



2026/720

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**COMMISSION RECOMMENDATION (EU) 2026/720**

**of 18 March 2026**

**on the definition of innovative enterprises, innovative startups and innovative scaleups**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) Commission Communication on a 'Competitiveness Compass of the EU' <sup>(1)</sup> recalls that innovation is a key driver of competitiveness and growth in the Union.
- (2) A new competitiveness model based on innovation-led productivity is needed to drive future economic growth. Innovative enterprises, innovative startups and innovative scaleups, in particular in the deep tech area, play a key role in the development and commercialisation of innovative technologies, placing them at the heart of economic models based on innovation.
- (3) In its Communication 'EU Startup and Scaleup Strategy', <sup>(2)</sup> the Commission announced that it would propose a definition of innovative enterprises, startups and scaleups.
- (4) Deep tech enterprises, including but not limited to those in strategic technologies such as digital tech, biotech and clean tech, are particularly important for innovation because they translate frontier scientific and technological breakthroughs into scalable products and industries, often generating transformative solutions with significant long-term economic and societal impact. Therefore, definitions should take into account the particular features of deep tech enterprises because their development cycles are typically longer and more capital-intensive due to complex research and development (R & D) activities, regulatory validation and technology maturation.
- (5) Several Member States have adopted different legal definitions of innovative enterprises, startups and scaleups, while Commission Regulation (EU) No 651/2014 <sup>(3)</sup> and Regulation (EU) 2021/695 of the European Parliament and of the Council <sup>(4)</sup> also set out definitions at Union level for their respective purposes.
- (6) Innovation policy measures are designed at Member State and Union level to support innovative enterprises, innovative startups or innovative scaleups. In the absence of common definitions, such measures may be applied inconsistently between Member States and between the Union and the Member States. This may result in undertakings classified as innovative enterprises, innovative startups or innovative scaleups in one Member State not qualifying for comparable support schemes in another Member State, thereby restricting cross-border activities and expansion within the single market. Such legal uncertainty may be one among many reasons discouraging the enterprises concerned from operating or relocating across Member States. Following the logic of an EU single market without internal borders, and ensuring that the Union institutions and the Member States can base themselves on a consistent reference, the use of common definitions of innovative enterprises, innovative startups and innovative scaleups would help to ensure a level playing field in the treatment of enterprises across the Union.

<sup>(1)</sup> Communication from the Commission to the European Parliament, the Council, European Economic and Social Committee and the Committee of Regions, A Competitiveness Compass for the EU, COM(2025) 30 final, 29 January 2025.

<sup>(2)</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, The EU Startup and Scaleup Strategy, COM(2025) 270 final of 28 May 2025.

<sup>(3)</sup> Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1, ELI: <http://data.europa.eu/eli/reg/2014/651/oj>).

<sup>(4)</sup> Regulation (EU) 2021/695 of the European Parliament and of the Council of 28 April 2021 establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination, and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013 (OJ L 170, 12.5.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/695/oj>).

