

Boost AI Newsletter

MONTHLY BACKGROUND
SERIES



Boost AI – Monthly Background Newsletter

July 2026 Edition

AI Rules Are Changing: What SMEs Should Know Now

Welcome to the July Edition

Should your company already comply with the AI Act? Many SMEs are not sure - and that uncertainty can make AI feel riskier than it needs to be.

The good news: the rules are becoming clearer, and businesses now have more time to prepare. But that does not mean waiting is the best strategy. Use this time wisely: test AI safely, build simple internal guidelines, and learn which use cases deserve closer attention.

Why This Matters for SMEs - Right Now

Many SMEs want to start using AI but hesitate because of regulation, data protection, or uncertainty about what is allowed. That is understandable - especially when tools change quickly and legal language can feel far away from daily business.

A clearer and more manageable rulebook can help. The practical message is simple: you do not need to stop experimenting, but you should experiment in a structured way. Start small, keep people in control, and document the important decisions.

The AI Act in One Minute

The EU AI Act follows a risk-based approach. Some AI practices are prohibited, many everyday AI uses have limited obligations, and certain high-risk AI systems face stricter requirements.

For most SMEs, the starting point is not a legal deep dive. It is a practical inventory: Where are we using AI? What data is involved? Who checks the results? And could the output affect people in a significant way?

What Is Changing at EU Level?

In 2026, the EU moved to simplify and streamline parts of the AI rulebook. A key point is the delayed application of high-risk AI obligations: stand-alone high-risk AI systems are now expected to apply from 2 December 2027, while high-risk AI systems embedded in products are expected from 2 August 2028.

Good news: businesses now have more time to prepare. That time is useful for testing tools, building internal routines, and waiting for clearer standards and guidance - without rushing into large compliance projects too early.

For SMEs, this means: the AI Act has not disappeared. But the timeline has become more workable, especially for companies that want to test use cases before committing to larger AI projects.

What This Does Not Mean

Less bureaucracy does not mean no rules. Sensitive data, automated decisions, customer-facing content, employee-related use cases, and sector-specific requirements still need careful handling.

A simple rule of thumb: the more an AI system influences people, rights, safety, money, jobs, or access to services, the more carefully it should be assessed and documented.

Data Protection: Also Moving Towards Simplification

The GDPR discussion is also moving toward reducing unnecessary bureaucracy, especially for smaller companies and low-risk processing. In Germany, current policy proposals point to simpler national data protection rules, clearer data law, and fewer administrative burdens for smaller and medium-sized companies.

But these are policy directions and legislative processes - not a reason to ignore data protection. SMEs should still avoid putting confidential or sensitive information into public AI tools without a clear basis and should tell employees which tools may be used for which tasks.

A Simple SME Risk Map

A useful first step is to sort AI use cases into three practical categories:

- Low-risk support: drafting an internal product description, summarising public information, or preparing meeting notes.
- Data-sensitive processes: summarising customer emails, analysing invoices, using supplier data, or working with employee information.
- High-impact decisions: using AI to rank job applicants, assess creditworthiness, decide access to a service, or support safety-related decisions.

This simple map helps teams see which experiments are suitable for a quick pilot and which ones need management attention, data protection review, or specialist advice.

Questions to Ask Before Testing an AI Tool

Before choosing a tool, ask four questions: What business process should improve? What information will the tool need? Who will check the results? And what evidence will show that the pilot is useful?

These questions turn regulation from a blocker into a design aid. They help companies move from vague AI interest to a safe, measurable first step.

What SMEs Should Do Now

A practical starting point is often:

1. List the AI tools already used in the company, including built-in features in office, CRM, marketing, or production software.
 2. Separate low-risk internal use cases from those involving customers, employees, personal data, or important decisions.
 3. Check what data is sent to the tool provider and whether confidential information is involved.
 4. Define who reviews AI outputs before they are used externally or for important business decisions.
 5. Keep short records of important AI use cases, responsibilities, and review steps.
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A Practical Way to Start

SMEs do not need a complex compliance department to begin. A lightweight AI use-case register, a few internal rules, and clear employee guidance can already create a solid foundation.

The goal is not to slow innovation down. The goal is to make AI adoption reliable enough that people trust the tools, understand the boundaries, and can improve processes step by step.

Looking Forward

Future editions will continue to translate AI developments into practical SME questions. Possible next topics include AI tool pricing and hidden costs, cybersecurity risks and opportunities, European AI sovereignty, and the growing role of local and on-premise AI.

Our goal remains simple:

Helping SMEs understand AI realistically, practically, and with confidence.

Content provided by the Machine Learning Group at RPTU for the Boost AI Monthly Background Newsletter series, July 2026 edition.

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