

ANNEX No. 1e

Definition of Small and Medium-sized Enterprise *

	Number of Employees	Total assets or turnover do not exceed	
		Assets	Turnover
Medium-sized enterprise	< 250	€ 43 m	€ 50 m
Small-sized enterprise	< 50	€ 10 m	€ 10 m
Petty enterprise	< 10	€ 2 m	€ 2 m

* For enterprises with substantial participation of other enterprises the above numbers are to be counted as per group of enterprises (see Definition of SME).

Delimitation of petty, small, and medium-sized enterprises and methods of allocating enterprises to individual categories

Article 1

Petty, Small, and Medium-sized Enterprises

1. Petty, small, and medium-sized enterprise/entrepreneur¹ is considered to be the entrepreneur who:
 - a) employs fewer than 250 employees,
 - b) whose assets in the balance sheet, in CZK equivalent, do not exceed € 43 mil. or whose net turnover in the fiscal period most recently closed does not exceed CZK equivalent of € 50 mil.
2. A small entrepreneur is considered to be one who:
 - a) employs fewer than 50 employees,
 - b) whose assets in the balance sheet or net turnover in the fiscal period most recently closed do not exceed CZK equivalent of € 10 mil.
3. A petty entrepreneur is considered to be one who:
 - a) employs fewer than 10 employees and
 - b) whose assets in the balance sheet or net turnover in the fiscal period most recently closed do not exceed CZK equivalent of € 2 mil.
4. Small and medium-sized entrepreneurs starting business activities shall specify the values specified in Subart. 2 or 3, as applicable, by own qualified estimation, for the entire first fiscal period, in which they intend to conduct business activities.

¹ As per Sec. 2 (2a), (2b), and 2(c) of the Commercial Code.

ANNEX No. 1e

Article 2

Categories of entrepreneurs by number of employees and financial amounts

1. "Independent" is every entrepreneur who is not classified as a partner pursuant to Subart. 2 or an interlocked entity pursuant to Subart. 3.
2. "Partners" are all entrepreneurs who are not classified as an interlocked entity pursuant to Subart. 3 and who own, exclusively or jointly with other interlocked entrepreneurs, pursuant to Subart. 3, a 25% or greater share of capital or voting shares in another entrepreneur's enterprise.

An entrepreneur may be considered independent, i.e., not having any partners, even if a 25% or greater share of his enterprise is owned by the following investors, provided that these investors are not interlocked pursuant to Subart. 3, individually or jointly, with the given entrepreneur:

- a) public investment companies, risk capital companies, individuals or groups of individuals conducting business in the area of risk capital investment by investing their own capital into unlisted companies ("stock angels"), provided that total investment of the stock angels in one and the same enterprise is less than € 1,250,000;
 - b) universities or non-profit research centers (i.e., entities conducting research on a non-profit basis);
 - c) institutional investors, including regional development funds;
 - d) independent local administration authorities having annual budget less than € 10 mil. and less than 5,000 inhabitants.
3. "Interlocked" are entrepreneurs having one of the following mutual relations:
 - a) entrepreneur with a majority of voting rights as a shareholder, partner, or member in another enterprise;
 - b) entrepreneur having the right to appoint or recall most members of the statutory, managing, or supervisory bodies of another enterprise;
 - c) entrepreneur having substantial influence over another enterprise, on the basis of a contract with that enterprise or in accordance with that enterprise's association memorandum or foundation agreement;
 - d) entrepreneur who owns shares or holds membership in another entrepreneur's enterprise, and has sole control (majority of voting shares) over other shareholders, partners, or members of another entrepreneur, under the terms of an agreement.

It is presumed that no dominant influence exists, if none of the above investors, specified in Subart. 2, is involved, directly or indirectly, in the management of the given entrepreneur, to the extent where his shareholder rights would be affected. Entrepreneurs having one or more of the above relations specified under letters (a) through (d) with one or more other entrepreneurs or investors specified hereinabove under Subart. 2, shall also be considered interlocked.

Entrepreneurs having one or more of the above relations with a physical entity or a group of physical entities acting jointly shall also be considered interlocked,

ANNEX No. 1e

provided that they conduct such activities or part of such activities in the same relevant market area or neighboring areas.

A “neighboring market “ is considered to be a market for the given product or service situated directly above or below the relevant market.

4. With the exception of cases specified in Subart. 2, an entrepreneur shall not be considered small or medium-sized, if a 25% or greater share of his capital or voting shares is controlled, directly or indirectly, jointly or individually, by one or more administration authorities of the state, region, or municipality.
5. Entrepreneurs may issue a declaration concerning their status of an independent entrepreneur, partner, or interlocked entrepreneur, including information on the limitations specified in Art. 2. Such a declaration may be issued even if the capital is distributed in a manner where it is not possible to determine exactly who the owner is, so that the entrepreneur may feel justified to assume and declare that no individual entrepreneur or group of entrepreneurs owns/own a 25% or greater share of his enterprise.