- (7) Common definitions are also necessary in view of the extensive interaction between national and Union measures assisting innovative enterprises, innovative startups and innovative scaleups. In addition, the application of the same definition by the Commission, the Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF) would improve the alignment, consistency and effectiveness of policies targeting innovative enterprises, innovative startups and innovative scaleups and would, therefore, limit the risk of distortion of competition related to unequal access to public support <sup>(5)</sup>.
- (8) The Commission has already established definitions enabling the classification of enterprises by size, distinguishing small and medium-sized enterprises (SMEs), small mid-caps (SMCs) and large enterprises. The definitions of innovative enterprises, innovative startups and innovative scaleups should not in any way call into question those established classifications. Where relevant, the definitions of innovative enterprises, innovative startups and innovative scaleups should build upon the established criteria for SMEs and SMCs, including size thresholds and structural characteristics.
- (9) To ensure they serve the intended purposes, those definitions should reflect the distinctive features of a very specific cluster of enterprises, namely innovative enterprises, innovative startups and innovative scaleups and build on objective criteria and thresholds. It is therefore necessary to base those definitions on easily applicable criteria, such as investments in innovation activities, age, size or growth.
- (10) In accordance with widely used international classifications, 'innovation' should be defined as a new or improved product, service or process that significantly differs from previous iterations and is made available to potential users.
- (11) Innovation activities can be evidenced by R & D efforts, which correspond to organised and deliberate activities aimed at generating new knowledge, and developing new or improved products, services and processes. R & D activities should be defined in accordance with widely used international classifications <sup>(6)</sup> and Union rules. The strategic commitment of an enterprise to R & D activities can be evidenced by the resources invested in those activities either as a proportion of operating costs or as a proportion of revenues, commonly referred to as R & D intensity.
- (12) An enterprise may be innovative even if it does not invest in R & D activities. Therefore, an enterprise should also be considered innovative if it can demonstrate that it has, in the last three years, developed, is developing or will in the foreseeable future develop products, services or business processes with a view to commercialisation, which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure.
- (13) Innovative startups and innovative scaleups should be defined as a subset of innovative enterprise, because innovation is the core distinguishing feature that may justify differentiated policy treatment, targeted public support, and regulatory facilitation, separating them from ordinary new or fast-growing firms that expand without generating novel products, services, technologies or business models.
- (14) Innovative startups should be defined using criteria that reflect their innovative nature, combined with size and age limits. In order to ensure as much consistency as possible with Commission Recommendation 2003/361/EC <sup>(7)</sup>, the balance sheet total and turnover criteria for a small enterprise laid down in Recommendation 2003/361/EC should apply for the definition of an innovative startup. However, in terms of the number of persons employed, it is more appropriate to set the maximum number of persons employed to 99, as this may allow many innovative startups, particularly in deep tech and scale intensive sectors, to build larger multidisciplinary teams during their early growth phase. An age limit of 10 years for innovative startups is appropriate to also capture startups, in particular deep tech startups, that may require longer R & D cycles, capital-intensive development phases, regulatory validation processes and delayed revenue generation.

<sup>(5)</sup> This is without prejudice to additional or different requirements that may be imposed to meet the objectives of future policy initiatives.

<sup>(6)</sup> For example, OECD, Frascati Manual 2015, Guidelines for Collecting and Reporting Data on Research and Experimental Development.

<sup>(7)</sup> Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36, ELI: <http://data.europa.eu/eli/reco/2003/361/oj>).

- (15) Innovative scaleups should be defined using criteria that reflect their innovative nature, combined with size and growth dynamics, based on the rationale underlying the OECD quantitative definition of scalars set out in widely used classifications. In order to distinguish innovative scaleups from more established enterprises, it is appropriate to specify a maximum size for publicly listed companies, based on the threshold established for small mid-caps in Commission Recommendation (EU) 2025/1099 <sup>(8)</sup>. In addition, to ensure that the definition of innovative scaleups captures enterprises of sufficient maturity and does not overlap with the definition of innovative startups, it is necessary to apply a minimum turnover or balance sheet total based on relevant thresholds established for medium-sized enterprises in Recommendation 2003/361/EC,

## RECOMMENDS:

1. This Recommendation concerns the definition of innovative enterprises, innovative startups and innovative scaleups used in Union policies applied within the Union and the European Economic Area.
2. Member States, the European Investment Bank (EIB) and the European Investment Fund (EIF), are invited to:
  - (a) use the definitions set out in the Annex when adopting legislative, policy or financial support measures or implementing programmes directed towards innovative enterprises, innovative startups and innovative scaleups;
  - (b) use the definitions set out in the Annex for the purpose of data collection on innovative enterprises, innovative startups and innovative scaleups.
3. This Recommendation is addressed to the Member States, the EIB and the EIF.
4. The Member States, the EIB and the EIF are invited to inform the Commission of any measures they have taken to give effect to this Recommendation.

Done at Brussels, 18 March 2026.

*For the Commission*  
Ekaterina ZAHARIEVA  
*Member of the Commission*

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<sup>(8)</sup> Commission Recommendation (EU) 2025/1099 of 21 May 2025 on the definition of small mid-cap enterprises (OJ L, 2025/1099, 28.5.2025, ELI: <http://data.europa.eu/eli/reco/2025/1099/oj>).

## ANNEX

**DEFINITION OF INNOVATIVE ENTERPRISES, INNOVATIVE STARTUPS AND INNOVATIVE SCALEUPS****1. Introduction**

For the purposes of this Recommendation, the following definitions apply:

- (a) 'operating costs' means the costs incurred by the enterprise in the course of its normal business operations, comprising all costs necessary for the production of goods and the provision of services during the accounting period, including costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but excluding financing and tax items;
- (b) 'net sales' means the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover;
- (c) 'research and development' means any work falling under the category of fundamental research, industrial research or experimental development as defined in Article 2, points 84, 85 and 86, of Regulation (EU) No 651/2014, respectively;
- (d) 'enterprise' means any entity engaged in an economic activity, irrespective of its legal form, including partnerships or associations regularly engaged in an economic activity.

