

Question ID

2025_7512

Legal act

Regulation (EU) No 575/2013 (CRR)

Topic

Credit risk

Article

5

Paragraph

9

COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations

Not applicable

Article/Paragraph

n.a.

Type of submitter

Competent authority

Subject matter

Application of the SME definition in specific cases

Question

How shall the SME definition in Article 5(9) of Regulation (EU) No 575/2013 (CRR) be applied in the following cases:

1. The entity is considered both in accounts on the consolidated basis of a group and also in accounts on a "sub-consolidated" basis only considering a sub-group of this group.
2. The entity is a single entity that prepares accounts on its individual basis but is not considered in any accounts for a "consolidated situation" of a group.

Background on the question

The question is how to apply the criterion “according to its most recent consolidated accounts, has an annual turnover not exceeding EUR 50 000 000” in particular in the following cases:

1. The entity belongs to a group but also prepares accounts on a “sub-consolidated basis” for a sub-group only consisting of this entity together with some but not all other group members, e.g. where the entity is not the ultimate parent of this group and the sub-group only includes this entity together with its subsidiaries but not other group members.
2. The entity does not belong to a group and therefore does not prepare consolidated accounts.

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27/06/2025

Final publishing date

28/11/2025

Final answer

The definition of SMEs in Article 5, point (9) CRR requires assessing the annual-turnover threshold for the company, enterprise or undertaking “according to its most recent consolidated accounts”.

In applying this provision, reference should be made to the accounting framework applicable to the company, enterprise or undertaking in question.

In particular, for undertakings within the scope of Article 1 of Directive 2013/34/EU, the SME definition should be interpreted in accordance with the accounting framework based on this Directive. Where a company, enterprise or undertaking is not within the scope of Article 1 of the same Directive, compliance with the SME definition may be verified based on the most recent information provided under other periodic and statutory frameworks for the publication or the reporting of financial information of undertakings to public authorities of their country of domicile, provided the information therein gives an accurate indication of annual turnover.

1. For a company, enterprise or undertaking that is included in consolidated financial statements prepared by the ultimate parent of a group for the purpose of the applicable accounting framework, the relevant consolidated accounts are those of the group headed by the ultimate parent. Therefore, the turnover figure to be considered is the one reported in the consolidated financial statements of the ultimate parent. This applies regardless of whether the company, enterprise or undertaking itself prepares consolidated financial statements as a parent undertaking of a sub-group, or is a subsidiary undertaking included in consolidated financial statements of a sub-group prepared by a parent that is not the ultimate parent undertaking of the group.
2. In the case of a company, enterprise or undertaking that is not part of a group and therefore only prepares its own financial statements, for the purpose of the applicable accounting framework, the applicable consolidated accounts are those prepared on an individual basis from its own financial statements. Alternatively, the assessment may rely on other information provided under periodic and statutory frameworks for the publication or the reporting of financial information to public authorities, as long as the information provides a reliable indication of the annual turnover.

Status

Final Q&A

Answer prepared by

Answer prepared by the EBA.
