

## COVID-19 NEWSFLASH ON

### EU STATE AID

BRUSSELS, MARCH 2020

On 19th March 2020, the Commission released a temporary Framework on State aid to face the crisis with accurate measures of urgency. The Framework applies to aid granted after 1 February 2020 and before 31 December 2020.

The temporary Framework distinguishes between five types of aid:

**1) Aid in form of direct grants, repayable advances or tax advantages:**

Member States can provide grants in the form of direct grants, repayable advances or tax advantages to enterprises facing liquidity shortage. The aid must not exceed 800,000 euros and must meet various conditions specified in paragraph 22 of the framework; it must be granted according to a plan with an estimated budget, and should not be granted to companies already facing a difficult situation before 31 December 2019. Specific conditions and lower amounts of aid apply to assistance provided to companies engaged in agriculture, fisheries and aquaculture sectors.

**2) Aid in the form of loan guarantees:**

Member States can provide investment guarantees to enterprises for a maximum period of six years. The allowed amounts are based on the company's annual payroll and turnover. If the loss is shared by the state and credit institutions in proportion, the guarantee can cover up to 90% of the loan principal. If the loss is first shared by the state, the guarantee can cover 35%. In addition, aid should not be provided to businesses that have had difficulties before 31 December 2019.

**3) Loan assistance in the form of subsidized interest rates:**

Member States can grant loans with reduced interest rates for up to 6 years to fund investment and working capital. The interest rate must be at least equal to the interest rate applicable on 1 January 2020 plus the credit risk margin specified in paragraph 27 a) in the

table. The loan amount must not exceed the threshold specified in paragraph 27 d), which is determined based on the company's annual salary slip and turnover. In addition, aid should not be provided to businesses that have had difficulties before 31 December 2019.

**4) Aid in the form of guarantees and loans channeled through credit institutions or other financial institutions :**

The framework says that the indirect aid from credit or financial institutions as financial intermediaries will not be considered to constitute state aid. The framework also introduces safeguards to limit the excessive competition that this indirect assistance may cause: financial intermediaries must demonstrate their operating mechanisms to ensure that the benefits are passed to the ultimate beneficiaries to the greatest extent possible by more forms of financing, lower guarantee fees, lower interest rates..

**5) Short-term export credit insurance :**

The framework provides member countries with greater flexibility to prove that some countries are non-marketable risks due to the outbreak of COVID-19, and the prohibition specified in the short-term export-credit insurance (the STEC) communication does not apply.

We very much hope that you will find this Briefing useful. We remain at your entire disposal for any additional information or clarification.

**Philippe Billiet**  
**Partner, Attorney at Law**  
**Billiet & Co Lawyers**  
**M: +32 486 31 95 79**  
**E: [Philippe.Billiet@billiet-co.be](mailto:Philippe.Billiet@billiet-co.be)**