European Commission - Press release

State aid: Commission approves €6 billion Italian schemes to support SMEs affected by coronavirus outbreak

Brussels, 31 July 2020

The European Commission has approved three Italian schemes, with an overall budget of €6 billion, mainly consisting of incentives to the recapitalisation by private investors of small and medium-sized enterprises ('SMEs') affected by the coronavirus outbreak. The three schemes were approved directly under Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU) and the State aid Temporary Framework, respectively.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"With these three schemes, with an overall budget of €6 billion, Italy will further support SMEs affected by the coronavirus outbreak by strengthening their capital base and facilitating their access to finance in these difficult times. The schemes aim at incentivising private investors to help companies cope with the liquidity shortages they are facing as a result of the outbreak and continue their activity. We continue to work in close cooperation with Member States to find workable solutions to mitigate the economic impact of the coronavirus outbreak, in line with EU rules."*

The Italian support measures

Italy notified to the Commission under EU State aid rules, three schemes, with an overall budget of €6 billion, to facilitate the provision of capital and liquidity to companies affected by the coronavirus outbreak. The schemes, which are complementary among each other and designed to incentivise the mobilisation of private investments, consists in the following:

- Under the first scheme, a subsidy associated with a tax credit, where private investors injecting capital in the affected companies will be entitled to receive a tax credit of up to 20% of the invested amount. Under the scheme, the aid will therefore be granted both to the investor (that receives the tax advantage) and the investee company (that receives the investment).
- The second measure is a tax credit scheme, where the companies themselves would receive a tax credit of up to 30% of the amount of their capital increase.
- Finally, under the third scheme, the public support will take the form of subordinated loans.

All schemes will be accessible to companies that have faced a severe reduction of revenues in March and April 2020, provided they approve and execute a capital increase.

The schemes therefore aim at enhancing the access to external financing of those companies that are most severely affected by the economic impact of the coronavirus outbreak, thus helping them to ensure the continuation of their activities.

The Commission found that aid to the investees under the three schemes is in line with the conditions set out in the Temporary Framework. In particular, (i) under the first two schemes, the aid will not exceed €800,000 per company(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), and (ii) with respect to the third scheme, aid will not exceed 12.5% of the turnover of the beneficiary in 2019 as provided by the Temporary Framework. Under all three schemes, aid to the companies is limited in time and can be granted by the end of 2020.

As regards,the aid to the investors under the first scheme, the Commission assessed the measure under EU State aid rules, and in particular Article 107(3)(b) TFEU, which enables the Commission to approve State aid measures implemented by Member States to remedy a serious disturbance to their economy.

The Commission found that the aid is in line with the principles set out in the EU Treaty and the general principles set out in the Temporary Framework. It is well targeted to remedy a serious disturbance to the Italian economy. In this respect, the Commission considered that the aid will be merely granted to incentivise and facilitate private investment into investee companies, which have experienced a significant reduction of turnover as a result of a coronavirus crisis. The intermediation of the private investors is therefore indispensable to carrying out the investments.

The Commission concluded that the three schemes arenecessary, 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.

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

Background

In case of particularly severe economic situations, such as the one currently faced by all Member States and the UK due the coronavirus outbreak, EU State aid rules allow Member States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission has adopted a State aid 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 2020and 8 Mayand 29 June 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.57289 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.

IP/20/1440

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