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**Subject: State Aid SA.57464 (2020/N) – Czech Republic  
COVID-19: Program to support entrepreneurs affected by the  
spread of the COVID 19 (rent payments)**

Excellency,

## 1. PROCEDURE

- (1) By electronic notification of 28 May 2020, the Czech Republic notified the aid scheme “Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent” (“the measure” or “the scheme”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).<sup>1</sup>

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<sup>1</sup> Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, 19 March 2020, OJ C 91I, 20.3.2020, p. 1, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020, OJ C 112I, 4.4.2020, p. 1 and by Communication from the Commission C(2020) 3156 final of 8 May 2020, OJ C 164, 13.5.2020, p. 3.

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- (2) The Czech authorities confirm that the notification does not contain confidential information.
- (3) The Czech Republic exceptionally agrees to waive its rights deriving from Article 342 Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958,<sup>2</sup> and to have this Decision adopted and notified in English.

## **2. DESCRIPTION OF THE MEASURE**

- (4) The Czech Republic considers that the COVID-19 outbreak has started to affect the real economy, and that the economic impact is and will be severe. According to the Czech authorities, the Czech economy is severely affected by the COVID-19 pandemic and by the measures taken to limit the spread of contagion. They therefore expect a deep recession and that economic output will drop by 5.6% in 2020.
- (5) The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, to counter the liquidity shortage faced by undertakings because of the outbreak, to ensure that the disruptions caused by the outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the outbreak.
- (6) The Czech authorities explain that as a result of the COVID-19 outbreak, undertakings involved in retail business or providing services in rented premises (i.e. based on rental or lease agreements) which were limited or forbidden to carry out their business due to the exceptional measures taken by the Czech government leading directly to cutbacks in their profits, may face difficulties in paying their rent or lease.
- (7) The state of emergency was declared as of 12 March 2020 and extended until 17 May 2020. As of 14 March 2020, retail sales and the provision of services in business premises was forbidden, with the exception of foodstuffs, electronics, ICT, fuel, pharmacies, chemists, animal welfare goods and feeds, opticians, newsagents, laundromats and e-shops.
- (8) The Czech authorities consider it necessary to provide support to the undertakings particularly hit by the COVID-19 outbreak and the subsequent restrictions on their activities.
- (9) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, as interpreted by Section 2 and Section 3.1 of the Temporary Framework.

### **2.1. The nature and form of aid**

- (10) The measure provides aid in the form of direct grants. These direct grants will amount to 50% of the original rent or lease due for the months of April, May and June 2020. They are conditional on the lessee and the lessor agreeing, before the application for aid, on a 30% reduction of the original monthly rent or lease for

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

the respective period and on the lessee having paid 50% of the original rent for the same period.

- (11) In case the lessee is renting premises owned by the Czech State, the direct grants will amount to 80% of the original rent or lease due for the months of April, May and June 2020<sup>3</sup>.
- (12) The grants under the measure will be allowed up to a maximum of CZK 10 million (approx. EUR 368 663<sup>4</sup>) per beneficiary.

## **2.2. Legal basis**

- (13) The legal basis for the measure is Act No. 218/2000 Coll., on Budgetary Rules and on the Amendment of Some Related Acts, as amended. The conditions on the basis of which the direct grants will be granted are laid down in the “Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent”.
- (14) The Czech authorities confirmed that support will be granted on the basis of the measure only after the Commission has authorised it, on the basis of a call for applications.

## **2.3. Administration of the measure**

- (15) The Ministry of Industry and Trade is responsible for administering the measure.

## **2.4. Budget and duration of the measure**

- (16) The budget of the measure is CZK 5 billion (approx. EUR 184.3 million<sup>5</sup>). The measure will be financed from the general budget of the State.
- (17) Aid may be granted under the measure as from its approval (i.e. the date of adoption of the present decision) until no later than 31 December 2020.

## **2.5. Beneficiaries**

- (18) The beneficiaries of the measure are all undertakings leasing or renting premises that meet the requirements laid down in §3 of the Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent (see recital (13)), regardless of their size. In particular, undertakings may benefit from the scheme if their activities were limited or forbidden as a result of the emergency measures taken in connection with the COVID-19 pandemic for at least part of the period from 13 March to 30 June 2020; if they entered into a lease or rental contract before 12 March 2020

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<sup>3</sup> According to Czech law, the State cannot grant reductions on rents or leases that it perceives in relation to its properties. See Act No. 219/2000 Coll., on the Property of the Czech Republic and its Performance in Legal Relations.

<sup>4</sup> [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro\\_fr](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_fr), exchange rate on 26.05.2020.

<sup>5</sup> [https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro\\_fr](https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_fr), exchange rate on 26.05.2020.

and if the lessor agreed on a 30% reduction of the original monthly rent or lease [except for cases of premises rented by the Czech State (see recital (11))].

