State aid: Commission approves €9 billion Italian "umbrella" scheme to support economy in coronavirus outbreak

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The European Commission has approved a €9 billion Italian " umbrella" scheme to support the Italian economy in the context of the coronavirus outbreak. The scheme was approved under the State aid Temporary Framework adopted by the Commission on 19 March 2020, as amended on 3 April and 8 May 2020.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"The €9 billion Italian " umbrella" scheme will enable support to companies of all sizes by Italy's regions, the autonomous provinces, other territorial bodies and Chambers of commerce. Complementing several already approved national measures, this scheme will support Italian businesses in continuing their operations in these difficult times and help preserve jobs. We continue working closely with Member States to ensure that national support measures can be put in place in a timely, coordinated and effective way, in line with EU rules."*

The Italian support measures

Italy notified to the Commission under the Temporary Framework a €9 billion "umbrella" scheme to support companies affected by the coronavirus outbreak. Under the scheme, the Italian Regions and Autonomous Provinces, other territorial bodies as well as Chambers of commerce, will be able to provide support to companies of all sizes, including self-employed, small and medium-sized enterprises (SMEs) and large companies.

Under the scheme, public support can be granted through:

- Direct grants, guarantees on loans and subsidised interest rates for loans.
- Aid for coronavirus-related research and development (R&D), for the construction and upscaling of facilities to develop and test coronavirus-relevant products, and for the production of coronavirus-related products, such as vaccines, medical products, treatments and devices, disinfectants and protective clothing, active pharmaceutical ingredients and active substances used for disinfectants.
- Wage subsidies for employees to avoid lay-offs during the coronavirus outbreak.

This scheme aims at supporting companies that face difficulties due to loss of income and liquidity shortages resulting from the economic impact of the coronavirus outbreak. In particular, it will help businesses cover immediate working capital or investment needs. This scheme will also support and promote research and production of coronavirus-related products and will help employees to avoid lay-offs in these difficult times.

The Commission found that the Italian scheme is in line with the conditions set out in the Temporary Framework. In particular:

- With respect to direct grants, repayable advances, tax and payment advantages, the support per company will not exceed €800,000 per company as foreseen by the Temporary Framework (or €100,000 and €120,000 in the case of agriculture and fisheries/aquaculture, respectively).
- With respect to State guarantees and loans with subsidised interest rates, (i) the underlying loan amount per company is limited to what is needed to cover its liquidity needs for the foreseeable future; (ii) it is limited in time; and (iii) the guarantee fee premiums and interest rates do not exceed the levels foreseen by the Temporary Framework; (iv) it contains safeguards to ensure that the aid is effectively channelled by the banks or other financial institutions to the beneficiaries in need.
- With respect to aid for coronavirus-related R&D, (i) the aid is considered necessary in order for the company to engage in this R&D activity; and (ii) rules on eligible costs and eligible categories of research eligible are respected.
- With respect to investment aid for the construction and upscaling of testing facilities and for the production of coronavirus-relevant products, (i) the aid is considered necessary in order for the company to engage in these activities; (ii) the investment project shall be completed within six

months after the date of granting the aid; and (iii) eligible costs and aid intensity criteria are respected.

- With respect to aid in the form of wage subsidies for employees to avoid lay-offs, (i)the wage subsidy is granted for employees that would otherwise have been laid off as a consequence of the suspension or reduction of business activities due to the coronavirus outbreak; (ii) the wage subsidy is granted over a maximum period of twelve months; and (iii)the monthly wage subsidy shall not exceed 80% of the monthly gross salary.

Finally, aid may be granted only to companies that were not in difficulty already on 31 December 2019.

The Commission concluded that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework. The measure is also necessary, appropriate and proportionate to fight the health crisis and contribute to address the common European production needs in the current crisis, in line with Article 107(3)(c) TFEU and the conditions set out in the Temporary Framework.

On this basis, the Commission approved the measure under EU State aid rules.

