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The Commission has introduced further amendments of the Temporary Framework for State aid during the Covid-19 crisis

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Many companies are affected by the economic crisis resulting from the spread of Covid-19. We have previously reported that, under the EU state aid rules, there are certain opportunities for the state and other public entities to provide support to these companies or sectors. On 19 March 2020, the Commission adopted a temporary framework for state aid, which was amended and extended on 3 April 2020, with a view to limiting the economic and social impacts of Covid-19. The temporary framework is described below.

Kommissionens tillfälliga regelverk för statsstöd

On 19 March 2020, the Commission adopted a new temporary framework for state aid measures in the context of the Covid-19 outbreak. The initial purpose behind the temporary framework was to help otherwise viable companies to survive the crisis. On 3 April 2020, the Commission decided to amend and extend the temporary framework. The temporary framework now also includes support for e.g. research and development. The framework will be in place until the end of December 2020, however, the period of validity can be extended. Many countries have already introduced aid schemes in accordance with the temporary framework.

The temporary framework contains provisions on the following types of aid (the aid measures below were

included in the original temporary framework but have been amended and clarified to a certain extent):

- i. **Direct aid measures of up to EUR 800,000 per company** to address its urgent liquidity needs (this can be combined with other types of aid, such as so-called de minimis aid, which may amount to no more than EUR 200,000 for each company group during a three-year period, i.e. in the fiscal year concerned and during the previous two fiscal years). This support measure can be given in the form of e.g. direct grants, selective tax advantages or advance payments.
- ii. **State guarantees for loans taken by companies from banks.** Loan guarantees may cover up to 90 percent of the loan.
- iii. **Subsidized public loans.** Loans with favorable interest rates can be granted to companies.
- iv. **Special rules that apply when aid is channeled through banks and other credit institutions.** The regulations clarify e.g. that when aid is provided through a bank, such aid is considered as direct aid to the banks' customers, not to the banks themselves.

The extension of the temporary framework means that the regulations now also include the following aid

measures:

- i. **Support for Covid-19 related and other virus-related research and development (R&D).** Aid may be provided in the form of direct grants, repayable advances or tax advantages. A bonus may be granted for cross-border cooperation projects between Member States.
- ii. **Support for the construction and upscaling of testing facilities, up to the first industrial deployment.** Support can be granted in the form of direct grants, tax advantages, repayable advances and no-loss guarantees to support investments enabling the construction or upscaling of infrastructures needed to develop and test products that can be used to tackle the coronavirus outbreak. These include medicinal products (including vaccines) and treatments; medical devices and equipment (including ventilators and protective clothing, as well as diagnostic tools); disinfectants; data collection and processing tools useful to fight the spread of the virus. To encourage cooperation and to support quick action, companies can receive a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.
- iii. **Support for the production of products relevant to deal with the Covid-19 outbreak.** Aid may be granted in the form of direct grants, tax advantages, repayable advances and no-loss guarantees to support investments that enable rapid production of Covid-19 related products (which are listed under point (ii)). To encourage cooperation and to support quick action, companies can receive a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.
- iv. **Targeted support in the form of deferral with payment of tax and / or suspensions of social security contributions.** In order to further reduce the liquidity constraints for companies due to the Covid-19 crisis, and to maintain employment,

Member States may grant targeted deferral of payment of taxes and social security contributions in the sectors, regions or for the types of companies that are most severely affected by the outbreak.

- v. **Directed support in the form of wage subsidies for employees.** In order to help mitigate the impact of the crisis on workers, Member States can contribute to the wage costs of companies in the sectors or regions that are hit the hardest by the Covid-19 outbreak, and that would otherwise have had to lay off personnel.

A decision from the Commission is required

It is important to keep in mind that aid that is granted in accordance with the temporary framework requires the prior approval of the Commission. However, since the Commission prioritizes the assessment of notifications regarding state aid aimed at limiting the economic and social effects of Covid-19, it is possible to obtain approval within a few days. During the period 12 March - 6 April 2020, the Commission announced around 30 decisions on Covid-19 related support.

The Commission will continuously evaluate whether further measures are needed to enable Member States to support the economy and to enable companies to continue their activities after the crisis.

