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**Subject: State Aid SA.56972 (2020/N) – Sweden
COVID-19: Rent rebate for tenants**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 7 April 2020, Sweden notified the aid scheme “rent rebate” [*Hysesrabatt*] (“the measure” or “the scheme”) under Article 107(3)(b) of the Treaty on the Functioning of the European Union (“TFEU”) as interpreted by Section 3.1 of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (“the Temporary Framework”).¹
- (2) The Swedish authorities have confirmed that the notification does not contain confidential information.
- (3) Sweden exceptionally agrees to waive its rights deriving from Article 342 TFEU, in conjunction with Article 3 of Regulation 1/1958,² and to have this Decision adopted and notified in English.

¹ *Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, of 19 March 2020, OJ C 911, 20.3.2020, p. 1, as amended on 3 April 2020 (OJ C 1121, 4.4.2020).*

² *Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.*

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2. DESCRIPTION OF THE MEASURE

- (4) Sweden explains that the COVID-19 outbreak has had a significant impact on the Swedish economy and Swedish companies. The Swedish authorities have indicated that reduced demand in affected areas, reduced travelling and disruptions in transport and supply chains are affecting Swedish companies, resulting in an unprecedented amount of notices of layoffs and short-term layoffs during the month of March and loss of income for most companies. The Swedish authorities have explained that closed factories and warehouses in Europe due to the outbreak have caused severe disruptions in supply chains for the Swedish industry. In this regard, the Ministry of Finance estimates that the GDP growth in Sweden is expected to fall by 4 % and unemployment is estimated to rise to 9 % this year, compared to 7.4 % in 2019.³
- (5) Therefore, and as a result of the COVID-19 outbreak, certain undertakings can face difficulties in paying their fixed charges and in particular their rent. The scheme is designed to prevent the difficulties faced by those undertakings and avoid that disruptions caused by the outbreak undermine their viability, by encouraging the negotiation of rent rebates between landlords and their tenants.
- (6) The measure forms part of an overall package of measures and aims at ensuring that sufficient liquidity remains available in the market, to counter the damage inflicted upon undertakings impacted by the outbreak and to preserve the continuity of economic activity during and after the outbreak.
- (7) The measure is expressly based on Article 107(3)(b) TFEU, as interpreted by Section 2 of the Temporary Framework.

2.1. National legal basis

- (8) The legal bases for the measure are the Proposal for an Ordinance Regulation on state aid to give local tenants a discount on the rent (*Förordning om statligt stöd när vissa lokalhyresgäster fått rabatt på hyran*, “the Ordinance”), as notified by the Swedish authorities on 7 April 2020, and the Amendment to the 2020 budget: Additional measures to address the coronavirus (*Extra ändringsbudget för 2020 – Ytterligare åtgärder med anledning av coronaviruset (Regeringens proposition 2019/20:146)*)⁴.

2.2. Administration of the measure

- (9) The following 7 counties' administrative boards (*Länsstyrelserna*) are responsible for administering the measure: *Stockholm, Östergötland, Skåne, Västra Götaland, Dalarna, Västernorrland and Norrbotten*.

³ According to the Swedish authorities, in March 2020, 42 415 individuals have been given a notice of being laid off and 6 453 have been laid off short-term during the month of March. Between 1 March and 5 April 2020, 49 500 individuals have been given a notice of being laid off. The industries experiencing the most adversity is the hospitality and restaurant industry. Hotels and restaurants account for 31% of all notices of layoffs. In the wholesale and retail sector, Svensk Handel cautioned on 30 March 2020 that more than 6 out of 10 companies in the retail and wholesale trade expect to be forced to reduce staffing, with a total of 75 000 trading jobs at risk.

⁴ <https://data.riksdagen.se/fil/60911FA6-276B-4091-8CB9-525E36147AA8>.

- (10) The County board of *Västra Götaland* will act as a coordinator.
- (11) The Swedish National Board of Housing, Building and Planning (*Boverket*) is the paying authority.

