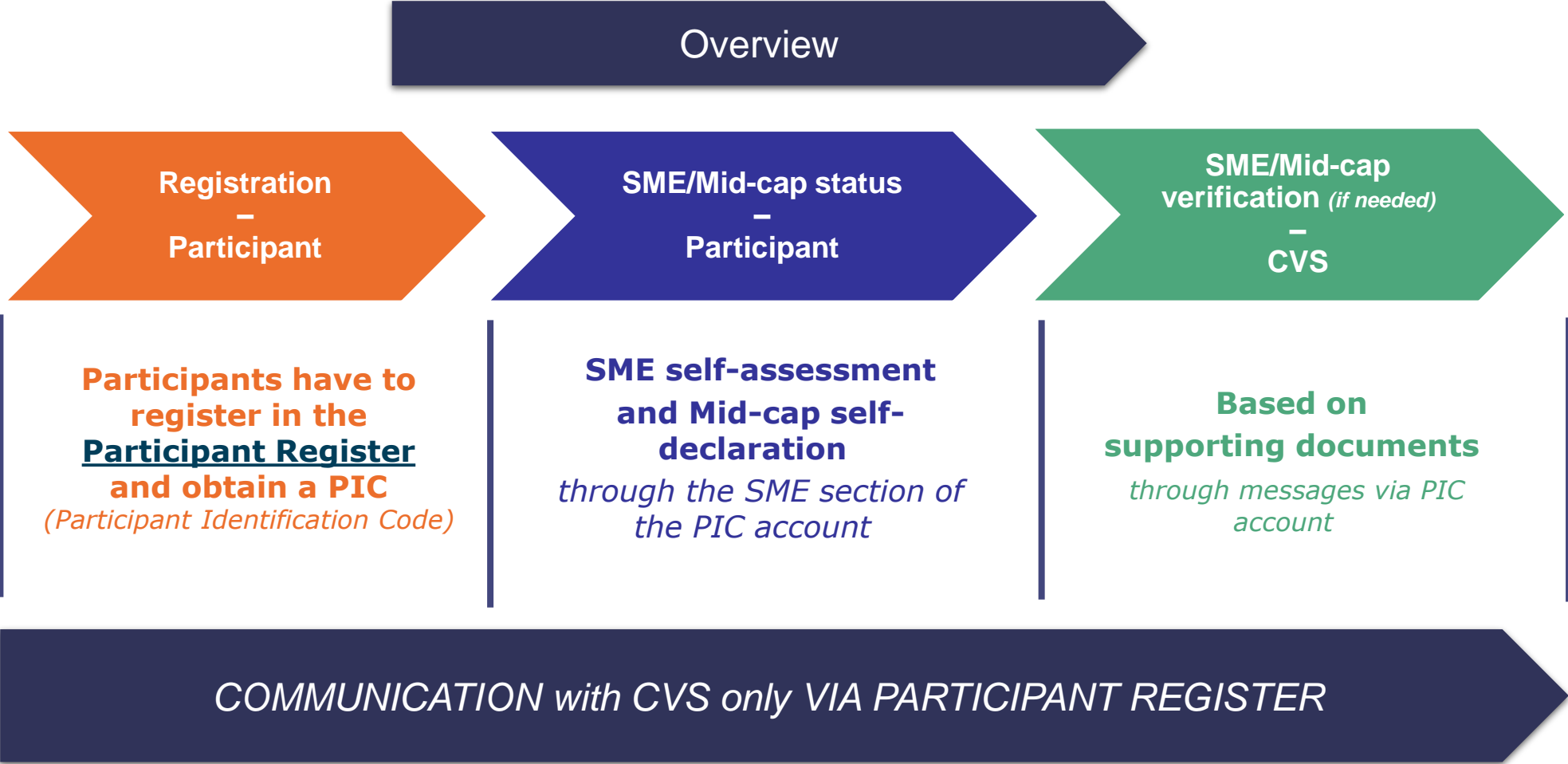
*Article 3.4 of the Annex to Commission Recommendation 2003/361/EC*

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



# **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

 Need help?

