

# Welcome

## SME verification – getting your company size right

9 June 2020

Lazarina Valcheva

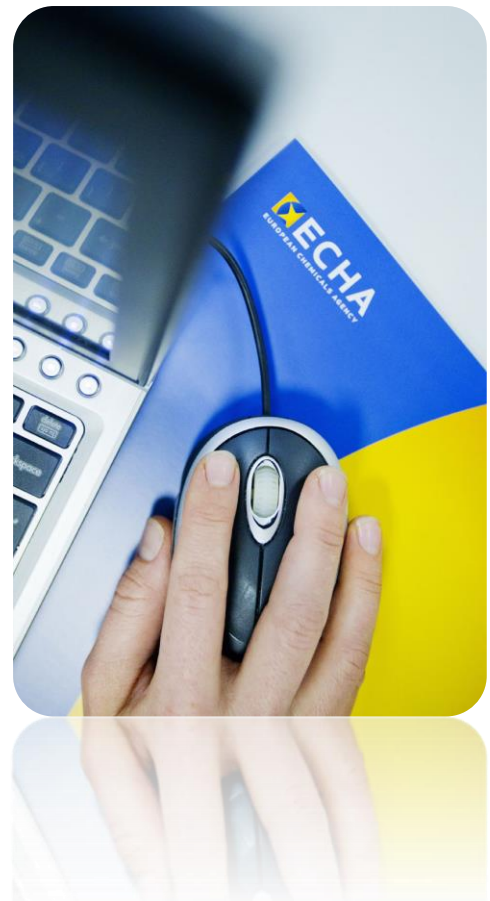
Sara Privitera

Thomas Blin



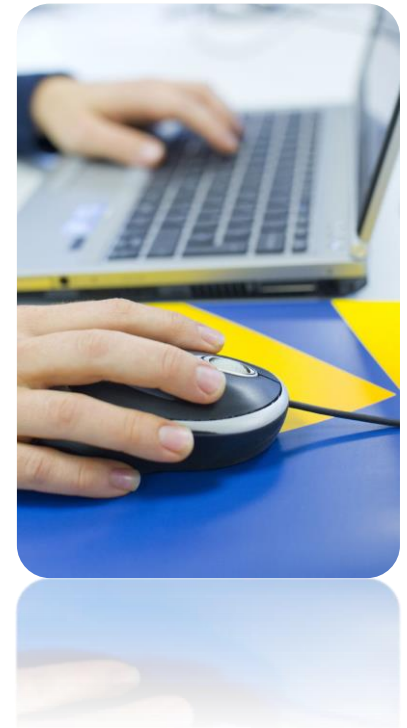
## What you can expect from today

- Learn about SME definition
- Learn how to assess your company size
- Examples of ownership structures and calculations
- Key messages and tips
- Get answers to questions



# Questions

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- Send questions from **11:00 to 15:00 Helsinki Time**
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REACH 2018	Upcoming	2017	2016	2015	2014	2013	2012	2011	All Webinars
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# Agenda



- 11:00 **SME definition and fee reductions**  
Lazarina Valcheva, ECHA
- 11:10 **SME verification assessment process**  
Sara Privitera, ECHA
- 11:20 **Ownership structure and calculation examples**  
Thomas Blin, ECHA
- 11:55 **Concluding remarks**  
Thomas Blin, ECHA
- 11:00 – 15:00 **Webinar open for questions**

# SME definition and fee reductions

SME verification – getting your  
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9 June 2020

Lazarina Valcheva, ECHA



# Overview

SME: definition and determination criteria

Fee reductions and why we verify size

What to consider when assessing your company size





## SME definition

- Micro, small or medium-sized enterprise

*Commission Recommendation 2003/361/EC (Art. 2 (1))*

*The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.*





# Qualification criteria

Enterprise category	Staff headcount	Turnover or	Balance sheet total
Medium sized	< 250	≤ 50 million euro	≤ 43 million euro
Small	< 50	≤ 10 million euro	≤ 10 million euro
Micro	< 10	≤ 2 million euro	≤ 2 million euro

**Note:** All linked and partner enterprises have to be taken into account



## Fee reductions and size verification

- SMEs benefit from up to 95% in fee reductions depending on size
- Equal and fair treatment of all SME registrants
- We may ask for evidence at any time that conditions for reduced fees, charges or fee waivers still apply

# Considerations for assessing your company size





## 5 step approach

1. Ownership structure
2. Account closure and years of reference
3. Staff headcount
4. Annual turnover and balance sheet
5. Commission Recommendation ceilings



