



Euro Tax Flash from KPMG's EU Tax Centre



[EU Commission State aid Temporary Framework proposal](#)

[Eurogroup statement on COVID-19](#)

[EU Tax Centre comment](#)

EU measures in response to COVID-19

[Eurogroup – COVID-19 – Economic response – European Union – European Commission – State aid – Temporary Framework – Coronavirus](#)

On March 16, 2020, representatives of Eurogroup and non-Euro Area Member States held an in-depth discussion on how to respond to the global economic and human crisis being caused by the Coronavirus (COVID-19).

On the same date, the European Commission [announced](#) that it had sent for consultation a draft proposal for a State aid Temporary Framework to mitigate the impact of COVID-19 on EU Member State economies. This followed the [announcement](#) of a coordinated response to counter the impact of the Coronavirus by the European Commission on March 13, 2020. A summary of the announcements is set out below.

EU Commission State aid Temporary Framework proposal

On March 16, 2020, the European Commission announced that it had sent for consultation to Member States a draft proposal for a State aid Temporary Framework (the Framework) to support the economy in the context of the COVID-19 outbreak. The Framework is based on Article 107(3)(b) of the Treaty of the Functioning of the European Union (TFEU), which allows measures to be taken to remedy a serious disturbance in the economy of a Member State. The Commission noted that the main fiscal response to the Coronavirus will come from Member States' national budgets and that the Commission will enable Member States to use the full flexibility foreseen under EU State aid rules to tackle the impact of the Coronavirus on EU economies.

The new Framework will enable Member States to:

- establish and provide schemes of direct grants (or tax advantages) of up to EUR 500,000 to a company to address urgent liquidity needs;
- give subsidized State guarantees on bank loans; and
- enable public and private loans with subsidized interest rates.

In addition, the new Framework will also seek to support the banking sector, allowing banks to channel aid to final customers, in particular small and medium-sized enterprises (SMEs). The Framework emphasizes that the aid received should reach the final customer and provides guidance on how to minimize any undue residual aid to the banks in line with EU rules.

The draft proposal notes that new Framework would be temporary in nature and would complement the existing flexibility afforded to EU Member States under State aid rules. In this regard, the EU Commission press release on March 13, 2020 highlighted that measures introduced to date in Italy were permissible from a State aid perspective as the nature and scale of the COVID-19 outbreak in Italy allows the use of Article 107(3)(b) TFEU at this time. The Commission highlighted the impact being suffered by the European aviation sector, noting that urgent action was necessary to minimize the need for permanent redundancies and that the flexibility under existing State aid rules could be used to allow compensation to be provided to airlines under Article 107(2)(b) TFEU for damages suffered as a result of COVID-19, even if the relevant airline had received rescue aid in the last ten years.

The Commission also noted that it stands ready to work with all EU Member States to ensure that possible national support measures to tackle the outbreak of the COVID-19 virus can be put in place in a timely manner.

Eurogroup statement on COVID-19

On March 16, 2020, the Eurogroup, which comprises the nineteen EU Member States that have adopted the Euro as their official currency, held a discussion with non-Euro Member Areas. The Eurogroup released a [statement](#) on the outcome of the discussions and highlighted the following proposed coordinated response measures:

1. All national authorities will implement necessary measures to ensure that the economic consequences of COVID-19 are tackled, including by implementing temporary measures such as:
 - a. Immediate fiscal spending targeted at containment and treatment of the disease.
 - b. Liquidity support for firms facing severe disruption and liquidity shortages: this can include tax measures, public guarantees to help companies to borrow, export guarantees and the waiving of delay penalties in public procurement contracts.
 - c. Support for affected workers to avoid employment and income losses, including short-term work support, extension of sick pay and unemployment benefits and deferral of income tax payments.

Coordinated efforts at the European level to supplement national measures. The statement also emphasizes Eurogroup support for measures announced by the

European Commission, the European Central Bank and the European Investment Bank.

2. The Eurogroup discussed the need to introduce measures to help economies recover once the Coronavirus has receded. In particular, the Eurogroup re-committed to continue work to further strengthen the architecture and resilience to shocks of the Economic and Monetary Union.

The Eurogroup statement also welcomed the clarification by the EU Commission on the scope for supporting firms that is available within State aid rules in the current circumstances, as referenced above.

EU Tax Centre comment

It is clear that the spread of the Coronavirus throughout Europe is of great concern to political leaders across the EU. In recent days, EU institutions have launched a range of proposals to help to mitigate the impact of COVID-19 on EU economies. While an EU-wide response is being developed, individual Member States have also introduced a range of targeted measures to protect the most vulnerable sectors in their respective economies. KPMG's reports of tax developments in response to the Coronavirus (COVID-19) are available [here](#).

It is likely that additional measures will need to be taken, both domestically and on an EU-wide basis, to counteract the economic impact of COVID-19 in the coming months. The European Commission has not yet made public the full content of the proposed measure or a timeline for adoption. Once adopted, it is likely that the Framework will have limited applicability in time.

Should you have any queries, please do not hesitate to contact [KPMG's EU Tax Centre](#), or, as appropriate, your local KPMG tax advisor. For an overview of Tax & Legal Services considerations related to the impact of COVID-19, please refer to the dedicated [KPMG page](#).

KPMG is hosting a webcast on Tuesday, March 24, 2020 on effective management of a tax or legal function through a crisis situation, considering the current environment in light of the impacts of the Novel Coronavirus (COVID-19). Details of the webcast are available [here](#).



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