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

**Search for a  
registered  
organisation**

### 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.

Register your organisation

**New registration**

# SME self-assessment

## in the Participant Register

### 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

The screenshot shows a user interface for a Participant Register. At the top, there is a navigation bar with several tabs: Organisation Data, Legal Information, Authorised users / LEAR, Bank Accounts, Financial capacity, Messages (with a red notification icon), Documents, SME (highlighted with a red circle), and Additional organisation data. Below the navigation bar, the 'SME data' section is visible. It contains a table with columns for Year, Result, Type, Closing date, and Status. The first row of the table is 'SME Self-Assessment', which is also circled in red. Below the table, there is a text block stating: 'In some calls for proposals (specified in the topic conditions and submission system) the SME Self-Assessment is mandatory and the lack of it may block your submission. Find additional information about the SME Self-Assessment on the IT HOW TO wiki.' At the bottom right of this section, there is a blue button labeled 'Start SME self-assessment', which is also circled in red.

# 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

Ready for the result of the SME self-assessment

Below you will find a summary of the data that you have entered.  
Before pressing the "submit" button, please verify that the all inserted data and information is correct as no changes will be possible after that.  
Once you submit the data, the SME self-assessment will automatically determine whether **My Company** qualifies as an SME according to the EC Recommendation 2003/361/EC and will transmit the result of the SME self-assessment, together with the information provided by you, to the relevant EU services.

- I confirm to have read and understood the explanations provided throughout the SME self-assessment.
- I declare, under my responsibility, that the information and data introduced is true and correct and has been inserted in good faith and in compliance with the SME rules and guidelines.
- I confirm that, apart from the organisation(s) listed here below, there are no other organisations which can be considered as partner or linked to **My Company** under the terms and conditions of Articles 3.2 and 3.3 of the SME Definition (including organisations having other relationships, such as the right to exercise a dominant influence).
- I acknowledge that my self-assessment will be available to all relevant EU Services.
- I agree to submit the financial documents justifying the figures and data introduced in the SME self-assessment should an ex post check be performed on **My Company**.

**Finish and view results**

Important: Your data will only be available for linking to the Beneficiary Register

Overview of ownership

Name	%	Type	Financial Data	Actions	S	P	O
My Company		MO	TO: 175,000.00 EUR BS: 200,000.00 EUR Employees: 5.00		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
My first shareholder	75.00 %	S	TO: 150,000.00 EUR BS: 200,000.00 EUR Employees: 1.00		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
My Minor Shareholders	25.00 %	S	TO: BS: Employees:		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
My Italian Subsidiary	80.00 %	P	TO: 500,000.00 EUR BS: 60,000.00 EUR Employees: 4.00		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# SME self-assessment

## in the Participant Register

### 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

Staff Headcount: 10.00

Aggregated Annual Turnover: 825,000.00 EUR

Aggregated Annual Balance Sheet: 460,000.00 EUR

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:

Name of the entity		%	Relationship	TO	BS	Staff	pub	NP	INV	Closing date	Cons acc y/n
My Company	AGGREGATED	100.00	MAIN	825,000.00 EUR	460,000.00 EUR	10.00					
	INDIVIDUAL	100.00		175,000.00 EUR	200,000.00 EUR				04-02-2019		
My first shareholder	actual %	75.00	Shareholder of My Company	150,000.00 EUR	200,000.00 EUR	1.00				13-02-2019	
	effective %	100.00		150,000.00 EUR	200,000.00 EUR	1.00					
My Minor Shareholders	actual %	25.00	Shareholder of My Company	EUR	EUR						
	effective %	25.00		0.00 EUR	0.00 EUR	0.00					
My Italian Subsidiary	actual %	80.00	Owned by My Company	500,000.00 EUR	60,000.00 EUR	4.00				14-02-2019	
	effective %	100.00		500,000.00 EUR	60,000.00 EUR	4.00					
Minor shareholders	actual %	20.00	Shareholder of My Italian Subsidiary	EUR	EUR						
	effective %	0.00		0.00 EUR	0.00 EUR	0.00	Y				

# SME self-assessment

## in the Participant Register

### 5.2 Results

#### Non-SME status

SME data

The «SME» status assessment of **to the moon and back** test is now completed.

### Result

Based on the information and financial figures related to the financial year 2023 I taken into consideration and in the terms of the SME

 **My Company** is **NOT SME**

Reasons

Staff headcount exceeding the threshold set in Article 2 of the SME Definition

Please find hereafter the 2023 results for **My Company** concerning the SME criteria relevant under the SME Definition

**SME Thresholds**

STAFF HEADCOUNT: 1600

Organisation Data | Legal Information | Authorised users / LEAR | Bank Accounts | Financial capacity | Messages | Documents | SME | Additional orga

# SME self-assessment

## in the Participant Register

### 6. Submit SME assessment

SME data

The table below presents your existing SME data.

