

25 August 2025

Feedback of

ACT | The App Association  
(Transparency Reg. # 72029513877-54)  
Rue Belliard 40,  
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to the

European Commission

regarding its

Burden reduction and simplification for  
competitiveness of small mid-cap enterprises -  
Omnibus Regulation

## I. Introduction

ACT | The App Association (hereafter ‘App Association’) welcomes the opportunity to submit comments to the European Commission’s consultation on the revision of the Regulations to simplify legal obligations and extend small and medium-sized enterprises (SMEs) measures to small mid-cap enterprises (SMCs), particularly as it relates to Regulation (EU) 2016/679, also indicated as General Data Protection Regulation (GDPR) and the Prospectus Regulation (EU) 2017/1129.

The App Association is a policy trade association for the **small business technology developer community**. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. Today, the ecosystem the App Association represents—which we call the app economy—is valued at approximately €95.7 billion and is responsible for more than 1.4 million jobs in the European Union (EU).<sup>1</sup>

## II. Support for the European Commission’s approach

We welcome the opportunity to provide feedback on the Commission’s proposal to amend Regulations (EU) 2016/679 and 2017/1129, to extend certain mitigating measures currently available to SMEs to SMCs. The inclusion of SMCs under GDPR Article 30 derogations and access to simplified growth prospectuses represents a welcome step toward a more proportional regulatory framework that acknowledges the realities of growing businesses in the digital age.

While we support the Commission’s objectives and scope, as SMEs and SMCs are the backbone of our economy and supply chain,<sup>1</sup> it is important to acknowledge that SMEs are already dealing with a significant and disproportionate regulatory burden even before surpassing the threshold where the SMC status becomes relevant. Currently, SMEs continue to face high compliance costs, heavy and fragmented reporting obligations, and administrative burdens that affect their ability to thrive and develop. In this regard, the review is a prime opportunity to simplify the transition to the mid-cap status, which currently only augments the burdens already in place. For this reason, we believe the proposal is a necessary step forward to ensure a smoother transition from the SME to the SMC status, but the simplification effort should start by reducing the current administrative burdens and reporting obligations that SMEs are already encountering.

We agree on the identification of the ‘cliff effect’ as a real challenge that SMEs face when scaling beyond the SME definition. However, this is only one part of a broader picture. As outlined above, SMEs are already navigating a complex and burdensome regulatory environment even before reaching the transition point to mid-cap status. The accumulation of compliance obligations, fragmented reporting requirements, and limited administrative capacity make everyday operations difficult. Addressing the ‘cliff effect’ is important to help SMEs to scale and grow, but at the same

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<sup>1</sup> Draghi, M. (2024). *The future of European competitiveness*. European Commission, p. 161.

time, this should not distract from the other regulatory challenges that small companies are facing. In addition to the challenges SMEs already face, the prospect of encountering even more complex regulatory obligations upon surpassing the SME threshold and qualifying as an SMC can further discourage companies from scaling. The awareness of the increasing regulatory costs and compliance burdens that come with scaling up can discourage SMEs from pursuing growth. This results in undermining entrepreneurship, stifling innovation, and ultimately weakening overall economic growth.

For this reason, introducing target proportionality, simplification measures, and burden reduction for SMCs aligns with the goals of supporting a smoother transition that also helps, supports, and incentivises growth in the EU. However, this effort must also be supported by a more ambitious and urgent reduction of the regulatory and administrative burdens that SMEs are already facing well before they reach the SMC threshold.

### III. Article 1 - Amendments to Regulation (EU) 2016/679

We support the amendment to Article 4 of Regulation (EU) 2016/679, which describes SMCs as defined by the Commission's Recommendation of May 2025,<sup>2</sup> and we encourage the Commission to include this definition across all EU policies to establish a clear and uniform framework of SMCs. The introduction of a formal SMC category is a welcome step, as it recognises a distinct group of companies that are too large to qualify as SMEs but too small to compete on equal footing with large enterprises, despite playing an outsized role in the European economy. According to the European Investment Bank and the European Policy Centre, mid-cap firms account for 17 per cent of employment and 21 per cent of turnover in the EU business sector,<sup>3</sup> yet they are underserved by both policy frameworks and financing tools.

In this regard, we believe that the establishment of a common, harmonised, and cross-sectoral definition of SMCs that also includes the workforce and the turnover data would be beneficial to ensure a proportionate and consistent approach to SMCs. We agree with the Commission's definition of small mid-caps,<sup>4</sup> as a company that has a workforce between 250 and 750 employees, and a turnover between EUR 50 and 150 million, or total assets not exceeding EUR 129 million. By also including this definition, which the Commission's studies have supported, it would ensure more uniformity and proportionality, as simplification measures will be applied across legal frameworks and policy instruments more consistently.

