



# Euro Tax Flash from KPMG's EU Tax Centre



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## **European Commission adopts Temporary Framework for State aid measures**

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

On March 19, 2020, following consultation with EU Member States, the European Commission adopted a Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak. The Framework sets out temporary State aid measures that the European Commission considers compatible with the EU internal market and that can be approved rapidly upon notification by each Member State.

## **Background**

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 (please refer to [Euro Tax Flash issue 427](#) for details). 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.

Following consultation with EU Member States, on March 19, 2020, the European Commission adopted and published a [Communication](#) on the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak – C(2020) 1863 final (the Communication).

## **European Commission Temporary Framework**

The Commission notes in its Communication that this derogation from EU State aid rules should be interpreted strictly and in light of rulings from the European Union courts, according to which the disturbance must affect the whole or an important part of the economy of the

Member State concerned. The Commission further notes that the COVID-19 outbreak affects all Member States and that containment measures adopted by Member States are having a negative impact on businesses. Therefore, the Commission considers that State aid is justified and can be declared compatible with the EU internal market on the basis of Article 107(3)(b) TFEU, for a limited period, with the aim of mitigating the liquidity shortage faced by businesses.

The Commission sets out the compatibility conditions that it will apply to aid granted by Member States under Article 107(3)(b) TFEU. Member States are required to notify any aid granted under this provision to the European Commission and to show that the measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy and that all the conditions set out in the Communication are respected.

The Framework provides for five types of aid:

- Direct grants, selective tax advantages and advance payments, up to EUR 800,000 to a company to address its urgent liquidity needs.
- State guarantees for loans taken by companies from banks, to ensure banks continue to provide loans to the customers who need them.
- Subsidized public loans to companies, i.e. loans with favorable interest rates to help businesses cover immediate working capital and investment needs.
- Safeguards for banks that channel State aid to the real economy, in particular support for small and medium-sized companies. It is noted that such aid is considered as direct aid to the banks' customers, not to the banks themselves.
- Short-term export credit insurance.

Any aid granted under the Framework must comply with the following conditions:

- the aid does not exceed EUR 800,000 per undertaking in the form of direct grants, repayable advances, tax or payments advantages;
- the aid is granted on the basis of a scheme with an estimated budget;
- the aid may be granted to undertakings that are not in difficulty and/or to undertakings that were not in difficulty on December 31, 2019, but that faced difficulties or entered into difficulty after this date as a result of the COVID-19 outbreak;
- the aid is granted no later than December 31, 2020.

Further conditions must be satisfied in relation to aid granted to businesses active in the processing and marketing of agricultural products. Specific provisions for the primary agricultural and the fishery and aquaculture sectors are set out separately.

The Commission will apply the Communication between March 19, 2020 and December 31, 2020 – subject to review on the basis of important competition policy or economic considerations.

### **EU Tax Centre comment**

The Framework adopted by the European Commission provides for a more extensive list of measures than previously announced, with an increase in the maximum amount of aid in the form of direct grants or tax advantages from EUR 500,000 to EUR 800,000 and the addition of short-term export credit insurance to the list of types of compatible aid. Individual Member States continue to introduce targeted measures, included related to the application of interest

on late payments of tax, extensions to the deadlines for filing of tax returns and for tax remittances. KPMG's reports of tax developments in response to the Coronavirus (COVID-19) are available [here](#). 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](#).

Should you have any queries, please do not hesitate to contact [KPMG's EU Tax Centre](#), or, as appropriate, your local KPMG tax advisor.



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