# 1. Ownership structure

## Enterprise categories

1. Autonomous
2. Partner
3. Linked enterprise

**Note:** *Ownership structure at the time of each submission*



# 1. Ownership structure

## Autonomous enterprise (1)

- Totally independent

or

- < 25% capital/voting rights (whichever is higher) in one or more other enterprises and/or other enterprises do not have a stake of > 25% (capital/voting rights) in the enterprise

or

- Not linked to another enterprise through a natural person (*Art. 3.3: Annex to Commission Recommendation*)



# 1. Ownership structure

## Autonomous enterprise (2)

- Possible to have several investors
  - Each with a stake of less than 25% still remaining autonomous if not linked to each other
- If investors are linked
  - Enterprise may be considered a partner or linked enterprise
  - Depends on specific situation



# 1. Ownership structure

## Partner enterprises (1)

- 25÷50% of capital/voting rights in another enterprise

or

- Another enterprise has 25÷50% of capital/voting rights in the enterprise in question





# 1. Ownership structure

## Partner enterprises (2)

Case of public bodies (Art 3.4):

- If 25% or more of capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies, enterprise cannot be considered an SME



# 1. Ownership structure

## Linked enterprises

- Enterprise is linked to another enterprise if one of them has ability to exercise dominant influence over the other by:
  - Owning >50% of shares
  - Entitled to change a majority of the management body
  - Having a contract allowing a dominant influence; or
  - Holding sole control over majority of shareholders' or members' voting rights



## 2. Account closure and years of reference (1)

- Start with year of each concrete submission (registration, update of registration, notification etc.) in REACH-IT
- Apply data related to latest approved accounting periods for staff headcount and financial amounts
- Calculated on an annual basis

**Note:** *Newly established enterprises apply data from a bona fide estimate made in the course of the financial year*



## 2. Account closure and years of reference (2)

**Example:** Submission in REACH-IT is done on **3 June 2020**

Year end	Correct years of reference	
31 December	31/12/2018	31/12/2019
30 April	30/04/2019	30/04/2020
31 October	31/10/2018	31/10/2019

**Note:** Where, at the date of closure of accounts, an enterprise finds that on an annual basis, it has exceeded or fallen below the headcount or financial ceilings related to the final size categories, will not result in the loss or acquisition of the status of medium-sized, small or micro enterprise unless those ceilings are exceeded over two consecutive accounting periods.



## 3. Staff headcount

- Employees
- Seconded persons
- Owner-managers
- Partners (other than sleeping partners)

**Note:** Staff headcount corresponds to the number of annual work units (AWU). Where staff do not work full time during the year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers should be counted as an appropriate fraction



## 4. Annual turnover and balance sheet total

- Annual turnover determined by:
  - Calculating income your enterprise received during the year in question from its sales and services
  - After any rebates have been paid out
  - Turnover should not include value added tax (VAT) or other indirect taxes
- Annual balance sheet total refers to value of company's total assets



## 5. Commission Recommendation Ceilings

Enterprise category	Staff Headcount	Turnover	or	Balance Sheet total
Medium sized	< 250	≤ 50 million euro		≤ 43 million euro
Small	< 50	≤ 10 million euro		≤ 10 million euro
Micro	< 10	≤ 2 million euro		≤ 2 million euro

**Note:** Ceilings not necessarily calculated solely by reference to the enterprise itself. Where an enterprise is not autonomous, it has to consider headcount, turnover and balance sheet total of other linked enterprises

# SME verification assessment process

SME verification – getting your  
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9 June 2020

Sara Privitera, ECHA





# Overview

How we carry out SME verification

What is the outcome of the verification?



# How we carry out SME verification





## Verification steps

1. ECHA invites SME registrants to re-assess their size before the verification
2. Request for documentary evidence supporting your declared SME size
3. Analysis and verification
4. Verification outcome



# 1. ECHA invites SME registrants to re-assess their size before the verification

- ECHA provides information on size assessment on SME webpages, News alerts, News letters, letters sent through REACH-IT, etc.



