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COMMISSION RECOMMENDATION

of 18.3.2026

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

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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’¹ 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’,² 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 651/2014³ and Regulation (EU) 2021/695 of the European Parliament and of the Council⁴ 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

¹ 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.

² 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.

³ 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>).

⁴ 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>).

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.

- (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.⁵
- (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 classifications⁶ 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.

⁵ This is without prejudice to additional or different requirements that may be imposed to meet the objectives of future policy initiatives.

⁶ For example, OECD, Frascati Manual 2015, Guidelines for Collecting and Reporting Data on Research and Experimental Development.

- (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/EC⁷, 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 ten 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.
- (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 Recommendation (EU) 2025/1099⁸. 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/EC⁹.

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.

⁷ Commission Recommendation 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>).

⁸ 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>

⁹ Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (Text with EEA relevance) (notified under document number C(2003) 1422). OJ L 124, 20.5.2003, pp. 36–41
ELI: <http://data.europa.eu/eli/reco/2003/361/oj>

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, 18.3.2026

For the Commission
Ekaterina ZAHARIEVA
Member of the Commission

