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EU AND COMPETITION LAW

Coronavirus: The new temporary framework for state aid

The European Commission has just announced a new state aid temporary framework to support the economy in the context of the COVID-19 outbreak.

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This [new framework](#) will remain in force until 31 December 2020 and it allows Member States to provide:

- a) Aid in the form of direct grants, selective tax advantages and repayable advance payments, up to EUR 800,000 per company, to companies in most economic sectors to meet their urgent liquidity needs;
- b) State guarantees for loans taken out by companies from banks and the framework defines, among other possibilities, minimum guarantee premiums for this purpose;

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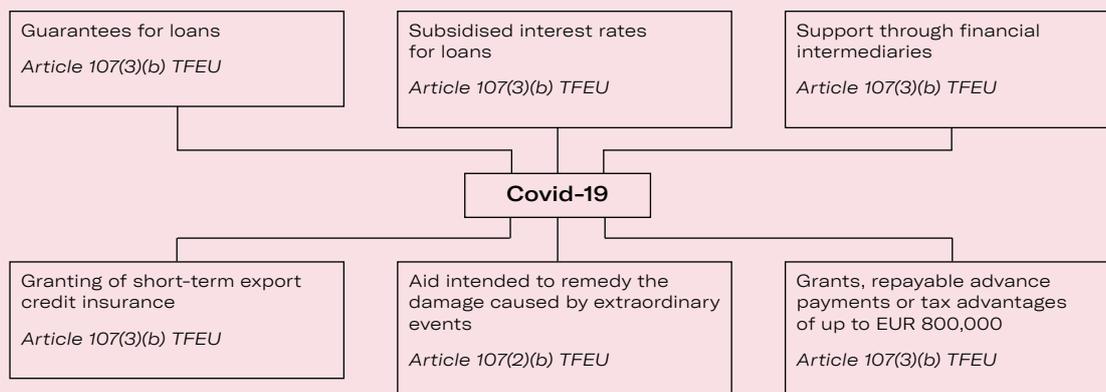
TYPE OF BENEFICIARY	MARGINS FOR LOANS WITH A MATURITY OF 1 YEAR	MARGINS FOR LOANS WITH A MATURITY OF 2-3 YEARS	MARGINS FOR LOANS WITH A MATURITY OF 4-6 YEARS
SMEs	25 basis points	50 basis points	100 basis points
Large companies	50 basis points	100 basis points	200 basis points

- c) Aid to companies in the form of subsidised interest rates for loans. Loans can be granted at reduced interest rates that are at least equal to the base rate (IBOR one year or equivalent published by the Commission) in force on 1 January 2020, plus credit risk margins similar to those identified in the table above;
- d) State guarantees for loans or aid in the form of interest rates subsidies may be granted not only directly to companies, but also through credit institutions or other financial institutions;

- e) Short-term export credit insurance, upon presentation of evidence of the unavailability of risk coverage in the private insurance market.

In addition, the Commission has declared that it is prepared to approve aid intended to remedy the damage caused by extraordinary events.

Diagram of the mechanisms available to Member States
to support the economy under the new temporary framework



To keep Member States informed, the European Commission created a dedicated [mailbox and a phone number](#) for any queries they have or measures they would like to discuss in these times of uncertainty.

Finally, the European Commission has already published a [notification form](#) for the state measures implemented to mitigate the effects of the COVID-19, which should be used by Member States, depending on the type of measure in question. The European Commission has also undertaken to take a decision quickly on measures notified to it.

This note was drawn up on 20 March 2020. It is not intended to be exhaustive and it should never substitute specific legal advice. ■

"Among other, the rules on providing aid to companies in the form of grants, repayable advance payments, tax advantages, loan guarantees, and interest rate subsidies have been made more flexible."