2.3. Budget and duration of the measure

- (12) The estimated budget of the measure is SEK 5 billion (EUR 453 million)⁵.
- (13) The measure covers rent rebates agreed for the period 1 April 2020 until 30 June 2020 by landlords and undertakings active in durable consumer goods (with the exclusion of internet trade), hotels, restaurants, and certain other activities with a focus on customer relations. Aid may be granted under the measure as from 1 July 2020 to 31 December 2020.

2.4. Sectoral and regional scope of the measure

- (14) The measure is open to sectors listed in 5 § of the Ordinance. It concerns in particular undertakings active in the sectors referred to in recital (13).
- (15) The measure applies to the whole territory of Sweden.

2.5. Beneficiaries

- (16) The beneficiaries of the measure are undertakings active in one of the sectors listed in 5 § of the Ordinance, deemed to have been hit by the COVID-19 outbreak.
- (17) The measure concerns small, medium-sized and large enterprises affected by the economic repercussions of the COVID-19 outbreak. The Swedish authorities indicate that the number of beneficiaries will exceed 1 000.
- (18) Aid may be granted under the scheme only to undertakings that were not in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)⁶ on 31 December 2019. It may be granted to undertakings that are not in difficulty and/or to undertakings that were not in difficulty on 31 December 2019, but that faced difficulties or entered into difficulty thereafter because of the COVID-19 outbreak.

2.6. Basic elements of the measure

- (19) The scheme is designed to remedy the difficulties faced by certain undertakings (see recital (14)) due to the COVID-19 outbreak. It has the objective to support tenants (i.e. businesses that rent properties) particularly affected by the COVID-19 crisis, provided they negotiate a rent reduction with their landlords, by allowing the State to financially support half of the reduction in the rental costs of the businesses concerned.

⁵ Exchange rate: SEK 1 = EUR 0.0906, taken on April 2020 from: <https://ec.europa.eu/budget/graphs/inforeuro.html>.

⁶ As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 187 of 26.6.2014, p. 1.

- (20) To that end, the scheme provides that the landlord is eligible to a compensation that corresponds up to 50% of the rebate agreed between the landlord and the tenant for the period set out in 1 § of the Ordinance (i.e., from 1 April 2020 until 30 June 2020). In order to be eligible, the rebate cannot exceed 50% of the original fixed rental costs. Accordingly, the amount of aid for the tenants is capped at 25% of the original fixed rental costs.
- (21) The total amount of aid granted to a tenant under the scheme cannot exceed an amount equal to EUR 800 000.
- (22) The rebate must be negotiated between the tenant and the landlord between 1 April 2020 and 30 June 2020. The landlord can submit an application for compensation of part of the rebate renegotiated with the tenant between 1 July 2020 and 31 December 2020. An individual aid can only be granted under the notified scheme until 31 December 2020.
- (23) The scheme will enter into force on 1 July 2020.

2.7. Cumulation

- (24) The aid ceilings and cumulation maxima fixed under the measure shall apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the Union.
- (25) The Swedish authorities confirmed that in principle aid granted for certain costs under section 3.1 of the Temporary Framework can be cumulated with other aid granted to the same beneficiaries, in line however with the cumulation rules set out in the different General Block Exemption Regulations and the different *de minimis* Regulations.⁷

2.8. Monitoring and reporting

- (26) The Swedish authorities confirm that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework. In particular, by 31 December 2020, the Swedish authorities will provide the Commission with the list of measures put in place on the basis of schemes approved under the Temporary Framework and detailed records regarding the granting of aid will be maintained for 10 years upon granting of the aid.