Background

The Commission has adopted a Temporary Framework to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April and 8 May 2020, provides for the following types of aid, which can be granted by Member States:

(i) **Direct grants, equity injections, selective tax advantages and advance payments** of up to €100,000 to a company active in the primary agricultural sector, €120,000 to a company active in the fishery and aquaculture sector and €800,000 to a company active in all other sectors to address its urgent liquidity needs. Member States can also give, up to the nominal value of €800,000 per company zero-interest loans or guarantees on loans covering 100% of the risk, except in the primary agriculture sector and in the fishery and aquaculture sector, where the limits of €100,000 and €120,000 per company respectively, apply.

(ii) **State guarantees for loans taken by companies** to ensure banks keep providing loans to the customers who need them. These state guarantees can cover up to 90% of risk on loans to help businesses cover immediate working capital and investment needs.

(iii) **Subsidised public loans to companies (senior and subordinated debt)** with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs.

(iv) **Safeguards for banks that channel State aid to the real economy** that such aid is considered as direct aid to the banks' customers, not to the banks themselves, and gives guidance on how to ensure minimal distortion of competition between banks.

(v) **Public short-term export credit insurance** for all countries, without the need for the Member State in question to demonstrate that the respective country is temporarily "non-marketable".

(vi) **Support for coronavirus related research and development (R&D)** to address the current health crisis in the form of direct grants, repayable advances or tax advantages. A bonus may be granted for cross-border cooperation projects between Member States.

(vii) **Support for the construction and upscaling of testing facilities** to develop and test products (including vaccines, ventilators and protective clothing) useful to tackle the coronavirus outbreak, up to first industrial deployment. This can take the form of direct grants, tax advantages, repayable advances and no-loss guarantees. Companies may benefit from a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.

(viii) **Support for the production of products relevant to tackle the coronavirus outbreak** in the form of direct grants, tax advantages, repayable advances and no-loss guarantees. Companies may benefit from a bonus when their investment is supported by more than one Member State and when the investment is concluded within two months after the granting of the aid.

(ix) **Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions** for those sectors, regions or for types of companies that are hit the hardest by the outbreak.

(x) **Targeted support in the form of wage subsidies for employees** for those companies in sectors or regions that have suffered most from the coronavirus outbreak, and would otherwise have had to lay off personnel.

(xi) **Targeted recapitalisation aid** to non-financial companies, if no other appropriate solution is available. Safeguards are in place to avoid undue distortions of competition in the Single Market: conditions on the necessity, appropriateness and size of intervention; conditions on the State's entry in the capital of companies and remuneration; conditions regarding the exit of the State from the capital of the companies concerned; conditions regarding governance including dividend ban and remuneration caps for senior management; prohibition of cross-subsidisation and acquisition ban and additional measures to limit competition distortions; transparency and reporting requirements.

The Temporary Framework enables Member States to combine all support measures with each other, except for loans and guarantees for the same loan and exceeding the thresholds foreseen by the Temporary Framework. It also enables Member States to combine all support measures granted under the Temporary Framework with existing possibilities to grant de minimis to a company of up to €25,000 over three fiscal years for companies active in the primary agricultural sector, €30,000 over three fiscal years for companies active in the fishery and aquaculture sector and €200,000 over three fiscal years for companies active in all other sectors. At the same time, Member States have to commit to avoid undue cumulation of support measures for the same companies to limit support to meet their actual needs.

Furthermore, the Temporary Framework complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a Communication on a Coordinated economic response to the COVID-19 outbreak setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak.

The Temporary Framework will be in place until the end of December 2020. As solvency issues may materialise only at a later stage as this crisis evolves, for recapitalisation measures only the Commission has extended this period until the end of June 2021. With a view to ensuring legal certainty, the Commission will assess before those dates if it needs to be extended.

The non-confidential version of the decision will be made available under the case number SA.57021 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

More information on the Temporary Framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found here.

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Press contacts:

Arianna PODESTA (+32 2 298 70 24)
Giulia ASTUTI (+32 2 295 53 44)
Maria TSONI (+32 2 299 05 26)

General public inquiries: Europe Direct by phone 00 800 67 89 10 11 or by email