We therefore support the proposed revision of Article 30 of the GDPR to extend the derogation to organisations with fewer than 750 employees, provided their data processing activities do not involve high risk. However, believe further reforms are needed for GDPR compliance. Our members report that GDPR compliance remains costly and complex, especially for micro and small digital businesses. In particular:

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<sup>2</sup> See <https://ec.europa.eu/commission/presscorner/api/files/attachment/881208/Factsheet%20-%20Small%20mid-caps.pdf>

<sup>3</sup> See European Policy Centre & European Investment Bank, "Hidden Champions, Missed Opportunities: Mid-Caps' Crucial Roles in Europe's Transition," 2024.

<sup>4</sup> See above

- SMEs often lack the legal and administrative resources to meet full compliance, especially with obligations such as data mapping, privacy-by-design, and vendor contracts;
- SMEs are sometimes forced to comply with more burdensome interpretations imposed by larger customers;
- Fragmentation among Data Protection Authorities (DPAs) and conflicting guidance further complicate compliance for cross-border digital SMEs.

In this regard, we urge the Commission to consider this Omnibus simplification just as a first step toward a broader and needed review of the GDPR process for SMEs, and to prioritise coherence with other digital regulations, especially the Digital Markets Act (DMA), the Data Act, and the Artificial Intelligence (AI) Act. We specifically call for:

- A review of GDPR's overlap with the DMA, Data Act, and AI Act, all of which introduce new obligations that affect SMEs across supply chains;
- Enhanced harmonisation across DPAs and improved guidance tailored to SME capacity; and
- Development of templates, risk-based checklists, and certification schemes that are realistic and usable by SMEs.

#### IV. Article 4 – Amendment to Regulation (EU) 2017/1129

We welcome the proposal to extend the EU Growth issuance prospectus to SMCs under Article 1 of the Regulation (EU) 2017/1129. Digital scaleups frequently struggle to access capital markets due to the high costs of compliance and prospectus preparation. Lowering these barriers can facilitate more dynamic capital formation and investment in the EU's innovation economy.

The inclusion of SMCs in the scope of this simplified prospectus, provided they meet reasonable size and turnover thresholds, will be a valuable tool for digital companies seeking to raise growth capital while navigating the early post-SME stage.

We recommend that the Commission further explore how such instruments could be made accessible to startups and early-stage scaleups, potentially by linking the prospectus regime with innovation financing frameworks.

#### V. Important distinctions of startups and scaleups

While we support the Commission's decision to recognise SMCs as a distinct group who can benefit from the same burden reductions and legal exemptions as SMEs, we also want to underline the importance of ensuring a separate and different treatment for startups and scaleups, which should not be embedded within the SMEs and SMCs' one.

Many early-stage companies operate with small teams, sometimes only the founder or a small founding team, and they lack of legal, administrative, and financial resources that can help them navigate the complex compliance and regulatory landscape. These businesses face different

challenges and have different needs from SMEs or mid-caps. In particular, startups and scaleups face challenges in access to capital and markets, due to the heavy regulatory burden they are constrained under, and the disproportionate costs of compliance relative to their size, resulting in a weakness of their capacity to grow and scale in the market.

Extending mitigating measures to SMCs is a welcome step, but it should not lead to the assumption that this also serves the needs of digital startups and scaleups. These companies require a tailored approach that takes into account their need to grow and the limited resources at their disposal.

For these reasons, we encourage the Commission to design dedicated policies and support frameworks for startups and scaleups that should include simplified regulatory practices, easy access to sandbox environments, targeted exemptions from heavy reporting obligations, and easier access to EU funding instruments. In the current context of the Digital Decade and the upcoming Digital Omnibus, the Commission has a real opportunity to ensure that startups and scaleups will have a dedicated simplification framework that helps them grow and thrive.

## VI. Conclusion

The App Association supports the European Commission's commitment to establishing a simplified regulatory framework for SMCs and welcomes the recognition of their regulatory needs.

We therefore urge the Commission to use a consistent and harmonised definition across EU laws and remark the importance of dedicated and tailored measures for startups and scaleups, which face different challenges. A differentiated, size-sensitive approach is essential to ensure companies at all growth stages can thrive in the EU, and we encourage the Commission to continue working on this, especially in the context of the upcoming Digital Omnibus.

At the same time, we stress the need to also address and reduce the existing regulatory and administrative burdens that SMEs already face, even before reaching the SMC threshold. Without concrete efforts to ease these pressures, many small businesses will remain discouraged from growing and thriving in the EU market. We particularly encourage a thoughtful review of the GDPR to take into account specific challenges faced by SMEs and other small players, particularly regarding the overlap with other Regulations, to ensure a harmonised and consistent framework that will help SMEs to better thrive and develop.

The App Association remains committed to contributing to this important policy discussion and to supporting the Commission in developing a regulatory framework that allows European companies of all sizes to innovate, grow, and compete on a global scale.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Sax', with a stylized flourish at the end.

Mike Sax  
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