Commission decisions on Covid-19 related aid

The Commission has issued a number of decisions on aid measures from the majority of the Member States, partly concerning aid in relation to natural disasters under Article 107 (3) TFEU of the Treaty, and partly under the temporary regulatory framework.

These decisions are listed below.

The Commission has approved Swedish aid schemes

The Commission has approved two Swedish aid schemes in accordance with the temporary framework, one aid scheme aimed primarily at supporting small and medium-sized enterprises and one aid scheme aimed at supporting airlines.

Loan guarantees to support small and medium-sized enterprises

On April 2, the Commission approved a scheme for state guarantees on new loans granted by commercial banks to support companies that have been affected financially as a result of the Covid-19 outbreak. The scheme aims at making it easier for mainly small and medium-sized companies to be granted a loan. The guarantee is granted to the banks, which in turn issues guaranteed loans to the companies. The scheme aims at limiting the risk associated with issuing loans to those companies that are most severely affected by the economic impact of the current crisis, thus ensuring the continuation of their activity.

The Commission found that the Swedish aid measure is in line with the conditions set out in the temporary framework, mainly because of the following circumstances:

- i. the underlying loan amount per company is limited to what is needed to cover its liquidity needs for the foreseeable future,;
- ii. the guarantees may be provided until 30 September 2020 at the latest;
- iii. the guarantees are limited to three years and only exceptionally prolonged for another three years; and
- iv. the risk taken by the State is limited to a maximum of 70%,

The Commission concluded that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the temporary framework. On this basis, the Commission approved the measures under EU state aid rules.

Loan guarantees to support airlines

On 11 April 2020 the Commission approved state aid measures amounting to SEK 5 billion (approximately €455 million) to support the aviation industry. The aid scheme is based on state loan guarantees and will be available to airlines that on 1 January 2020 were in possession of a Swedish permit to operate commercial aviation activities. However, airlines operating non-scheduled passenger air transport services as their main activity are not covered by the aid scheme. Around 20 airlines will be eligible for loan guarantees. This includes

both airlines and regular passenger services as well as smaller companies with ambulance flights and helicopter companies that carry out inspections. The scheme aims at limiting the risks associated with issuing loans to those airlines which are most severely affected by the economic impact of the coronavirus outbreak. This will ensure that those airlines have sufficient liquidity, hence ensuring the continuation of their activities during and after the current crisis.

The Commission found that the Swedish measure is in line with the conditions set out in the Temporary Framework, mainly because of the following circumstances:

- i. the underlying loan amount per airline is linked to its liquidity needs for the foreseeable future;
- ii. the guarantees may only be provided until the end of this year;
- iii. the guarantees are limited to a maximum duration of six years;
- iv. the guarantee coverage for each loan and the guarantee premiums do not exceed the levels foreseen by the Temporary Framework.