Year	Result	Type	Closing date	Status	Actions
2023	Not SME	Self-declared	31/12/2023	To Submit	Submit
2020	Mid-cap	Self-declared	31/12/2020	Submitted	

# 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.



# SME assessment

First condition to be met

## 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

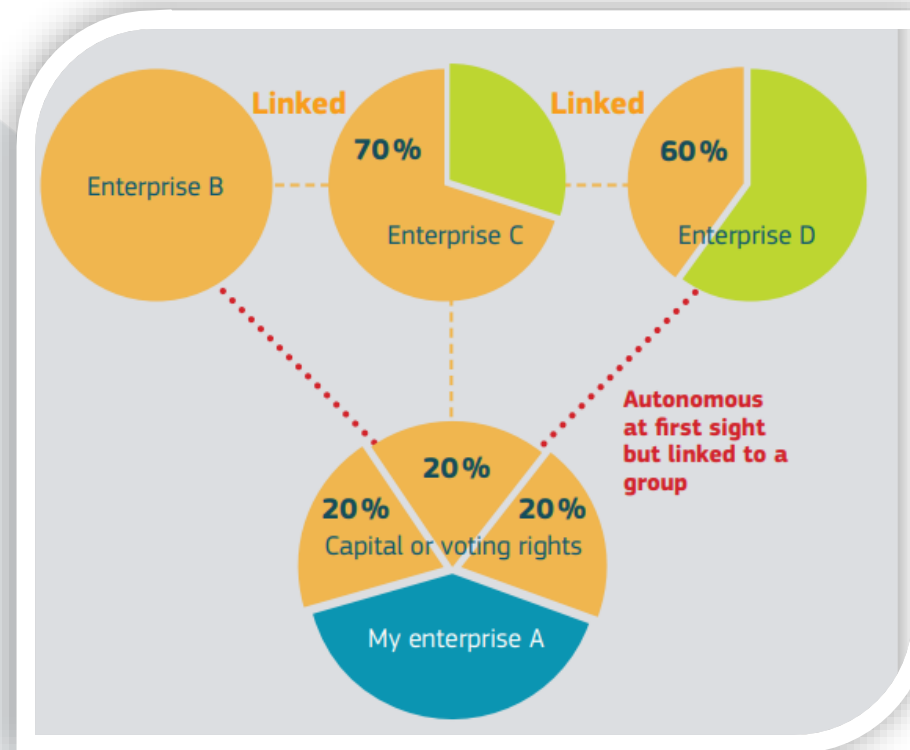
ARTICLE 3.1 of the SME Recommendation

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!