## 2. Request for documentary evidence (1)

- Documentary evidence showing full ownership structure at the date of each submission

**Note:** *Full ownership includes all direct and indirect partner and linked enterprises, upstream and downstream, taking into consideration any shares, voting rights or other exercise of influence relevant to determining linkages/partnerships (Art. 3: Annex to Commission Recommendation)*



## 2. Request for documentary evidence (2)

- Full set of official financial accounts (audited if applicable) with accompanying notes and annual reports; or
- Full set of annual tax declarations for the two latest approved accounting periods prior to time of submission

**Note:** *Provide documents for any partner and/or linked enterprises (Art. 3, 4 and 6: Annex to Commission Recommendation) and consolidated accounts of the enterprise if applicable*



## 2. Request for documentary evidence (3)

- Headcount of staff that corresponds to number of annual work units (AWU) for each of the two latest approved accounting periods prior the time of each submission

*Art. 5: Annex to Commission Recommendation*



## 3. Analysis and verification

- Once complete documentation is provided, we will analyse it and make an assessment on company size
- We are available during the SME verification process for individual support





## 4. Verification outcome (1)

- Decision confirming size: no supplementary invoices for correct confirmation
- Decision for incorrect size: Top-up and administrative charge invoices
- Failure to provide sufficient documentary evidence leads to
  - Decision of non-eligibility
  - Top-up and administrative charge invoices for non-SMEs



## 4. Verification outcome (2)

### Administrative charges

Company size	Administrative charge
<b>Large</b> (non-SME) If large (non-SME) enterprise incorrectly claims to be an SME	€ 19 900 or 2.5 times financial gain (whichever is lower)
<b>Medium</b> If a medium sized enterprise incorrectly claims to be small or micro-sized	€ 13 900 or 2.5 times financial gain (whichever is lower)
<b>Small</b> If small enterprise incorrectly claims to be micro-sized	€ 7 960 or 2.5 times financial gain (whichever is lower)

**Note:** *Financial gain is the difference between incorrectly paid reduced SME fees and fees applicable to correct company size category*



## 4. Verification outcome (3)

### Revocation of registration

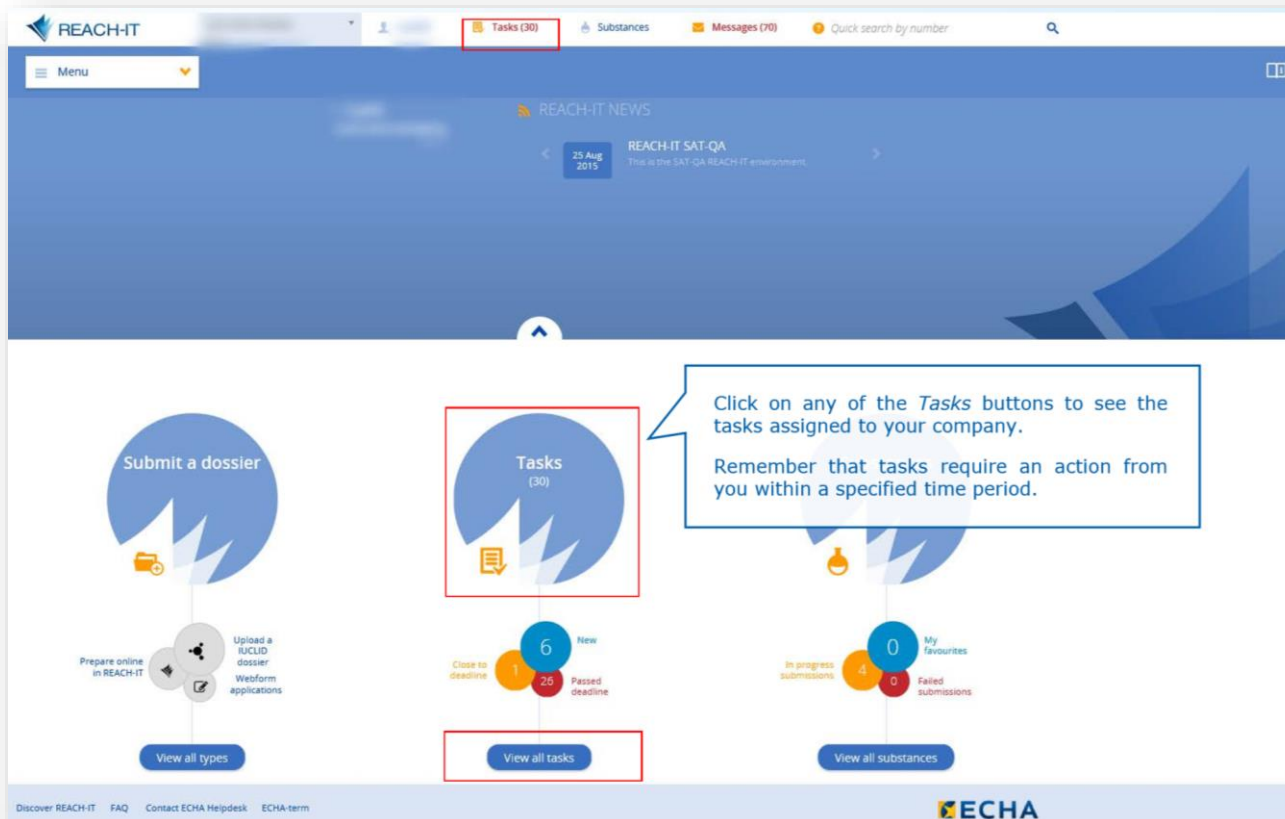
- Revocation if:
  - A decision on company size results in non-eligibility to claimed SME fee reductions
  - Invoice is not paid in due time
- Once revoked, substance can no longer be placed on the market
- Administrative charge invoice remains due
  - Not paying administrative charge leads to legal actions



