EU Direct Tax Newsalert

European Commission adopts temporary State aid framework enabling EU Member States to support their economies during the COVID-19 crisis

It goes without saying that the COVID-19 pandemic is first of all a humanitarian crisis. The outbreak however also triggers a major shock to the global and EU economy.

EU temporary State aid framework

On 19 March 2020, the European Commission adopted a temporary framework setting out the conditions for EU Member States to support the economy during the COVID-19 crisis. The communication lays down a framework that allows Member States to tackle difficulties that undertakings currently face following the COVID-19 outbreak, whilst at the same time maintaining the integrity of the European internal market and ensuring a level playing field.

The adoption of the temporary State aid framework by the Commission follows the communication on a coordinated economic response published on 13 March 2020.

Content of the framework

Already today there are certain regulations in place under which certain State aid can be granted to cope with the COVID- 19 crisis (such as the de minimis rules or the existing General Block Exemption regulation). These existing rules may however not be broad enough and therefore the temporary framework lists a number of additional measures that the Commission temporarily considers as acceptable under EU State aid rules:

- ***Aid in the form of direct grants, repayable advances, tax advantages***

State aid schemes of up to EUR 800k to undertakings that face a sudden liquidity shortage or unavailability as a result of the COVID-19 outbreak;

- ***Aid in the form of guarantees on loans***

Member States can provide public guarantees on loans for a limited period and loan amount to ensure access to liquidity to undertakings;

- ***Aid in the form of subsidised interest rates for loans***

Member States can grant loans at reduced interest rates for a limited period and a limited amount. These loans may relate to both investment and working capital needs;

- ***Aid in the form of guarantees and loans channelled through credit and financial institutions***

Member States can grant aid via banks. Such aid channelled through banks will not be regarded as aid given to the banks, but directly to the undertaking. However, certain safeguards are introduced to limit distortions to competition;

- ***Short-term export credit insurance***

Marketable risks (risks in respect of debtors established in certain countries) can in principle not be covered by export-credit insurance with the support of the Member States. However, following the COVID-19 outbreak, it cannot be excluded that cover for such marketable risks could be temporarily unavailable. The temporary framework provides additional guidance on how the unavailability can be demonstrated. In this case, short-term export credit insurance can be provided by the Member State.

The temporary framework also provides monitoring and reporting obligations for the Member States. Member States must publish relevant information on each individual aid granted and submit a list by 31 December 2020 of measures put in place.

Countries taking measures in line with the temporary framework need to notify these rules to the Commission. However, these aid schemes can be approved rapidly upon notification by the Member State. Already on 21 March, i.e. less than 48 hours after the adoption of the temporary framework, France notified and received approval for three specific measures to support the French economy.

Takeaway

The temporary framework set outs the conditions under which EU Member States can grant State aid to undertakings. Member States are given a broad scale of possibilities ranging from direct grants to reduced interest rates and State guarantees on loans.

It is expected that many EU Member States will turn to the temporary framework to take specific measures to support their national economies. For companies benefitting from these measures, this framework - subject to appropriate notification by the Member State - can provide important legal certainty that the measures are acceptable under EU State aid rules.

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