

State Aid control

Studies and reports

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Scope of the Scoreboard

The Scoreboard covers State aid as defined under [Article 87\(1\)](#) EC Treaty that has been granted by the twenty-seven Member States for the year t-1 and has been the subject of a final Commission decision. General measures and public subsidies that have no effect on trade and do not distort or threaten to distort competition are not dealt with in the Scoreboard as they are not subject to the Commission's investigative powers. All aid compensating for services of general economic interest (SGEI) is also excluded from the Scoreboard (see below).

State aid is a form of state intervention used to promote a certain economic activity. It implies that certain economic sectors or activities are treated more favourably than others and thus distorts competition because it discriminates between companies that receive assistance and others that do not. In order to determine whether a measure constitutes State aid, a distinction has thus to be drawn between the situation where the support is directed at certain undertakings or the production of certain goods, as specified in Article 87(1) of the Treaty, and the situation where the measures in question are equally applicable throughout the Member State and are intended to favour the whole of the economy. In the latter case, there is no State aid within the meaning of Article 87(1).

This selective character thus distinguishes State aid measures from general economic support measures. Most nation-wide fiscal measures would be regarded as general measures as they apply across the board to all firms in all sectors of activity in a Member State. The distinction is, however, not always clear-cut. For example, a measure that is open to all sectors may be selective if there is an element of discretion by the awarding authorities. On the other hand, the fact that certain companies might benefit more than others from a measure does not necessarily mean that the measure is selective. The interpretation of the concept of selectivity has evolved over the years following various Commission decisions and Court rulings. Details of the most important cases can be found on the [Commission website](#) or in recent [Annual Competition Reports](#).

The distinction between State aid measures and general economic support measures should be borne in mind when interpreting some of the data included in the Scoreboard. Some of the detailed statistical tables in the online Scoreboard show that in some Member States the amount of State aid for some horizontal objectives such as employment or training has fallen or remained stable. This does not however mean that public expenditures on these activities have fallen. Instead, Member States may have increased spending on general economic support measures.

Another important area concerns aid which compensates for the provision of SGEI. In its judgment in the

Altmark case, the Court of Justice ruled that compensation to undertakings that perform a SGEI is not State aid, provided certain conditions are fulfilled. As a result, similar measures are now classed as aid, or non-aid depending, for example, on whether a certain kind of tender was used. All aid compensating for SGEI is therefore excluded from the Scoreboard. In contrast, in cases where part of the aid is found to overcompensate for the SGEI the appropriate amount is included, e.g., in the Deutsche Post case.

The following measures or areas are not dealt with in the scope of the State aid Scoreboard:

- Aid whose recipients are not enterprises
 - Aid to households
 - Aid to the handicapped
 - Aid for infrastructure
 - Aid for educational institutes, hospitals, public housing
 - Aid for public vocational training centres
 - Aid given directly to developing countries
- General measures and other measures
 - Differences between the various tax systems and general social security systems in Member States (depreciation, social security deficit, etc.)
 - Quotas, public procurement, market restrictions, technical standards
 - Tax schemes that account for the specific nature of some economic activities (co-operatives, owner enterprises, self-employed, etc.). However, a lower-than-the-standard rate of corporation tax for small businesses constitutes an aid and has been included.
 - General reduction in VAT (for example, foodstuffs in the United Kingdom)
- Community funds and instruments (ERDF, EAGGF, etc)(1)
- Aid granted by supranational and multinational organisations
 - Financing by EIB and EBRD
 - Support to the European Space Agency
- Individual types of aid
 - Defence
 - Public Works



What is State Aid

State aid is a form of state intervention used to promote a certain economic activity. State aid implies that certain economic sectors, regions or activities are treated more favourably than others. State aid thus distorts competition because it discriminates between companies that receive assistance and others that do not. Therefore, it presents a threat to the running of the internal market. The authors of the EC Treaty recognised this risk and set up a system which, while it is centred on the principle that State aid is incompatible with the common market, nevertheless accepts that the granting of such aid can be justified in exceptional circumstances.

The basic rules of the system are outlined in Articles 87-88 of the Treaty. These rules have been amplified over the years by secondary legislation and court rulings. For more information on the legal and procedural framework, see [the legislation pages on this site](#)

Another useful source of information is the [Vademecum Community Rules on State Aid](#) and in particular section III as regards Measures covered by State aid rules (p. 3 and 4).



General Methodological remarks

As a general rule, the figures represent actual expenditure (or actual revenue foregone in the case of tax expenditure). However, yearly expenditures are not necessarily identical to either the commitments or the yearly budgetary appropriations for an aid scheme. Where yearly expenditures were not available, budget appropriations or the amounts that were provided for in planning programmes were used after consultation with the Member States concerned. Where figures were not available, they were estimated on the previous year basis, unless stated otherwise.

All figures have been compiled in current national currency and have been converted into Euros at constant prices.

Historical data have also been updated to account for reimbursement of incompatible aid and to include figures on public support that, after investigation by the Commission, has been deemed as constituting "non-notified" aid.

If the Commission, taking account of changing circumstances, decides on the State aid character of a measure that was previously considered as not constituting State aid, the aid amount is fully integrated in the Scoreboard. For example, following an examination of Irish corporation tax, the Commission decided in December 1998 that this existing scheme constituted State aid. As a result of this decision, there was an apparent increase in the level of State aid in Ireland although this increase did not represent any voluntary change in the Irish Government's State aid policy.

The latest Scoreboard focuses largely on State aid data for the year t-1. Given that annual figures may not allow drawing reliable conclusions on changing medium and long-term trends, annual averages over the current three-year reporting period t-3 to t-1 are compared with those for the period t-6 to t-4.