## 4. Verification outcome (4)

### Finding decisions and invoices

- REACH-IT: main channel of communication
- Tasks section includes decisions and open invoices



The screenshot shows the REACH-IT dashboard. At the top, there is a navigation bar with 'Tasks (30)' highlighted in a red box, along with 'Substances' and 'Messages (70)'. Below the navigation bar, there is a 'Menu' dropdown and a 'REACH-IT NEWS' section. The main content area features three large circular buttons: 'Submit a dossier', 'Tasks (30)', and 'My favourites'. The 'Tasks (30)' button is highlighted with a red box. A callout box points to this button with the text: 'Click on any of the *Tasks* buttons to see the tasks assigned to your company. Remember that tasks require an action from you within a specified time period.' Below the 'Tasks (30)' button, there is a summary of task status: '6 New', '1 Close to deadline', and '26 Passed deadline'. A 'View all tasks' button is also highlighted with a red box. The 'My favourites' button shows '0 My favourites' and '0 Failed submissions'. At the bottom of the dashboard, there is a footer with 'Discover REACH-IT', 'FAQ', 'Contact ECHA Helpdesk', and 'ECHA-term'.

**Declared your size  
incorrectly?**





## Wrong size declaration

- Consult our website:  
[What to do if you incorrectly indicated the SME size category](#)
- If SME verification not started, no administrative charge invoice will be issued
- If we have already asked you to verify your enterprise size category, you can benefit from 50% reduction of administrative charge

# Ownership structure and calculation examples

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Thomas Blin, ECHA



# Overview

## **Case study 1:**

Linked and partner enterprises,  
linkages through natural persons

## **Case study 2:**

Indirect linked and partner  
enterprises

## **Case study 3:**

Group of linked enterprises

## **Calculation examples**





**Ownership structure  
graphics and numerical  
examples purely for  
illustrative purposes**



# Case study 1

Linked and partner enterprises, linkages through natural persons





## Case study 1

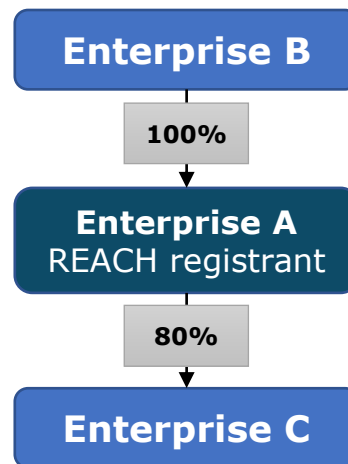
### Enterprise A: An autonomous company?