# SME assessment

## Family tree

### Partner enterprise

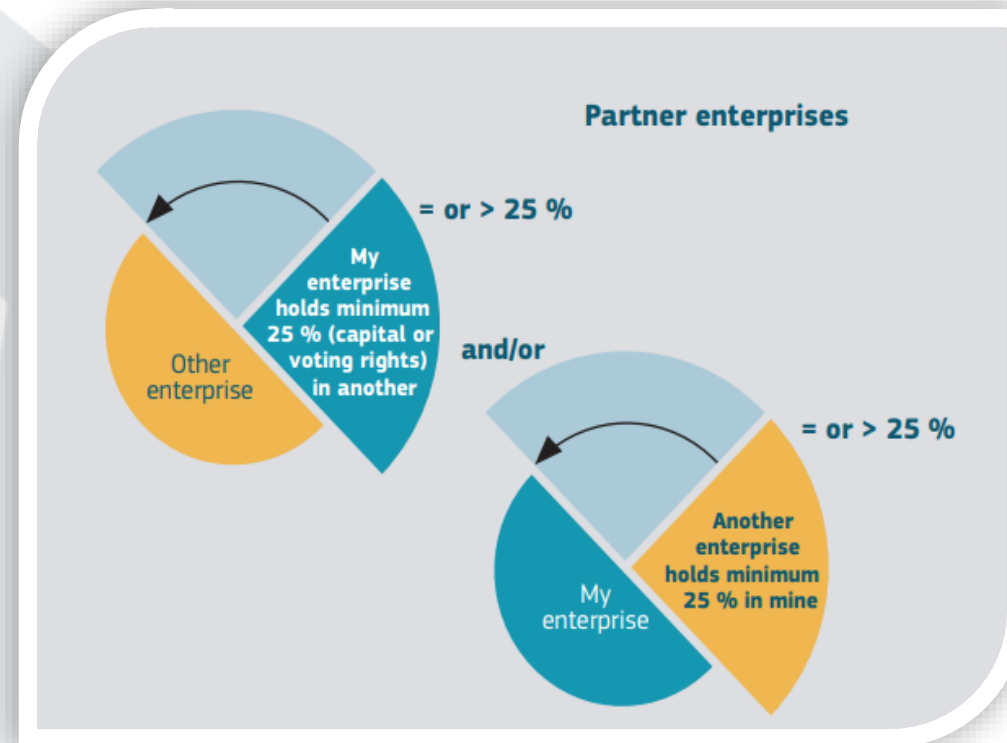
ARTICLE 3.2 of the SME Recommendation

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)*



# SME assessment

## Family tree

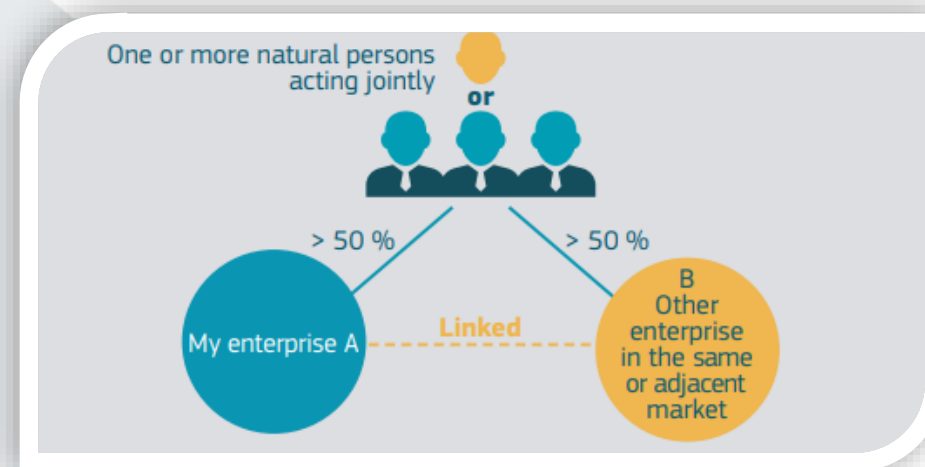
### Linked enterprise

ARTICLE 3.3 of the SME Recommendation

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**

Including through natural persons!