Country	Amount	Aid measure	Time period	Decision date	Applicable rule
Denmark	12 MEUR	Direct grants	6 mar - 31 mar 2020	2020-03-12	Article 107(2) (b) TFEU
Denmark	130 MEUR	Guarantees	21 mar - 30 sep 2020	2020-03-21	Temporary Framework
France	300 000 MEUR	Guarantees	21 mar - 31 dec 2020	2020-03-21	Temporary Framework
Portugal	3 000 MEUR	Guarantees	21 mar - 31 dec 2020	2020-03-22	Temporary Framework
Italy	50 MEUR	Direct grants and soft loans	22 mar - 31 dec 2020	2020-03-22	Temporary Framework
Germany	1 000 MEUR/ company	Loans and subsidised interest rates	22 mar - 31 dec 2020	2020-03-22	Temporary Framework
Latvia	250 MEUR	Soft loans, guarantees	-	2020-03-23	Temporary Framework
Germany	-	Direct grants	24 mar - 31 dec 2020	2020-03-24	Temporary Framework
Luxemburg	300 MEUR	Repayable advances	24 mar - 30 sep 2020	2020-03-24	Temporary Framework
Spain	20 000 MEUR	Loans	-	2020-03-24	Temporary Framework
Germany	-	Guarantees	24 mar - 31 dec 2020	2020-03-24	Temporary Framework
Italy	-	Debt moratorium	25 mar - 30 sep 2020	2020-03-25	Temporary Framework
Denmark	1 300 MEUR	Direct grants	25 mar - 9 jun 2020	2020-03-25	Article 107(2) (b) TFEU
United Kingdom	703 MEUR	Direct grants and guarantees	25 mar - 30 sep 2020	2020-03-25	Temporary Framework
Luxemburg	2 500 MEUR	Guarantees	27 mar - 31 dec 2020	2020-03-27	Temporary Framework
Estonia	1 750 MEUR	Guarantees and subsidised interest rates	30 mar - 31 dec 2020	2020-03-30	Temporary Framework
Denmark	13,4 MEUR	Liquidity guarantees	30 mar - 31 dec 2020	2020-03-30	Temporary Framework
France	1 200MEUR	Direct grants	30 mar - 30 jun 2020	2020-03-30	Temporary Framework
Ireland	200 MEUR	Repayable advances	30 mar - 31 dec 2020	2020-03-30	Temporary Framework
France		Tax deferrals - airlines	19 mar 2020 -	2020-03-31	Article 107(2)(b) TFEU
Sweden	9 100 MEUR	Guarantees	2 apr - 30 sep 2020	2020-04-02	Temporary Framework
Malta	350 MEUR	Guarantees	2 apr - 31 dec 2020	2020-04-02	Temporary Framework
Spain		Direct grants, repayable advances, tax benefits, guarantees, etc.	2 apr - 31 dec 2020	2020-04-02	Temporary Framework
Denmark	130 MEUR	Guarantees	-	2020-04-02	Temporary Framework
Germany		Addition/extension of previous measure	2 apr - 31 dec 2020	2020-04-02	Temporary Framework
Netherlands	23 MEUR	Direct grants	3 apr - 31 dec 2020	2020-04-03	Temporary Framework
Poland	22 000 MEUR	Guarantees	3 apr - 31 dec 2020	2020-04-03	Temporary Framework
Greece	2 000 MEUR	Guarantees	3 apr - 31 dec 2020	2020-04-03	Temporary Framework
Denmark		Addition/amendment of previous measure	3 apr - 8 jun 2020	2020-04-03	Temporary Framework
Portugal	13 000 MEUR	Direct grants and guarantees	3 apr - 31 dec 2020	2020-04-04	Temporary Framework
United Kingdom	57 000 MEUR	Direct grants, guarantees, subsidised interest rates, research aid, etc.	6 apr - 31 dec 2020	2020-04-06	Temporary Framework
Kroatia	790 MEUR	Guarantees	6 apr - 31 dec 2020	2020-04-06	Temporary Framework
Greece	1 000 MEUR	Repayable advances	7 apr - 31 dec 2020	2020-04-07	Temporary Framework
Denmark	5,4 MEUR	Direct grants	30 mar - 31 dec 2020	2020-04-08	Article 107(2) (b) TFEU
France	1 200 MEUR	Direct grants	30 mar - 30 jun 2020	2020-03-30	Temporary Framework

France	1 200 MEUR	Direct grants	30 mar - 30 jun 2020	2020-03-30	Temporary Framework
Hungary	140 MEUR	Direct grants	8 apr - 31 dec 2020	2020-04-08	Temporary Framework
Poland	700 MEUR	Soft loans and guarantees	8 apr - 31 dec 2020	2020-04-08	Temporary Framework
Portugal	20 MEUR	Soft loans	8 apr - 31 dec 2020	2020-04-08	Temporary Framework
Bulgaria	255 MEUR	Guarantees	-	2020-04-08	Temporary Framework
Lithuania	110 MEUR	Guarantees	-	2020-04-08	Temporary Framework
Greece	1 200 MEUR	Repayable advances	-	2020-04-08	Temporary Framework
Luxemburg	30 MEUR	Export credit insurance	-	2020-04-08	Temporary Framework

The Swedish Government's aid measures

The Swedish Government has gradually introduced new aid measures to reduce the financial impact of the Covid-19 pandemic. Delphi has compiled all of the support measures and proposals in a document which is updated regularly. This document is available at the following link.

Several experts at Delphi have commented the proposals from inter alia a labor law and a tenancy law perspective.

A more detailed account of the labor law proposals is available on the following link.

A more detailed account of the proposal for rent relief is available on the following link.

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