**Enterprise A**  
REACH registrant



# Case study 1

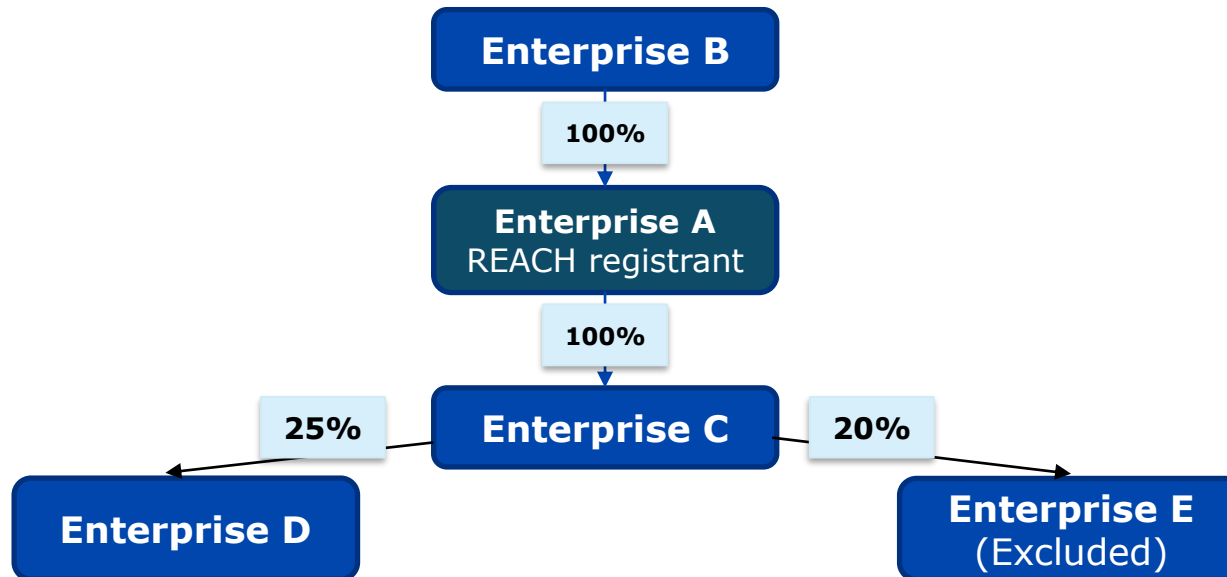
## Linked enterprises B & C





# Case study 1

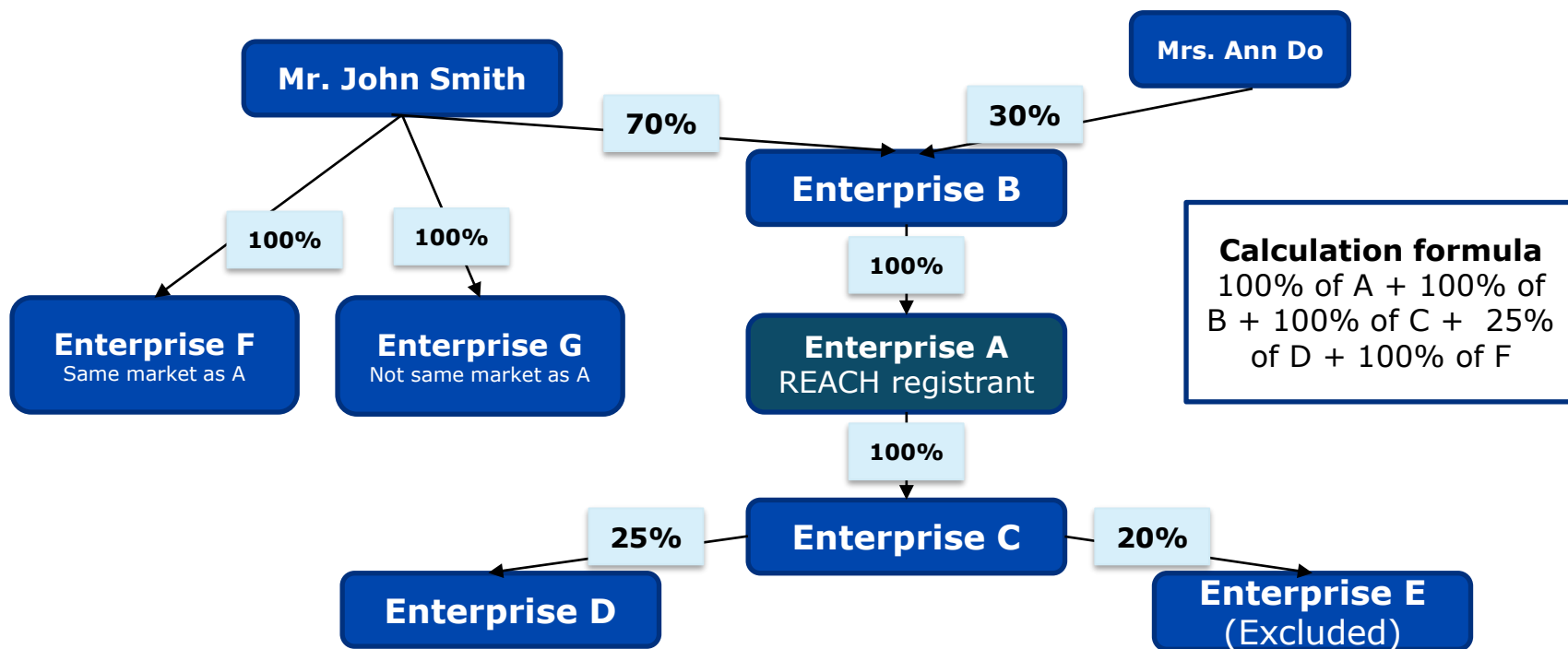
