

The new State aid Temporary Framework

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Please note: the information contained in our legal updates are correct as of the original date of publication

The new State aid Temporary Framework, based on Article 107(3)(b) of the TFEU, has been adapted by the European Commission due to the disruption that the coronavirus has caused. This Framework provides flexibility to Member States under State aid rules whilst minimising the negative impacts that that could have on the Single Market. These new rules allow Member States to assist citizens and companies facing economic difficulties due to the outbreak and in response the UK has produced its £50 billion umbrella scheme which was approved on 6 April 2020.

State aid rules were initially put in place to avoid Member States distorting competition by providing subsidies and so that tax-payer's money is not wasted. Nevertheless, in these unprecedented times, the Commission has allowed changes to be made to try and allow for the support of businesses at this unprecedented time. These changes include allowing for the deferral of taxes, subsidising reduced employee hours across all sectors and providing compensation to companies which are experiencing difficulties caused by the coronavirus outbreak. Under the UK-wide National Temporary Framework for State aid, aid may be permissible by UK authorities, such as central government, devolved governments and administrations, local authorities and any other bodies which run schemes involving state resources that are channelled through their own budgets. Aid can now therefore be provided in the form of:

1. Direct grants, equity injections, selective tax advantages and advance payments;
2. State guarantees for loans subject to safeguards for banks to channel State aid to the real economy;
3. Subsidised public loans to companies with favourable interest rates;
4. Support for coronavirus related research and development;
5. Support for the construction and upscaling of testing facilities to develop and test products to tackle the coronavirus outbreak;
6. Support for the production of products relevant to tackle the coronavirus outbreak.

These specific measures are targeted at SMEs and large corporates and the aid may be granted to any projects which were not in difficulty on 31 December 2019. The aid can only be provided until the end of this year. Nevertheless, despite the flexibility that the new umbrella scheme provides, it is still crucial that local authorities and other public bodies ensure that they understand the scope of the temporary framework and are complying with the relevant State aid law requirements.



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