

COMPETITION AND REGULATED MARKETS

COVID-19 Practical Considerations: European Commission extends Temporary State Aid Framework and approves first Irish support scheme

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The European Commission moved swiftly to adopt a Temporary State Aid Framework in response to the COVID-19 outbreak. Following a consultation on its scope, on 3 April 2020 the Commission has extended the Temporary Framework to cover support measures for the research, testing and production of coronavirus relevant products. The extension also covers support in the form of (i) deferral of tax payments or suspension of social security contributions to reduce liquidity constraints for companies and (ii) wage subsidies to limit the impact of the outbreak on workers.

BACKGROUND

On 19 March 2020, the European Commission announced that it had adopted a Temporary State Aid Framework to enable Member States to further support their economies in the context of the COVID-19 outbreak.¹ You can read our earlier briefing on the adoption of the Temporary Framework

here. The Temporary Framework enables Member States to take action to ensure that sufficient liquidity remains available to businesses of all types and to preserve the continuity of economic activity during and after the outbreak.

THE EXTENSION

Since its publication, the Commission has identified additional temporary State aid measures that it considers compatible with EU State aid rules in the context of the COVID-19 outbreak. The Temporary Framework now covers the following five types of measures:²

1. Support for coronavirus related research and development:

to address the current health crisis, Member States can grant aid in the form of direct grants, repayable advances or tax advantages for coronavirus and other relevant antiviral R&D.

2. Support for the construction and upgrading of testing facilities:

Member States can grant aid 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 useful to tackle the coronavirus outbreak, up to first industrial deployment.

3. Support for the production of products relevant to tackle the coronavirus outbreak:

Member States can grant aid in the form of direct grants, tax advantages, repayable advances and no-loss guarantees to support investments enabling the rapid production of coronavirus-relevant products

4. Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions:

to reduce the liquidity constraints on companies due to the coronavirus crisis and to preserve employment, Member States can grant targeted deferrals of payment of taxes and of social security

1 State aid: Commission adopts Temporary Framework to enable Member States to further support the economy in the COVID-19 outbreak, Brussels, 19 March 2020. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_496

2 See Commission Statement on extension of Temporary Framework to enable Member States to accelerate research, testing and production of coronavirus relevant products, to protect jobs and to further support the economy in the coronavirus outbreak, published 3 April 2020. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_570

contributions in those sectors, regions or for types of companies that are hit hardest by the outbreak.

5. Targeted support in the form of wage subsidies for employees:

to help limit the impact of the coronavirus crisis on workers, Member States can contribute to the wage costs of those companies in sectors or regions that have suffered most from the coronavirus outbreak, and would otherwise have had to lay off personnel.

Member States can now apply to the Commission for State aid approval of these types of support measures provided certain conditions are met.

The amended Temporary Framework also expands on the existing types of support that Member States can give to companies. For example, it now enables Member States to give zero-interest loans, guarantees on loans covering 100% of the risk, or provide equity, up to the nominal value of €800,000 per company.³ This

should be particularly useful to quickly address the urgent liquidity needs of small and medium-sized enterprises. The amendments to the Temporary Framework took effect from 3 April 2020.

APPROVAL OF THE FIRST IRISH SCHEME UNDER THE TEMPORARY FRAMEWORK

On 31 March 2020, the Commission approved the first Irish scheme under the Temporary Framework. The Commission found that a €200 million Irish scheme to support companies affected by the coronavirus outbreak to be in line with EU State aid rules. The support, in the form of repayable advances, is accessible to companies that experience or expect to experience a decline in turnover of at least 15% compared to their revenue before the coronavirus outbreak in Ireland. The scheme applies to undertakings in Ireland employing 10 or more full time employees in certain manufacturing sectors and/or

internationally traded sectors. This Irish scheme is similar to measures adopted across other Member States to provide liquidity to businesses.

TAKEAWAYS

In extending the Temporary Framework, the Commission has recognised the importance of support measures that go beyond access to liquidity and focus on the research, testing and production of coronavirus relevant products.⁴ The extension also underlines the importance of measures aimed at preserving employment.⁵ As the response of Member States to the crisis evolves, the Temporary Framework may be extended further to cover other forms of support.

FURTHER GUIDANCE

For further information on COVID-19 State aid developments and how they might be relevant for your business please contact a member of our team.

3 See Commission Statement on extension of Temporary Framework, reference above.

4 Communication from the Commission, Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, C(2020) 2215 Final, Brussels, published 3 April 2020 and available at: https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_1st_amendment_temporary_framework_en.pdf

5 In its communication, the Commission suggested that, in order to preserve employment, Member States may envisage contributing to the wage costs of undertakings, which due to the COVID-19 outbreak, would otherwise lay off personnel. This has already been implemented at a national level with the Irish government announcing a national COVID-19 Income Support Scheme on 24 March 2020. This includes the introduction of a Temporary COVID-19 Wage Subsidy Scheme which is a scheme which allows eligible employers, which have experienced significant negative economic disruption due to Covid-19, to be supported by a payment of up to 70% of an employee's take home income, up to a maximum weekly tax free payment of €410, where they retain such employees on payroll.

KEY CONTACTS



Richard Ryan
Partner
+353 1 920 1240
richard.ryan@arthurcox.com



Patrick Horan
Partner
+353 1 920 1063
patrick.horan@arthurcox.com



Helen Leonard
Associate
+353 1 920 1236
helen.leonard@arthurcox.com



Simon Breen
Associate
+353 1 920 1971
simon.breen@arthurcox.com



Emma Wallace
Associate
+353 1 920 1896
emma.wallace@arthurcox.com



Edel O'Connell
Associate
+353 1 920 2112
edel.oconnell@arthurcox.com