## Partner enterprise D





# Case study 1

## Enterprise (F) linked through natural person



# Case study 2

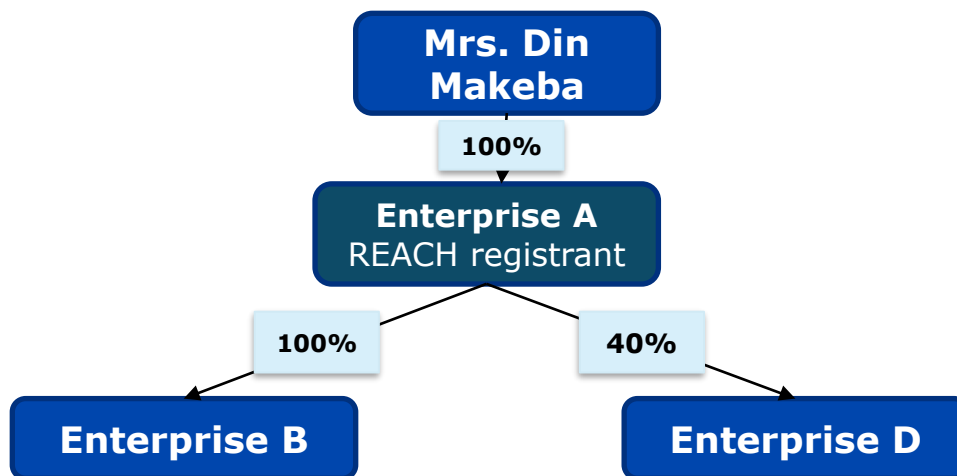
Indirectly linked and partner enterprises





