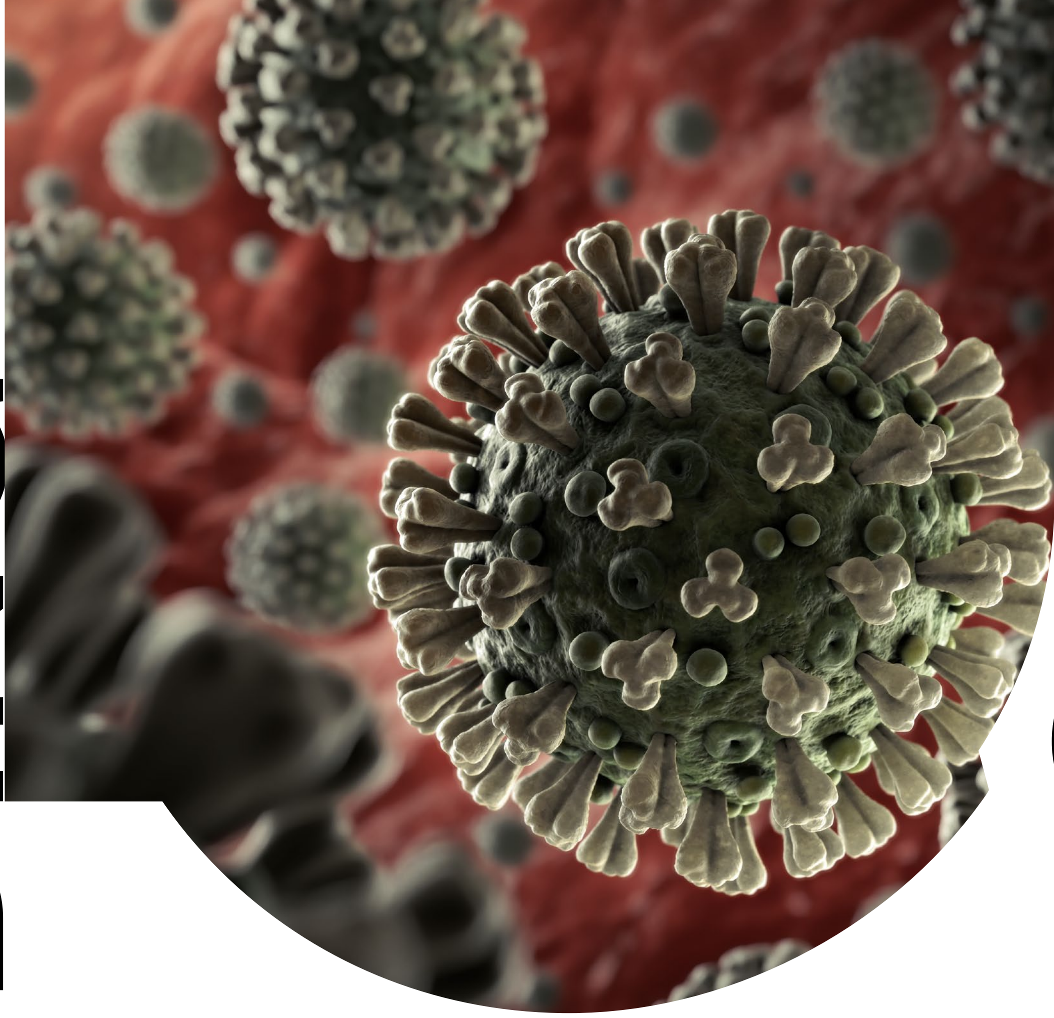
TRENDING TOPIC



08 APR. 20

EU AND COMPETITION LAW

Coronavirus: Amendment to the new temporary framework for state aid

On 3 April, the European Commission made the first Amendment to the Temporary Framework for state aid measures to support the economy in the current COVID-19 outbreak (“TF19”). This amendment broadens the scope and object of the temporary framework.

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Initially, and as detailed here, TF19 allowed States to design support provided in the form of (i) direct grants, repayable advances or tax advantages, up to EUR 800,000, (ii) guarantees on loans to undertakings, (iii) aid to companies in the form of subsidised interest rates for loans, and (iv) short-term export credit insurance.

> "The European Commission has just announced the first amendment to the state aid temporary framework to support the economy in the context of the Covid-19 pandemic."

This first amendment introduces important clarifications and changes:

- **It makes it clear that it is possible to cumulate the different types of aid** mentioned in TF19. The only exception to this rule is the cumulation of aid granted in the form of guarantees and in the form of subsidised interest rates for loans. However, this is only when these two types of aid apply to the same underlying loan and if the total amount of the overall loan amount exceeds the quantitative thresholds established in TF19 for each type of aid.

- **As to aid in the form of direct grants, repayable advances or tax advantages**, it is made clear that the aid can be provided in the form of direct grants, tax and payment advantages. It can also be provided in other forms such as repayable advances, guarantees, loans and equity. However, the total nominal value of these measures must remain below the overall cap of EUR 800 000 per undertaking and all amounts must be gross.

- **As to aid in the form of guarantees on loans**, the amendment makes it clear that the guarantee premiums are set per individual loans at a minimum level, which increases progressively as the duration of the guaranteed loan increases. Previously, the level depended on the maturity of the loan. The levels are as follows:

TYPE OF BENEFICIARY	FOR THE 1ST YEAR	FOR THE 2ND-3RD YEARS	FOR THE 4TH-6TH YEARS
PMEs	25bps	50bps	100bps
Grandes Empresas	50bps	100bps	200bps

- **As to aid in the form of subsidised interest rates for loans**, the clarifications provided are identical to those set out in c. above.

- Provision is made for **three new levels of support**:

  i) **Deferment of payment of taxes and/or social security contributions** limited to certain sectors, regions or types of businesses most affected by the outbreak. These measures can include, for example, the deferment of payment in instalments, greater ease of access to plans for payment of tax debts, the concession of payment periods exempt from interest, or accelerated procedures for tax reimbursements.

ii) **Salary subsidies for workers to avoid lay-offs** during the COVID-19 outbreak, in relation to the sectors or regions that have suffered most from it. Among other conditions, the salary subsidy (i) is intended for workers who would otherwise have been placed on lay-off as a result of the suspension or reduction of business activities due to the outbreak of COVID-19, (ii) may not exceed 80% of the gross monthly salary, (iii) is granted for a period which should not exceed 12 months after the request for aid, and (iv) implies that the workers who benefit must be kept in continuous employment during the period of aid.

iii) **Aid for measures to combat the Covid-19 pandemic**: (i) research and development projects, (ii) expansion of infrastructure and (iii) the production of goods such as medicinal products (including vaccines) and medical devices.

This note was drawn up on 8 April 2020. It is not intended to be exhaustive and it should never substitute specific legal advice. ■

"It clarifies the framework and extends the set of mechanisms available to the Member States to provide support to companies."