

Coronavirus crisis: the European Commission adopts its State aid Temporary Framework to support the economy

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Executive Vice-President Vestager had announced on 17 March 2020 a public consultation on the European Commission's draft proposal for a State aid Temporary Framework to support the economy in the context of the COVID-19 outbreak.

Following discussions with the Member States, the final version of the Temporary Framework was adapted to allow Member States to grant more generous aid and for a longer period until the end of December 2020. The document was formally adopted on 19 March 2020 and came into force immediately.

It can be found at the following link:

https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf

The Temporary Framework is based on Article 107(3)(b) TFEU to remedy a serious disturbance across the EU economy. Only companies that encountered difficulties after 31 December 2019 are eligible for aid under this Temporary Framework to ensure that it is not used for public support unrelated to the COVID-19 outbreak.

Member States are allowed **until 31 December 2020** to:

1. set up schemes for **direct grants or tax advantages up to €800,000** to companies to meet urgent liquidity needs;
2. give subsidised **State guarantees on new bank loans**, in the form of subsidised premiums, based on a straight forward table set up by the Commission in function of the size of the beneficiary (SME or large enterprises) and the maturity of the loan:

The guarantees of maximum 6 years may cover up to 90% (if the State supports the same risk as the financial institution) or 35% (if the risk is supported first by the State) of the amount of the bank loans which are based on the operating needs of the companies (established on the basis of the wage bills or liquidity needs or up to 25% of the total turnover of the beneficiary in 2019). The guarantees may relate to both investment and working capital loans;

3. enable public and private loans with **subsidised interest rates**:

The interest rate of these loans must be equal to no less than the rates provided for in a straight forward table set up by the Commission in function of the size. The maximum loan amount is based on the operating needs of the companies (established on the basis of the wage bills or liquidity needs or up to 25% of the total turnover of the beneficiary in 2019). The loans of maximum 6 years may relate to both investment and working capital needs;

4. loosen up the rules on **Short-term export credit insurance**.

In the case of aid in the form of public guarantees and reduced interest rates, certain safeguards should be introduced in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. Indeed, the credit institution and other financial institutions, should to the largest extent possible, pass on the advantages of the aid to the final beneficiaries.

All aid schemes provided for by the Temporary Framework have to be notified by the Member States to the European Commission prior to implementation and will be authorised **until 30 December 2020**.

The Commission encourages Member States to notify national framework aid schemes, especially when Member States delegate extensive competence in economic matters to their Regions.

Furthermore, Member States may put in place **general measures such as wage subsidies and suspension of tax payments for all companies**. These do not constitute State aid and need not be notified to the European Commission.

Finally, Member States may provide **compensation to companies for damages suffered due to the COVID-19**

outbreak. The European Commission suggests that Member States apply this solution to compensate airlines under Article 107(2)(b) TFEU for damages suffered due to the COVID-19 outbreak. It has published on 18 March 2020 the [list of information to be provided for by Member States for notifications of such aid](#).

It is now up to the Member States to set up their public support to the economy as the European constraints have been now clearly defined.

CMS keeps you informed of the public measures adopted by Member States in order to support your business enterprises.

CMS has the widest coverage and the broadest team of state aid specialists in Europe. Furthermore, we have extensive experience in setting up aid schemes and in public interventions in favour of undertakings in difficulty.

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KEY CONTACTS



Annabelle Lepièce

Partner, Brussels