3. ASSESSMENT

3.1. Legality of the measure

- (27) By notifying the measure before putting it into effect, the Swedish authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (28) For a measure to be categorised as aid within the meaning of Article 107(1) TFEU, all the conditions set out in that provision must be fulfilled. First, the

⁷ See for instance: Commission Decision SA.56860 adopted under Section 3.2 of the Temporary Framework is relevant in this regard; however this scheme covers different eligible costs.

measure must be imputable to the State and financed through State resources. Second, it must confer an advantage on its recipients. Third, that advantage must be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

- (29) The measure is imputable to the State, since it is administered by the county administrative boards of 7 Swedish counties (see recital (9)) and it is based on the Ordinance and the Amendment to the 2020 budget. It is financed through State resources, since it is financed by public funds.
- (30) The measure confers an advantage to tenants which benefit from a rent rebate co-financed by the State. The measure thus relieves tenants of costs which they would have had to bear under normal market conditions.⁸
- (31) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in the following sectors: durable consumer goods, hotels, restaurants and certain other activities which focus on consumer relations (see recital (13)).
- (32) The measure is liable to distort competition, since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States, since those beneficiaries are active in sectors in which intra-Union trade exists.
- (33) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Swedish authorities do not contest that conclusion.

3.3. Compatibility assessment

- (34) Since the measure involves aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.
- (35) Pursuant to Article 107(3)(b) TFEU the Commission may declare compatible with the internal market aid “*to remedy a serious disturbance in the economy of a Member State*”.
- (36) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (Section 2) that “*the COVID-19 outbreak affects all Member States and that the containment measures taken by Member States impact undertakings*”. The Commission concluded that “*State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(b) TFEU, for a limited period, to remedy the liquidity shortage faced by undertakings and ensure that the disruptions caused by the COVID-19 outbreak do not undermine their viability, especially of SMEs*”.

⁸ Although landlords receive the State compensation, they are not the direct beneficiaries of the measure since the compensation is only granted if a rebate is agreed with the tenant, and the compensation is always less than the rebate granted to the tenant. Landlords are also not indirect beneficiaries of the measure since the measure is not designed to channel secondary economic effects to them.

- (37) The measure aims at giving a rent rebate for undertakings active in the hospitality and restaurant industry, retail in durable consumer goods and other activities with a focus on customer relations. These undertakings face considerable difficulties as a result of the COVID-19 outbreak. Moreover, the outbreak is severely disturbing the normal functioning of credit markets and the wider economy and leading to severe disturbances of the real economy of Member States.
- (38) The measure is conceived at national level by the Swedish authorities to remedy a serious disturbance in their economy. The purpose of the measure is to incentivize negotiations for a lower rent and thereby help undertakings in the sectors concerned to survive the crisis resulting from the COVID-19 outbreak, which can be reasonably anticipated to produce effects across the entire Swedish economy (see recital (4)). Furthermore, the measure has been designed to meet the requirements of Section 3.1 of the Temporary Framework.
- (39) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State and meets all the conditions of the Temporary Framework. In particular:
- The maximum gross aid amount per undertaking renting commercial premises in the sectors concerned will not exceed EUR 800 000 as laid down in paragraph 22(a) of the Temporary Framework (9 § of the Ordinance);
 - The aid is granted on the basis of a scheme with an estimated budget of SEK 5 billion. Therefore, the condition of paragraph 22(b) of the Temporary Framework is met;
 - In compliance with paragraph 22(c) of the Temporary Framework, the aid will only be benefit undertakings which were not in difficulty on 31 December 2019 (8 § 2. of the Ordinance);
 - The aid will be granted no later than 31 December 2020 (6 § 3. of the Ordinance); hence the condition set out in paragraph 22(d) of the Temporary Framework is met;
 - The scheme is not applicable to undertakings active in agriculture, fishery and aquaculture. The specific conditions defined in paragraphs 23 and 23 *bis* of the Temporary Framework therefore do not apply;
 - The Swedish authorities committed to comply with all the monitoring and reporting provisions laid down in section 4 of the Temporary Framework. Sweden uses the transparency award module (TAM) and its State aid national web page for the reporting of transparency data.⁹ In due time, Sweden will submit an annual report and a list of all COVID-19 measures put in place on the basis of the scheme approved.

⁹ National web page: <http://www.tillvaxtanalys.se/statsstod>.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

CERTIFIED COPY
For the Secretary-General,

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Director of the Registry
EUROPEAN COMMISSION