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State aid: Commission approves £50 billion UK “umbrella” scheme to support the economy in the coronavirus outbreak

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The European Commission has approved a £50 billion (approximately €57 billion) “umbrella” UK scheme to support small and medium-sized enterprises (SMEs) and large corporates in the United Kingdom affected by 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 2020](#).

The UK support measure

Following the approval of [two UK State aid schemes to support small and medium-sized enterprises \(SMEs\) through grants and loan guarantees on 25 March 2020](#), the UK notified to the Commission a new “umbrella” scheme to support companies affected by the coronavirus outbreak under the amended [Temporary Framework](#).

The measure is a UK-wide National Temporary Framework for State aid, with an estimated budget of £50 billion, and allows for the provision of aid in the form of:

- a) Direct grants, equity injections, selective tax advantages and advance payments;
- b) State guarantees for loans subject to safeguards for banks to channel State aid to the real economy;
- c) Subsidised public loans to companies with favourable interest rates;
- d) Support for coronavirus related research and development (R&D);
- e) Support for the construction and upscaling of testing facilities to develop and test products useful to tackle the coronavirus outbreak;
- f) Support for the production of products relevant to tackle the coronavirus outbreak.

The measure allows aid to be granted by UK authorities at all levels, including central government, devolved governments, local authorities and other bodies administering schemes involving state resources channelled through their own budgets.

The measure is targeted at SMEs and large corporates and applies to the whole territory of the UK. Aid is granted under the measure either directly or, if it concerns guarantees on loans, through credit institutions and other financial institutions as financial intermediaries.

The Commission found that the UK measure is in line with the conditions set out in the Temporary Framework. The

scheme foresees a mechanism to ensure that where these programmes are channelled through commercial banks, the latter pass the advantage of the subsidised guarantee premium on to the companies that need support. The UK will ensure that the rules for cumulation of aid are respected across all measures under the Temporary Framework and across all granting authorities. Furthermore, aid may be granted under the measure only to undertakings that were not in difficulty on 31 December 2019. Finally, aid can be granted only until the end of this year.

The Commission concluded that the measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of the UK, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework.

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

Background

According to the UK Withdrawal Agreement, during the transition period, the entire body of EU law continues to apply to, and in, the UK as if it were a Member State. This includes all EU rules relating to State aid.

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 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 €800,000 to a company to address its urgent liquidity needs.

(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. For loans up to the nominal value of €800,000, the guarantees can cover 100% of the risk.

(iii) **Subsidised public loans to companies** with favourable interest rates to companies. These loans can help businesses cover immediate working capital and investment needs. Zero-interest rates are possible for loans with a nominal amount up to €800,000.

(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.

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 aid company up to €200,000 over three fiscal years. 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. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.

The non-confidential version of the decision will be made available under the case number SA.56841 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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