## Case study 2

### Directly linked and partner enterprises

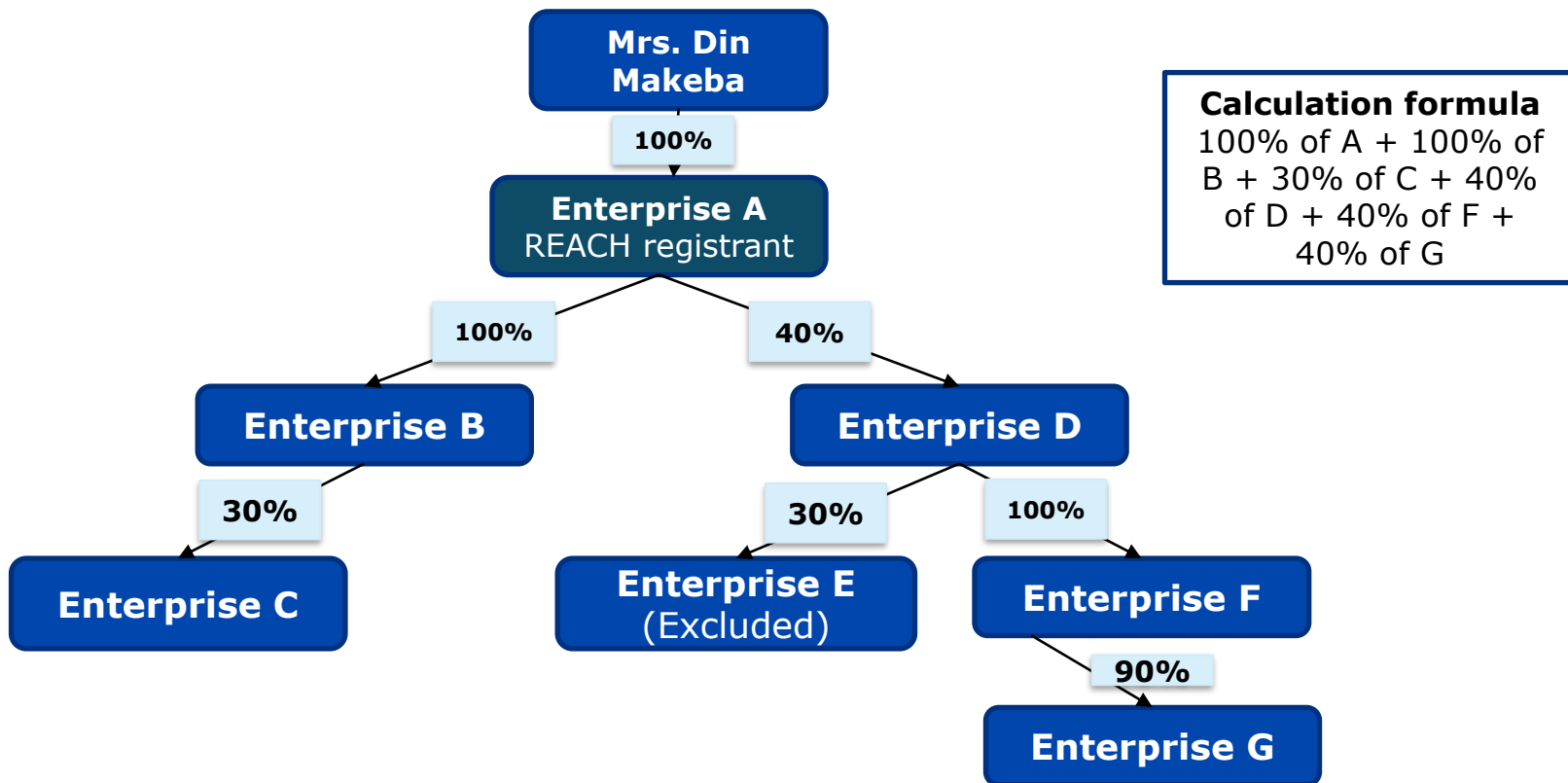






## Case study 2

### Indirectly linked and partner enterprises



# Case study 3

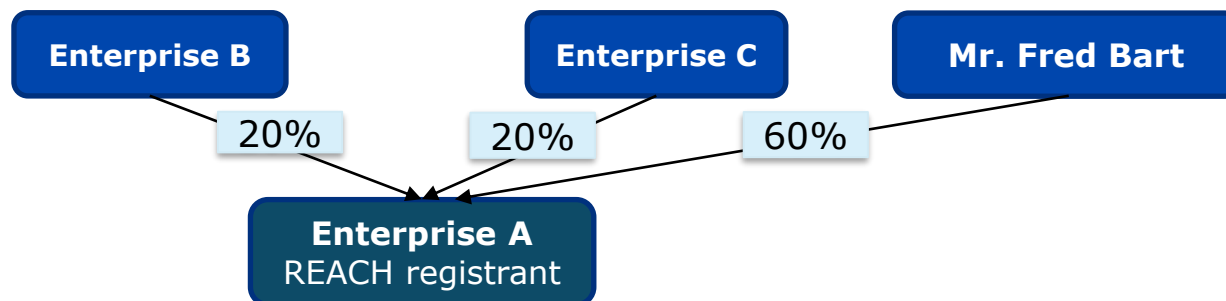
Group of linked enterprises





## Case study 3

**B and C included in ownership structure?**

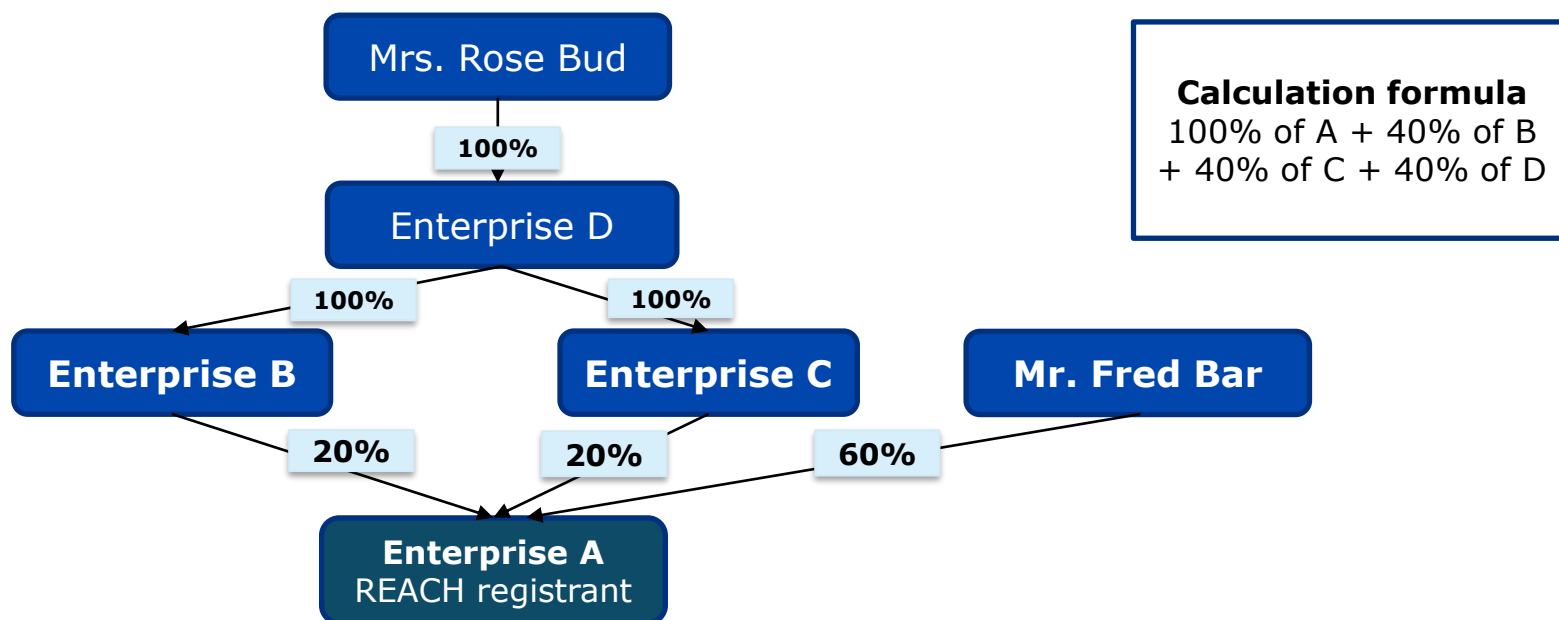




## Case study 3

### Group of linked enterprises

B, C and D are partners of A





# Calculation examples

Example number	Headcount	Annual Turnover	Annual Balance sheet total	Enterprise category
1	9	1.000.000 €	1.000.000 €	Micro
2	9	1.000.000 €	3.000.000 €	Micro
3	10	1.000.000 €	1.000.000 €	Small
4	15	3.000.000 €	60.000.000 €	Small
5	15	60.000.000 €	60.000.000 €	Large
6	100	3.000.000 €	15.000.000 €	Medium
7	100	60.000.000 €	15.000.000 €	Medium
8	500	5.000.000 €	5.000.000 €	Large

# Concluding remarks

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company size right

9 June 2020

Thomas Blin



# Take home messages (1)

- Get familiar with Commission Recommendation 2003/361/EC
  - Consult your finance/accounting department, if needed
- Consider linked/partner companies
