• RESOURCE GUIDE · HERMIT BUSINESS SOLUTIONS

What Counts as an SME? UK Company Size Criteria Explained

*The turnover, balance sheet and headcount tests that decide your filing and audit duties **and what changed for 2025/26.***

Why company size matters

Under the Companies Act, every UK company is classed as micro, small, medium-sized or large. Which band you fall into decides how much detail you have to put in your annual accounts, whether you need a statutory audit and whether you can file abridged or 'filleted' accounts at Companies House. It is worth re-checking where you sit each year, especially now that the thresholds have just moved.

The three-part test

- Annual turnover
- Balance sheet total (total assets, before deducting liabilities)
- Average number of employees
- You need to meet at least two of the three thresholds, in two consecutive financial years, to move into (or out of) a size band

Current size thresholds

These apply for financial years starting on or after 6 April 2025.

Category	Turnover	Balance sheet total	Employees
Micro-entity	Not more than £1 million	Not more than £500,000	Not more than 10
Small company	Not more than £15 million	Not more than £7.5 million	Not more than 50
Medium-sized company	Not more than £54 million	Not more than £27 million	Not more than 250
Large company	Over £54 million	Over £27 million	Over 250

What's actually changed

- Micro-entity turnover cap: £632,000 → £1 million (balance sheet: £316,000 → £500,000)
- Small company turnover cap: £10.2 million → £15 million (balance sheet: £5.1 million → £7.5 million)
- Medium company turnover cap: £36 million → £54 million (balance sheet: £18 million → £27 million)
- Employee thresholds are unchanged: still 10 / 50 / 250
- These are the first increases since 2013, roughly 50% up across the board, and apply to financial years starting on or after 6 April 2025, with transitional rules letting many companies benefit a year early

A NOTE FROM HERMIT

Because the caps have jumped by around half, a business that has been ‘small’ for years might now qualify as micro, or a ‘medium’ business might now count as small, with less to disclose and prepare. It is worth checking, even if nothing in your business itself has changed.

What to do next

- Compare your last two years' turnover, balance sheet total and average headcount against the new bands
- Check whether you now qualify for audit exemption or simpler filleted accounts
- Talk to us before your next year-end if you think your reporting requirements are about to change