**2. Innovative enterprise**

2.1. An 'innovative enterprise' is an enterprise which fulfils at least one of the following criteria:

- (a) in at least one of the three preceding financial years, it has incurred research and development costs representing either at least 10 % of its total operating costs or at least 5 % of its total net sales;
- (b) having the objective of commercialisation, in the last three financial years it has developed, is developing or will, in the foreseeable future, develop products, services or business processes, which are new or substantially improved compared to the state of the art in its industry, and which carry a risk of technological or industrial failure.

2.2. For the purposes of determining the amount of research and development costs referred to in point 2.1(a), research and development costs should consider the following costs:

- (a) personnel costs, including the costs of researchers, technicians and other supporting staff to the extent employed on research and development projects;
- (b) costs of instruments and equipment to the extent and for the period used for research and development projects; where such instruments and equipment are not used for their full life for the projects, only the depreciation costs corresponding to the life of the projects, as calculated on the basis of generally accepted accounting principles should be considered eligible;
- (c) costs for of buildings and land, to the extent and for the duration period used for research and development projects; with regard to buildings, only the depreciation costs corresponding to the life of the projects, as calculated on the basis of generally accepted accounting principles; for land, costs of commercial transfer or actually incurred capital costs;
- (d) costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for research and development projects;
- (e) additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of research and development projects.

**3. Innovative startup**

An 'innovative startup' is an enterprise which fulfils all of the following criteria:

- (a) it is an innovative enterprise within the meaning of point 2;
- (b) it is an autonomous enterprise within the meaning of point 5.1.

- (c) it is an enterprise which employs fewer than 100 persons and whose annual turnover or annual balance sheet total, or both, does not exceed EUR 10 million;
- (d) it has been operating for less than 10 years following its registration.

#### 4. **Innovative scaleup**

An 'innovative scaleup' is an enterprise which fulfils all of the following criteria:

- (a) it is an innovative enterprise within the meaning of point 2;
- (b) it is an autonomous enterprise within the meaning of point 5.1;
- (c) it is an enterprise whose annual turnover or balance sheet total, or both, exceeds EUR 10 million;
- (d) it is an enterprise whose average annualised increase in the number of employees or in revenue exceeds 20 % over the two preceding years;
- (e) it fulfils at least one of the two following criteria:
  - (i) it is an enterprise which employs fewer than 750 persons;
  - (ii) it is not publicly listed.

#### 5. **Types of enterprise taken into consideration in calculating staff headcount numbers and financial amounts**

5.1. An 'autonomous enterprise' is any enterprise which is not classified as a partner enterprise within the meaning of point 5.2 or as a linked enterprise within the meaning of point 5.5.

5.2. 'Partner enterprises' are all enterprises which are not classified as linked enterprises within the meaning of point 5.4 and where one enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises within the meaning of point 5.5, 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

5.3. Except in the cases set out in point 5.4, an enterprise is not considered an innovative startup or an innovative scaleup if 25 % or more of the capital or voting rights are directly or indirectly controlled, jointly or individually, by one or more public bodies.

5.4. By way of derogation from point 5.2, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if 25 % or more of its capital or voting rights are held by the following investors, provided that those investors are not linked, within the meaning of point 5.5, either individually or jointly to the enterprise in question:

- (a) public investment corporations, venture capital or private equity funds, individuals or groups of individuals with a regular venture capital investment activity that invest equity capital in unquoted businesses ('business angels'), provided the total investment of those business angels in the same enterprise is less than EUR 5 000 000;
- (b) universities or non-profit research centres;
- (c) institutional investors, including regional development funds;
- (d) autonomous local authorities with an annual budget of less than EUR 10 million and fewer than 5 000 inhabitants

5.5. 'Linked enterprises' are enterprises which have any of the following relationships with each other:

- (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;

- (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- (d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise

There is a presumption that no dominant influence exists if the investors referred to in point 5.4, are not involving themselves directly or indirectly in the management of the enterprise in question, without prejudice to their rights as stakeholders.

5.5.1. Enterprises having any of the relationships set out in point 5.5 above through one or more other enterprises, or any one of the investors mentioned in point 5.4, are also considered to be linked.

5.5.2. Enterprises which have one or other of the relationships set out in point 5.5 above through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets. For the purposes of this point, 'adjacent market' means the market for a product or service situated directly upstream or downstream of the relevant market.

