

European and National Definitions of Small and Medium-sized Enterprises (SMEs)

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This document provides a comprehensive overview of the **European Union's** definition of a **Small and Medium-sized Enterprise (SME)** and a comparative look at the national definitions in **France, Germany, and the Netherlands**. While all these countries adhere to the core EU standards, their national frameworks often include specific variations for administrative, statistical, and tax purposes.

The EU Definition of SMEs

The **European Union's** official definition of a SME is based on three main categories: **Micro, Small, and Medium**. A company must satisfy the headcount criterion and one of the two financial criteria (either turnover or balance sheet total).

1. Micro-enterprise

- **Headcount:** Fewer than 10 employees.
- **Annual Turnover:** Not exceeding two million euros (€2,000,000).
- **Or Annual Balance Sheet Total:** Not exceeding two million euros (€2,000,000).

2. Small Enterprise

- **Headcount:** Fewer than 50 employees.
- **Annual Turnover:** Not exceeding ten million euros (€10,000,000).
- **Or Annual Balance Sheet Total:** Not exceeding ten million euros (€10,000,000).

3. Medium-sized Enterprise

- **Headcount:** Fewer than 250 employees.
- **Annual Turnover:** Not exceeding fifty million euros (€50,000,000).
- **Or Annual Balance Sheet Total:** Not exceeding forty-three million euros (€43,000,000).

Comparison of National SME Definitions

This section highlights how France, Germany, and the Netherlands apply and, in some cases, slightly modify the EU definition for national purposes.



France

France generally aligns with the EU definitions, though it uses specific terminology in official contexts.

- **Micro-enterprise:** Referred to as a "très petite entreprise" (TPE) or "microentreprise," this category has fewer than 10 employees and an annual turnover or balance sheet total not exceeding €2 million.
- **Small Enterprise:** A "petite entreprise" has fewer than 50 employees and an annual turnover or balance sheet total not exceeding €10 million.
- **Medium-sized Enterprise:** A "moyenne entreprise" has fewer than 250 employees and an annual turnover not exceeding €50 million or an annual balance sheet total not exceeding €43 million.

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Germany

Germany's national definition, particularly the concept of the "Mittelstand," is closely tied to the EU standards. Mittelstand companies are typically owner-managed and often family-owned, which promotes a long-term, sustainable business strategy rather than a focus on short-term profits. These companies are often highly specialized, dominant in a niche market, and are renowned for their innovation, high-quality products, and strong ties to their local communities.

- **Micro-enterprise:** A company with fewer than 10 employees and an annual turnover or balance sheet total not exceeding €2 million. This definition is used for public funding and support programs.
- **Small Enterprise:** A company with fewer than 50 employees and an annual turnover or balance sheet total not exceeding €10 million.
- **Medium-sized Enterprise:** A company with fewer than 250 employees and an annual turnover not exceeding €50 million or a balance sheet total not exceeding €43 million.



The Netherlands

The Netherlands uses the EU definition for determining eligibility for most EU-wide programs and subsidies. However, the Chamber of Commerce (KVK) has its own specific financial thresholds for annual financial statement filing requirements.

- **Micro-enterprise:** A company with fewer than 10 employees. For KVK filing purposes, it is defined by a turnover of no more than €700,000 or a balance sheet total of no more than €350,000.
- **Small Enterprise:** A company with fewer than 50 employees. For KVK filing purposes, it has a turnover of no more than €12 million or a balance sheet total of no more than €6 million.
- **Medium-sized Enterprise:** A company with fewer than 250 employees. For KVK filing purposes, it is defined by a turnover between €12 million and €40 million or a balance sheet total between €6 million and €20 million.

Conclusion

Understanding the nuances of the EU SME definition is a powerful tool for companies looking to expand and adapt their supplier diversity programs in Europe. While Europe's official framework is based on a company's size, dedicated organizations provide a critical layer of support for diversity and inclusion.

The **European Supplier Diversity Program (ESDP)** is committed to helping companies build truly inclusive supply chains. It offers a certification for Ethnic Minority Businesses (EMBs) and works to directly connect these innovative companies with corporations committed to inclusive procurement. Similarly, other organizations like **WEConnect International** certify women-owned businesses, and **EGLCC** supports LGBTQ businesses. By leveraging the EU's broad SME definition alongside the certification programs offered by these organizations, companies can establish a robust and effective framework for identifying, engaging, and supporting a truly diverse supplier base. This combined approach allows for the creation of a more inclusive, resilient, and innovative supply chain, driving economic empowerment and positive social impact.

Source: European Commission, "Small and medium-sized enterprises (SMEs) definition"; Insee, "Small and medium enterprises / SME - Definition"; Make it in Germany, "Small and medium-sized enterprises (SME): glossary entry"; Business.gov.nl, "What is an SME / MKB in the Netherlands?".