



## **Deloitte Legal Newsflash**

### **EU Competition and EU Regulatory**

## **European Commission adopts COVID-19 Temporary State aid Framework**

On 19 March 2020, the European Commission adopted the much-anticipated Temporary Framework for State Aid measures to support the economy in the current COVID-19 outbreak.

The Temporary Framework clarifies under which conditions the European Commission will approve certain types of state aid measures that Member States take. These measures aim to ensure that sufficient liquidity remains available to businesses, and to preserve the continuity of economic activity during and after the COVID-19 outbreak.

A complement to other possibilities for Member States to lessen the impact of COVID-19, in line with state aid

The Temporary Framework does not replace the existing state aid instruments and other possibilities that state aid law allows for. These were explained in the [Communication on a Coordinated economic response to the COVID-19 outbreak](#), adopted by the Commission on 13 March 2020. See our recent [Newsflash](#) on the COVID-19 effect on competition law for more information on this Communication.

## Temporary relaxing of 'normal' state aid rules

The Temporary Framework is based on Article 107(3)(b) TFEU as the European Commission recognises that the entire European Union economy is experiencing a serious disturbance.

The Temporary Framework introduces a temporary relaxing of 'normal' state aid rules. It does not introduce any waiver of the obligation to notify the measures to the European Commission for approval. However, if the Member State measure meets the conditions laid down in the Temporary Framework, the European Commission will very swiftly approve the measure.

The Commission applies the Temporary Framework to all relevant notified measures from 19 March 2020 to 31 December 2020. However, the framework can be extended or reviewed at any time by the Commission in the wake of important competition policy or economic considerations.

## Which types of aid does the Temporary Framework provide for?

The Temporary Framework provides for five types of aid:

### **(i) Direct grants, repayable advances or tax advantages**

This type of aid can be awarded only through a scheme. The amount of aid per company cannot exceed EUR 800,000. An important feature is that companies can be in difficulty when receiving this type of aid, as long as they were not in difficulty on 31 December 2019. This type of aid cannot be granted later than 31 December 2020.

### **(ii) Guarantees or loans**

The Temporary Framework introduces a minimum level for guarantee premiums that is lower than allowed for under the regular guarantee scheme. The guarantee must be granted by 31 December 2020 at the latest.

For loans where maturity is beyond 31 December 2020, the Temporary Framework introduces three alternative loan principal amounts that cannot be exceeded. An exception is provided for loans with a maturity until 31 December 2020.

The recipients can be in difficulty when receiving this type of aid, as long as they were not in difficulty on 31 December 2019.

Guarantee duration and ceilings are also in place.

### **(iii) Subsidised interest rates for loans**

The Temporary Framework introduces a minimum level for reduced interest rates. The loan contract must be signed by 31 December 2020 at the latest.

For loans where maturity is beyond 31 December 2020, the Temporary Framework introduces three alternative loan principal amounts that cannot be exceeded. An exception is provided for loans with a maturity until 31 December 2020.

The recipients can be in difficulty when receiving this type of aid, as long as they were not in difficulty on 31 December 2019.

#### **(iv) Banks channelling aid to the real economy**

In order to avoid any reluctance on the side of credit institutions or other financial institutions to be a conduit for the government aid, the Temporary Framework explicitly states that such aid will not be considered as aid to the credit institutions or other financial institutions. In order to minimize any potential impact on competition between the banks, the Commission requires that banks prove that there is a mechanism in place to ensure that the advantages are passed on to the companies.

Specifically with regard to SMEs, banks are not allowed to charge a guarantee fee when there is a legal obligation to extend the maturity of existing loans for SMEs.

#### **(v) Short-term export credit insurance**

As a deviation from the regular rules on short-term export credit insurance, the Temporary Framework creates additional flexibility for demonstrating that certain countries are not-marketable risk.

---

### **Contacts**

If you have any questions concerning the items in this newsflash, please get in touch with your usual Deloitte Legal - *Lawyers* contact at our office in Belgium or:

- Hendrik Viaene, [hviaene@deloitte.com](mailto:hviaene@deloitte.com), + 32 2 800 70 42

For general inquiries, please contact:  
[bedeloittelegal@deloitte.com](mailto:bedeloittelegal@deloitte.com), + 32 2 800 70 00

Be sure to visit us at our website: <http://www.deloittelegal.be>



As a top legal practice in Belgium, Deloitte Legal - *Lawyers* is a full service business law firm, highly recommended by the most authoritative legal guides. Deloitte Legal - *Lawyers* is based in Zaventem, Watermael-Boitsfort, Antwerp, Ghent and Kortrijk. It consists of close to 150 highly qualified Bar-admitted lawyers. Deloitte Legal - *Lawyers* offers expert advice in the fields of banking & finance, commercial, corporate/M&A, employment, IT/IP, public/administrative, insolvency and reorganisations, real estate, EU law, tax law and dispute resolution. Whenever required to ensure a seamless and comprehensive high-quality service, Deloitte Legal - *Lawyers* collaborates closely with other professions (e.g. tax, financial advisory, accountancy, consulting), and with a select group of law firms all over the world.

Deloitte Legal - *Lawyers* provides thorough and practical solutions tailored to the needs of clients ranging from multinational companies, national large and medium-sized enterprises, financial institutions, government bodies to private individuals.

More information: [www.deloittelegal.be](http://www.deloittelegal.be)

© 2020, Deloitte Legal - *Lawyers* - The content and layout of this communication are the copyright of Deloitte Legal - *Lawyers* or its contributors, and are protected under copyright and other relevant and intellectual property rights laws and regulations. No reproduction in any form or

through any medium is allowed without the explicit consent of Deloitte Legal – *Lawyers* or its contributors.

[Subscribe](#) | [Unsubscribe](#)