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CLIENT ALERT

State Aid in Times of COVID-19: Hard Times Call for a Soft(er) Approach - Part II

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On March 19, the European Commission adopted a Temporary Framework to enable Member States to use the full flexibility of the State aid rules to support the economy in the COVID-19 outbreak. Since then the Commission has approved over €890 billion in aid schemes most of which were processed within 24 to 48 hours. On April 3, the Commission extended the Temporary Framework to enable Member States to accelerate the research, testing and production of COVID-19 products, to protect jobs and to further support the economy in the outbreak.

Extension of the Temporary Framework for State Aid measures in light of the COVID-19 outbreak

Previously, we reported on the Temporary Framework adopted by the Commission on March 19 which provided for five types of state aid (most notably direct grants, state guarantees, and subsidized public loans). The Commission extended the Framework on April 3 to expand the existing types of aid and to provide for five additional types of aid measures:

- **Support for coronavirus related research and development (R&D):** Member States can grant aid in the form of direct grants, repayable advances or tax advantages for coronavirus and other relevant antiviral R&D. So far, the Commission approved the following measures:
    - Belgium: €4 million scheme to support R&D projects in the Brussels-Capital region.
    - Hungary: €88 million scheme supporting researchers and developers in all sectors affected by the COVID-19 outbreak.
    - Luxembourg: €30 million scheme for SMEs in all sectors to support research and development.
    - Malta: €5.3 million direct grants scheme open to all companies and public entities with an establishment in Malta for R&D projects regarding COVID-19 and other relevant antiviral R&D.
    - Portugal: €140 million scheme, including €50 million to support investment in R&D.
    - UK: £50 billion “umbrella” scheme including support for COVID-19 related R&D.
- **Support for the construction and upscaling 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 COVID-19 outbreak, up to first industrial deployment.
    - UK: £50 billion “umbrella” scheme including support for the construction and upscaling of testing facilities to develop and test COVID-19 related products.
- **Support for the production of products relevant to tackle the COVID-19 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 medicinal products, medicinal devices and equipment, disinfectants, data collection and processing tools useful to fight the virus. So far, the Commission approved the following measures:
    - Czech Republic: €37 million scheme of direct grants to support investments by SMEs in the production of coronavirus relevant products.

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  - Luxembourg: €30 million scheme for SMEs in all sectors, including for investments in the production of coronavirus relevant products.
  - Portugal: €140 million scheme to support investments, including €90 million for testing and production of products relevant to the COVID-19 outbreak (e.g. vaccines, ventilators and personal protective equipment).
  - UK: £50 billion "umbrella" scheme including support the production of COVID-19 related products.
- **Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions:** Member States can grant targeted deferrals of payment of taxes and of social security contributions in those sectors, regions or for types of companies that are hit the hardest by the outbreak. Companies which were already experiencing financial difficulties are not excluded.
  - Belgium**:** scheme to defer the payment of concession fees by Walloon airports to Walloon authorities to mitigate the economic impact of the COVID-19 outbreak.
  - Poland: 11 schemes (in total €7.8 billion), including deferral of tax payments open to all companies faced with economic difficulties and liquidity shortages due to COVID-19.
- **Targeted support in the form of wage subsidies for employees:** Member States can contribute to the wage costs of those companies in sectors or regions that have suffered most from the COVID-19 outbreak, and would otherwise have had to lay off personnel. Also companies which were already experiencing financial difficulties can benefit from these measures.
  - Bulgaria: €770 million scheme to preserve employment in the sectors most affected by the COVID-19 outbreak (such as retail, tourism, passenger transport, culture, sports activities, amusement and recreation activities, …).
  - Malta: €215 million scheme to finance the costs of employers who would otherwise have to lay off employees in sectors which are hit hard by the COVID-19 outbreak.
  - Poland: 11 schemes (in total €7.8 billion), including wage subsidies open to all companies faced with economic difficulties and liquidity shortages due to COVID-19.
  - Slovakia: €2 billion scheme for preserving employment and supporting the self-employed who are affected by COVID-19.

Like the original Temporary Framework, these amendments will be in place at least until December 31, 2020. Another extension of the Temporary Framework is currently being discussed, which would enable Member States to provide recapitalization measures to companies in need.

Crowell & Moring will continue monitoring developments in this area and provide regular updates.

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