Enterprises may make a declaration of status as an autonomous enterprise, partner enterprise or linked enterprise, including the data regarding the ceilings set out in points 2, 3 and 4.

5.5.3. Where an alternative investment fund as defined in Article 4(1), point (a), of Directive 2011/61/EU of the European Parliament and of the Council<sup>(1)</sup> has invested into an enterprise, the following should not be considered 'linked enterprises' for the purposes of point 5.5. of this Annex:

- (a) that enterprise and that alternative investment fund;
- (b) that enterprise and the manager of that alternative investment fund;
- (c) that enterprise and another enterprise in which that alternative investment fund has invested.

The first subparagraph of this point applies provided that all the following conditions are met:

- (a) the alternative investment fund and its manager, and the enterprises concerned maintain separate accounting records;
- (b) the alternative investment fund and its manager have a pre-defined investment strategy to exit the enterprise or enterprises concerned, including by realising their value through the sale of the enterprise or other means

The declaration may be made even if the capital is spread in such a way that it is not possible to determine exactly by whom it is held, in which case the enterprise may declare in good faith that it can legitimately presume that it is not owned as to 25 % or more by one enterprise or jointly by enterprises linked to one another. Such declarations are made without prejudice to the checks and investigations provided for by national or Union rules.

## 6. Data used for the staff headcount and the financial amounts and reference period

6.1. The data to apply to the staff headcount and the financial amounts are those relating to the latest approved accounting period and calculated on an annual basis. They are taken into account from the date of closure of the accounts. The amount selected for the turnover is calculated excluding value added tax and other indirect taxes.

<sup>(1)</sup> Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1, ELI: <http://data.europa.eu/eli/dir/2011/61/oj>).

6.2. Where, at the date of closure of the accounts, an enterprise finds that, on an annual basis, it has exceeded or fallen below the headcount or financial ceilings stated in point 2, this will not result in the loss or acquisition of the status of innovative enterprise unless those ceilings are exceeded over two consecutive accounting periods.

6.3. In the case of newly established enterprises whose accounts have not yet been approved, the data to apply is to be derived from a bona fide estimate made during the financial year.

## 7. **Staff headcount**

7.1. The headcount corresponds to the number of persons who worked full-time within the enterprise in question or on its behalf during the entire reference year under consideration ('annual work units'). The work of persons who have not worked the full year, the work of those who have worked part-time, regardless of duration, and the work of seasonal workers are counted as fractions of annual work units. The staff consists of the following:

- (a) employees;
- (b) persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- (c) owner-managers;
- (d) partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

7.2. Apprentices or students engaged in vocational training with an apprenticeship or vocational training contract are not included as staff. The duration of maternity or parental leaves is not counted.

## 8. **Establishing the data of an enterprise**

8.1. In the case of an autonomous enterprise, the data, including the number of staff, are determined exclusively on the basis of the accounts of that enterprise.

8.2. The data, including the headcount, of an enterprise having partner enterprises or linked enterprises as referred to in point 5 are determined on the basis of the accounts and other data of the enterprise or, where they exist, the consolidated accounts of the enterprise, or the consolidated accounts in which the enterprise is included through consolidation.

To the data referred to in the first subparagraph of this point are added the data of any partner enterprise of the enterprise in question situated immediately upstream or downstream from it. Aggregation is proportional to the percentage interest in the capital or voting rights, whichever is greater. In the case of crossholdings, the greater percentage applies.

To the data referred to in the first and second subparagraph of this point is added 100 % of the data of any enterprise, which is linked directly or indirectly to the enterprise in question, where the data were not already included through consolidation in the accounts.

8.3. For the application of point 8.2, the data of the partner enterprises of the enterprise in question are derived from their accounts and their other data, consolidated if they exist. To that data is added 100 % of the data of enterprises which are linked to these partner enterprises unless their accounts data are already included through consolidation.

For the application of point 8.2, the data of the enterprises which are linked to the enterprise in question are to be derived from their accounts and their other data, consolidated if they exist. To that data is added, pro rata, the data of any possible partner enterprise of that linked enterprise, situated immediately upstream or downstream from it, unless it has already been included in the consolidated accounts with a percentage at least proportional to the percentage identified under point 8.2, second paragraph.

- 8.4. Where in the consolidated accounts no staff data appear for a given enterprise, these are calculated by aggregating proportionally the data from its partner enterprises and by adding the data from the enterprises to which the enterprise in question is linked.
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