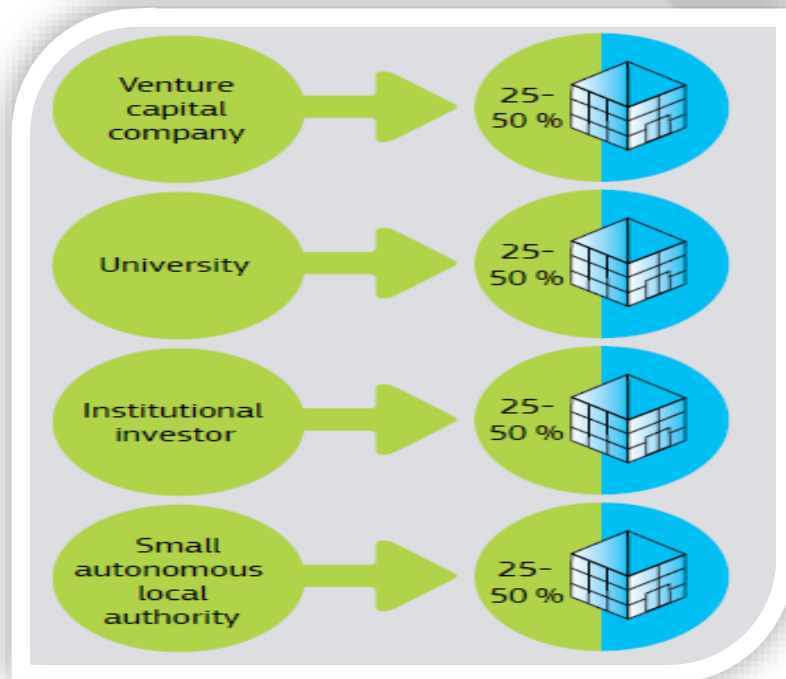


# SME assessment

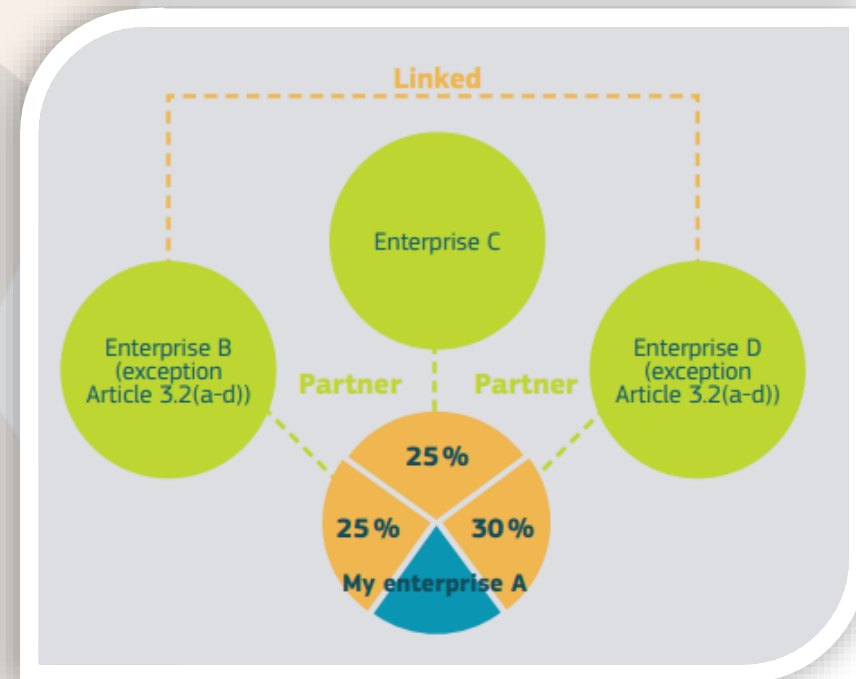
## Rule on special investors

### 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:



- ✓ **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

# SME assessment

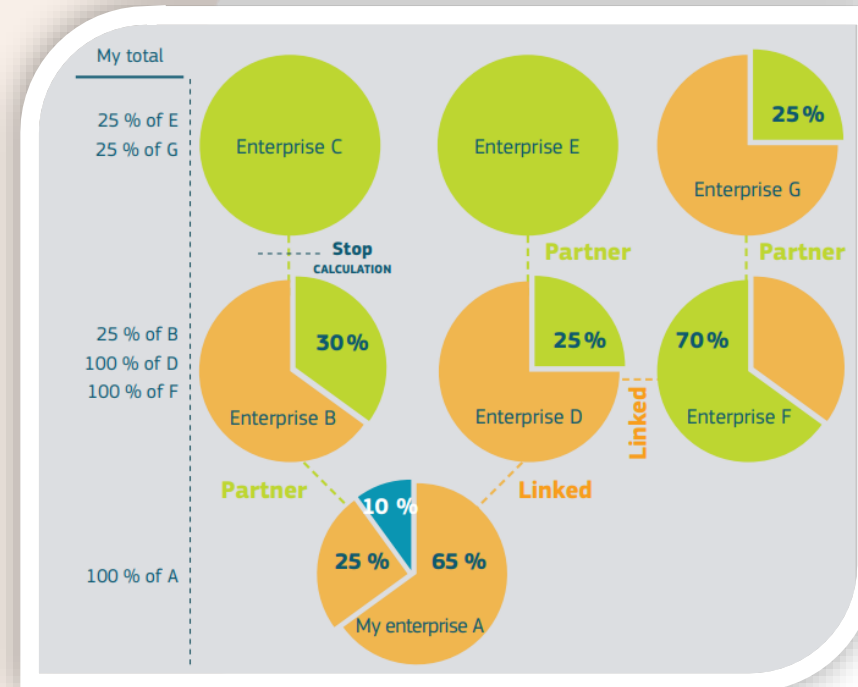
## Data aggregation

### Which data to include

ARTICLE 6 of the SME Recommendation

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;



