

COVID-19 and State aid

Key points of attention

Due to COVID-19, many companies are facing unprecedented liquidity challenges, and are continuously looking for solutions to that problem. All governments (national and regional) are announcing or have taken important support packages to help companies weather these financial consequences. In the European Union, and in the European Economic Area, many State aid measures are subject to European Commission or EFTA Surveillance Authority review and approval.

If your company receives non-approved State aid, the received amount, increased with a recovery interest rate, must be refunded. How can you avoid this unpleasant surprise?



How to avoid illegal State aid

The European Commission is working in close cooperation with Member States to make sure that the necessary company support measures can be put in place. However, the Commission stresses that State aid rules must be respected to ensure a level playing field in the European Union.

No illegal State aid will be tolerated.

- Can I accept payment deferrals for taxes, social contributions, etc.?
- Can I accept or apply for government guarantees for loans?
- Can I accept interest subsidies for loans?
- Can I accept direct government grants or subsidies?
- Are there any strings attached to the gifts I am receiving from the government?



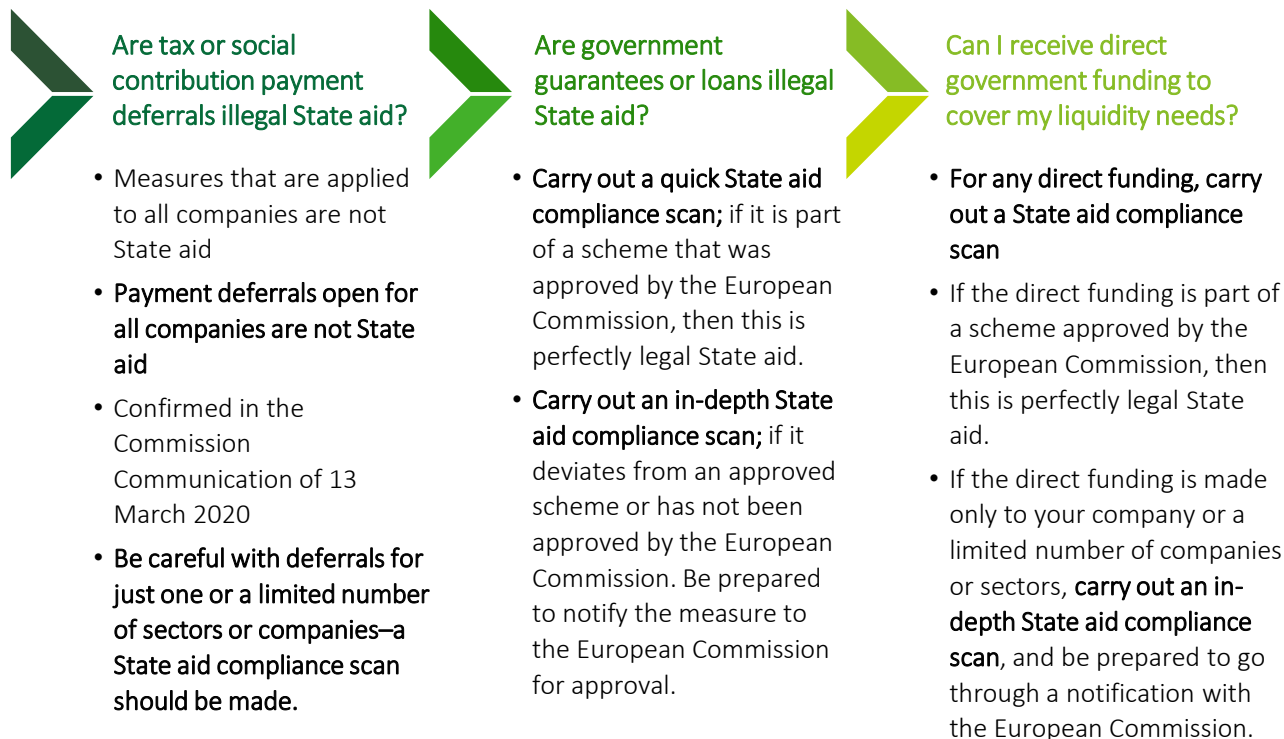
Suggested approach:

- When considering using a government scheme; accepting direct grants, tax breaks, loans, subsidies, grants, etc.; or asking for them...
- Check on compliance with State aid law. This check can often be performed quickly, and with 100% certainty.
- In case of doubt, engage in a discussion with the government entity awarding the aid, and agree on a notification to the European Commission, if needed.



Typical government measures in the wake of COVID-19 – State aid check

The European Commission has issued a Communication on 13 March 2020, and adopted a Temporary Framework on 19 March 2020, which already gives good guidance.



Even in times of crisis, as a company you need to check whether the government support that is given is not illegal State aid. This will often involve a brief compliance check, but at least you will have a 100% certainty that your company can keep the support.

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