Article 3

Information used for determining the number of employees, financial amounts, and reference period

1. Information used for determining the number of employees and financial amounts applies to the fiscal period most recently closed and calculated annually. The information is to be drawn upon approval of the annual balance sheet or submission of a tax return. The amount of turnover is not to include value-added tax (VAT) or other indirect taxes.
2. In the event that the entrepreneur establishes that the declared number of employees or the amount of turnover in the given year exceeded or did not reach the respective limitations specified in Article 1, this circumstance shall not affect his status of a petty, small, or medium-sized entrepreneur, in one way or another, unless the values are over or under these limitations over two consecutive fiscal or tax periods.
3. If these limitations are fulfilled in one fiscal/tax period and overdrawn in the next fiscal/tax period, over two consecutive fiscal/tax periods, determination as to whether the entrepreneur is or is not a small or medium-sized entrepreneur shall depend on information for the third fiscal/tax period most recently closed and preceding the year of filing a request for subsidy.
4. Evaluation of entrepreneurs who only have two or fewer fiscal/tax periods closed shall depend on the fact whether or not they satisfy the conditions of SME, based on information for the fiscal/tax period most recently closed.

Article 4

Number of Employees

The number of corresponds to the number of annual labor units, i.e., the number of persons who were employed on a full-time basis by the given entrepreneur during the entire reference year. The work of persons who did not work a full year and persons who worked on a part-time basis, irrespective of the duration of their employment, and the work of seasonal workers shall be calculated as fractions of annual labor units, accordingly.

Employees comprise:

ANNEX No. 1e

- a) employees;
- b) persons who work for the entrepreneur in a subordinate position and thus are considered employees;
- c) owners acting as managing employees;
- d) partners involved in the daily agenda of the enterprise, gaining financial remuneration from the enterprise.

Apprentices or students working as part of their practical training, on the basis of a contract of apprenticeship or professional training, do not count as employees. Maternity or parent leaves of absence shall not be considered.

Article 5

Specific Information on the Enterprise

1. Independent entrepreneurs shall present information, including the number of employees, based exclusively on information concerning the given enterprise.
2. Entrepreneurs who cannot be considered independent shall add, in addition to information concerning their enterprise, as follows:
 - a) information on each partner of the given entrepreneur, who owns or is owned by the given entrepreneur. The values thus specified shall correspond to the percentage share of the capital or voting shares (depending which is higher). In the event of joint ownership of entrepreneurs, in the form of jointly owned shares in two or more enterprises, the higher percentage thereof is to be specified. Information on the partner's enterprise shall be added to information on all the enterprises that the partner is interlocked with;
 - b) information on each entrepreneur who is interlocked with the given entrepreneur, directly or indirectly, to the full extent of such information. Information on interlocked entrepreneurs shall be added to information on each partner of this entrepreneur.
3. When compiling a consolidated balance sheet, certain information shall be inclusive or exclusive, depending on the position (participation) of the entrepreneur concerned.

Article 6

Czech Currency Equivalent

Czech current equivalent (CZK) shall be calculated by multiplying the amounts in EURO at the foreign exchange rate announced by the European Central Bank for the ratio between EURO and CZK (Kč) as at 31.12. of the year preceding the year in which the request for subsidy is submitted, or the last day preceding the above date, if 31.12. happens to be a Saturday, Sunday, or holiday.

Article 7

Other Provisions

1. Information on the number of employees is based on information on the number of employees filed with the Czech Social Security Administration.

ANNEX No. 1e

2. Net turnover/income is understood to be the amount earned from sale of products and services after deducting sale discounts, VAT, and other taxes directly linked to turnover.
3. Information on the amount of net turnover is to be drawn and verified with persons who are in charge of accounting and compilation of the given entrepreneur's profit and loss statement. Information on the amount of VAT and other taxes is to be drawn and verified with persons who are in charge of records on the given entrepreneur's revenues and expenses as per tax documentation, in accordance with Sec. 7b of Act No. 586/1992 Coll., the Income Tax Code, as amended.
4. Information on the amount of assets is to be drawn and verified with persons who are in charge of accounting and compilation of the given entrepreneur's balance sheet. For entities keeping tax documentation, this refers to assets specified in the tax documentation, in accordance with Sec 7b of Act No. 586/1992 Coll., the Income Tax Code, as amended.
5. Information on partners and interlocked enterprise is based, for example, on contracts with the given enterprise or on the provisions of memoranda or by-laws.
6. Rounding up of financial amounts is subject to mathematical rules.