Objectives of aid

The aid schemes have been broken down according to their sector or objective:

- Agriculture and Fisheries
 - Agriculture
 - Fisheries
- Manufacturing/Services
 - Horizontal objectives
 - Research and Development
 - Environment and energy saving
 - Small and Medium-sized Enterprises
 - Commerce
 - Employment Aid
 - Training Ai
 - Regional aid not elsewhere classified
 - Other objectives
 - Particular sectors
 - Manufacturing
 - Services
 - Coal mining
 - Other non-manufacturing
 - Transport (Airlines, Inland Waterways, Maritime, Road and combined)

It should be noted that due to data constraints, most parts of the Scoreboard focus on total aid less aid granted to the agricultural, fisheries and transport sectors.

When comparing horizontal and sectoral objectives, aid for rescue and restructuring has been included under particular sectors as it is deemed to have a similar distortive effect on competition.



Categories of aid

All aid represents a cost or a loss of revenue to the public authorities and a benefit to recipients. However, the aid element, i.e. the ultimate financial benefit contained in the nominal amount transferred depends to a large extent on the form in which the aid is provided.

Grants and tax exemptions

The first category comprises aid that is transferred in full to the recipient and accounts for the vast majority of aid in all Member States. This category may be subdivided into two groups depending on whether the aid was granted through the budget or through the tax or social security system. Below is a list of aid

instruments where the aid element is equal to the capital value of aid.

- Grants
- Interest subsidies received directly by the recipient
- Tax credits and other tax measures, where the benefit is not dependent on having a tax liability (i.e. if the tax credit exceeds the tax due, the excess amount is repaid)
- Tax allowances, exemptions, and rate relieves where the benefit is dependent on having a tax liability.
- Reduction in social security contributions.
- Grant equivalents e.g. sale or rental of public land or property at prices below market value

Equity participation

It is necessary to determine whether a financial transfer by the public authorities in the form of equity participation is an aid to the recipient or a matter of the public sector engaging in a commercial activity and operating like a private investor under normal market conditions. Consequently, although equity participation, in their various forms, could have been included in the first category, they have been grouped together under a separate category.

Soft loans and tax deferrals

The third main category covers transfers in which the aid element is the interest saved by the recipient during the period for which the capital transferred is at disposal. The financial transfer takes the form of a soft loan or tax deferral. The aid elements in this category are much lower than the capital values of the transfers. The following aid instruments come under this category:

- Soft loans whether from public or private sources.
- Participatory loans from public or private sources.
- Advances repayable in the event of success.
- Deferred tax provisions (reserves, free or accelerated depreciation, etc.)

Guarantees

The last category covers guarantees, expressed in nominal amounts guaranteed. The aid elements are normally much lower than the nominal amounts, since they correspond to the benefit which the recipient receives free of charge or at lower than market rate if a premium is paid to cover the risk. However, if losses are incurred under the guarantee scheme, the total loss, net of any premiums paid, is included, since it can be considered as a definitive transfer to the recipient.



Methods of assessing the aid element

Grants and tax exemptions

No calculation of the aid element is necessary, as the amount of aid is equal to the grant or its equivalent.

Equity participation

In line with established Commission policy, such interventions constitute aid when a private investor operating under normal market conditions would not have undertaken such an investment. See Commission Communication "Application of Articles 87 and 88 of the EEC Treaty and of Article 5 of Commission Directive 80/723/EEC to public undertakings in the manufacturing sector", OJ No C 307 of 13.11.1993, p3. This method is based on calculating the benefit of the intervention to the recipient.

Soft loans and tax deferrals

The aid elements in this category are much lower than the capital values of the aid. From 1995, where a Member State fails to provide data on the aid element, 15% of the total amount lent by the government is taken as a proxy, compared with 33% for previous years. This downward adjustment is explained by the lower level of the aid element that results from generally lower rates of interest in the Member States when compared with previous periods.

In the case of reimbursable advances, where a Member State does not indicate the reimbursement ratio, the aid element is taken to be 90% of all advances as the repayment ratio showed to be very low on average.

Guarantees

The aid element is much lower than the capital value guaranteed. Where this information on the exact amount of the aid element is not available, the losses to the Government are taken as an approximation. Where Member State data only contain figures on the capital value guaranteed, then the aid element is taken to be 10% of this figure.



Sources of data

The Commission services compile data for the Scoreboard in close co-operation with Member States. Where data were not available, the statistics have been completed with estimates. The Commission's services have provided figures for their respective sectors in accordance with the following. For some Member States, certain data have been estimated.

Beginning in 2005, the Commission collates expenditure figures from Member States on the basis of Commission Regulation (EC) No 794/2004 of 21 April 2004 (Chapter III and Annex IIIA, IIIB and IIIC on annual reporting). Annex IIIA covers all sectors except agriculture and fisheries whereas Annex IIIB covers agriculture and Annex IIIC fisheries.

For coal, the figures are those submitted by the Member States in accordance with Council Regulation (EC) No 1407/2002 of 23 July 2002 on State aid to coal industry(*). These figures are broken down into aid for current production and, aid not relating to current production (i.e. special social security measures for miners and aid to cover inherited liabilities).

(*) Aid covering costs for the year 2002 may be subject to the rules and principles laid down in Commission Decision No. 3632/93/ECSC.

For rail transport, the figures are those submitted by the Member States. For the vast majority, the amounts are not subject to prior notification.


Data are also checked against Commission Decisions, national publications on the award of aid, national accounts, draft budgets and other available sources.

The following statistical data used in the Scoreboard have been obtained from [Eurostat](#) (the Statistical Office of the European Communities)

- gross domestic product (GDP) at market price
- implicit deflator of GDP
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Instructions for reporting

- **NEW** Reporting of State aid expenditure for 2007 – Instructions
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[Footnote 1 – it can stay as it is]