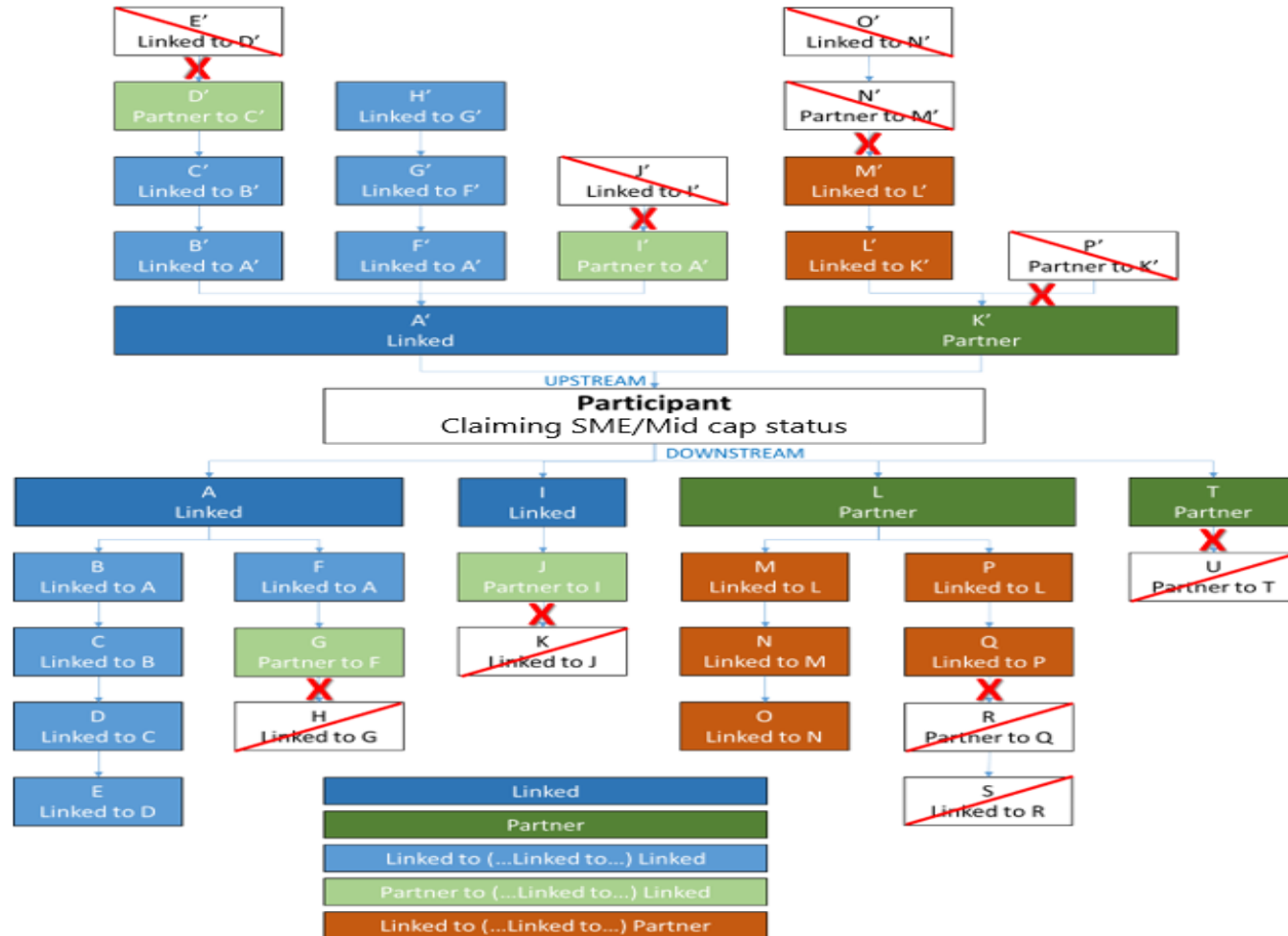
My total = 100% A + 25% B + 100% D + 25% E + 100% F + 25% G

# SME assessment

## Data aggregation

### How far do I go?

Article 6 to the SME Recommendation



### 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 (AWU), **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?*



# SME/Mid cap Assessment

## Supporting documents

### 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

- EDF Regulation (EU) 2021/697: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R0697>
- Rules for Legal validation, LEAR appointment and financial capacity assessment: [https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/rules-lev-lear-fca\\_en.pdf](https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/common/guidance/rules-lev-lear-fca_en.pdf)
- Commission Recommendation 2003/361/EC: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32003H0361>
- SME Definition – user guide: <https://ec.europa.eu/docsroom/documents/42921>
- How to register in the Participant Register: <https://webgate.ec.europa.eu/funding-tenders-opportunities/display/OM/Online+Manual>
- SME self-assessment wizard – Step by step: [SME wizard — Step by step - IT How To - Funding Tenders Opportunities \(europa.eu\)](https://ec.europa.eu/info/funding-tenders-opportunities/portal/screen/support/support)
- 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>



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