

New EU Legislation Passed to Assist Companies Impacted by COVID-19

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On March 19, 2020, the European Commission passed a framework of support that will allow every EU member state to create aid packages for companies negatively impacted by the COVID-19 pandemic.¹

This framework has been adopted as an emergency measure to quickly provide much-needed liquidity to companies suffering from the economic effects of the pandemic. The aid applies to all sizes of businesses in all EU member states and represents a significant departure from the rigid State Aid rules regulating grants and incentives.

The most interesting form of aid provided under the framework is in the form of direct grants, repayable advances or tax advantages. Some of the key requirements the European Commission set out regarding this type of funding include:

- The aid does not exceed EUR 800,000 per undertaking (gross, before any deduction of tax or other charge);
- The aid is granted based on an incentives scheme with an estimated budget;
- The aid is focused on companies that faced difficulties or entered into difficulty after December 31, 2019 as a result of the COVID-19 outbreak; the aid may not be granted to undertakings that were in difficulty on December 31, 2019;

- The aid is granted no later than December 31, 2020;
- The aid granted to undertakings active in the processing and marketing of agricultural products is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or put on the market by the undertakings concerned.

Special Provisions for Agricultural, Fishery and Aquaculture

The provisions for the primary agricultural and the fishery and aquaculture sectors include more limitations including a max of EUR 120,000 (gross) for fishery and aquaculture sector and a max of EUR 100,000 (gross) for companies involved in the primary production of agricultural products. The aid cannot be based on the price or quantity of products put on the market. Where an undertaking is active in multiple sectors to which different maximum aid amounts apply, the member states will ensure a means of separating the activities.

¹ https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf



Additional forms of support under the framework include the following:

- State guarantees for loans taken by companies from banks
- Subsidized public loans to companies
- Safeguards for banks that channel state aid to the real economy
- Short-term export credit insurance

The European Commission has acted quickly to approve member state programs, some within 48 hours of the framework taking effect. Most programs are in the form of loan guarantees, but Germany and Italy have received approval for direct grant programs to businesses, while Denmark has received approval for direct grants payable to self-employed individuals.

Duff & Phelps, in partnership with the European Funding Alliance, will continue to monitor new programs as they are approved by the European Commission and enacted by the Member State governments. If you have any questions or would like assistance in applying for these programs, please reach out to our Site Selection and Incentives Advisory practice.

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