  - If your company issues consolidated accounts or is included in consolidated accounts of another enterprise, they must be considered and provided
- Only Representatives should declare the size of the non-EU manufacturer that they represent, not of their own



## Take home messages (2)

### REACH-IT account:

- Make sure you have uploaded all relevant documents at the time of each registration
  - Keep company size and contact details updated
  - Check task section in particular
- 
- Be proactive, avoid administrative charge
    - In case of reassessment and need to update declared size, inform ECHA at: [echa.europa.eu/contact](https://echa.europa.eu/contact)
- 
- Pay invoices within due dates
    - Not paying invoices has severe legal consequences, including revocation of registration





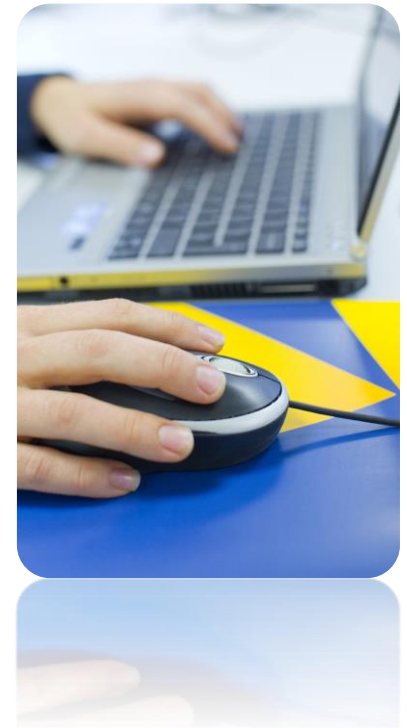


## Useful links

- [Commission Recommendation 2003/361/EC](#)
- [European Commission - The new SME definition - User guide and model declaration](#)
- [Commission Regulation \(EC\) No 340/2008](#)
- [Management Board decision MB/14/2015:Classification of Services for which Charges are Levied](#)
- [ECHA SME pages](#)
- [REACH-IT user guide](#)
- [Q&As on SME verification](#)

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