- (19) The number of beneficiaries is estimated at 200 000. Financial institutions are excluded as eligible beneficiaries. Undertakings in the agricultural, aquaculture and fisheries sectors are also excluded as eligible beneficiaries.
- (20) Aid may not be granted under the measure to undertakings that were already in difficulty within the meaning of the General Block Exemption Regulation<sup>6</sup> on 31 December 2019.

## **2.6. Sectoral and regional scope of the measure**

- (21) The measure is open to all sectors except the financial sector. In addition, the Czech authorities confirmed that undertakings in the agricultural, aquaculture and fisheries sectors are excluded as eligible beneficiaries.
- (22) The measure applies to the whole territory of the Czech Republic.

## **2.7. Basic elements of the measure**

- (23) Under the scheme, eligible beneficiaries may request a grant if they have received a 30% reduction from the lessor on the original monthly rent or lease for the months of April, May and June 2020 and if they have paid 50% of the original rent for the same period.
- (24) In case the lessee is renting premises owned by the Czech State, the grant will amount to 80% of the original rent or lease for the months of April, May and June 2020.
- (25) Undertakings are entitled to receive the grant in relation to the rent or lease to be paid for the period of April, May and June 2020, if they were banned from selling goods and providing services in the rented premises for at least part of the period from 13 March to 30 June 2020. In the event that the rental or lease agreement expired or is to expire before 30 June 2020, undertakings are entitled to receive the grant only for the effective duration of the lease.
- (26) The evaluation of applications is carried out by the Ministry of Industry and Trade on the basis of the eligibility criteria laid down in the “Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent”. It may request additional documents from the applicant.
- (27) Undertakings may file only one application in relation to each rented premises. If more than one tenant carries out business activities in the same premises, the applicant may file an application only in relation to the portion of the premises it rents and uses for its business activities, or in proportion to the time used for such activities.

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<sup>6</sup> 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.

- (28) The Czech authorities confirmed that the maximum overall aid amount per undertaking will not exceed EUR 800 000, as required by point 22(a) of the Temporary Framework.

## **2.8. Cumulation**

- (29) The Czech authorities confirmed that aid granted under the measure may be cumulated with aid under the *de minimis* Regulation<sup>7</sup> or the General Block Exemption Regulation<sup>8</sup>, provided the provisions and cumulation rules of those Regulations are respected.
- (30) The Czech authorities also confirmed that aid granted under the measure may be cumulated with aid under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (31) The Czech authorities confirmed that if the beneficiary receives aid on several occasions under the scheme or aid under other measures approved by the Commission under Section 3.1 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 22(a) thereof, shall be respected.

## **2.9. Monitoring and reporting**

- (32) The Czech authorities confirmed that they will respect the monitoring and reporting obligations laid down in Section 4 of the Temporary Framework (including the obligation to publish relevant information on each individual aid granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting<sup>9</sup>).

## **3. ASSESSMENT**

### **3.1. Lawfulness of the measure**

- (33) By notifying the measure before putting it into effect, the Czech authorities have respected their obligations under Article 108(3) TFEU (see recital (14)).

### **3.2. Existence of State aid**

- (34) 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 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

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<sup>7</sup> Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013, p.1), Commission.

<sup>8</sup> 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.

<sup>9</sup> Referring to information required in Annex III to Commission Regulation (EU) No. 651/2014 of 17 June 2014.

be selective in nature. Fourth, the measure must distort or threaten to distort competition and affect trade between Member States.

- (35) The measure is imputable to the State, since it is administered by the Czech Ministry of Industry and Trade and it is based on the Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent, in accordance with Act No. 218/2000 Coll., on Budgetary Rules and on the Amendment of Some Related Acts, as amended (see recital (13)). It is financed through State resources, since it is financed by public funds (see recital (16)).
- (36) The measure confers an advantage on its beneficiaries in the form of direct grants (see recital (10)). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (37) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular those affected by the measures taken by the Czech authorities, involved in retail business or providing services in rented or leased premises (i.e. based on rental or lease agreements), excluding the financial sector and undertakings active in the agricultural, fishery and aquaculture sectors (see recitals (18) to (20)).
- (38) 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.
- (39) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Czech authorities do not contest that conclusion.

### **3.3. Compatibility**

- (40) 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.
- (41) 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*”.
- (42) By adopting the Temporary Framework on 19 March 2020, the Commission acknowledged (in 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*”.
- (43) The measure aims at providing support for the payment of leases or rents for undertakings which were limited or forbidden to carry out their business activities, due to the exceptional measures taken by the Czech government, leading to cutbacks in their profits, at a time when the normal functioning of

credit markets is severely disturbed by the COVID-19 outbreak and that outbreak is affecting the wider economy and leading to severe disturbances of the real economy of Member States.

- (44) The measure is one of a series of measures conceived at national level by the Czech authorities to remedy a serious disturbance in their economy. The measure is restricted to undertakings that were affected by the governmental measures for at least part of the period from 13 March to 30 June 2020 (recital (18)). Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“Limited amounts of aid”), described in Section 3.1 of the Temporary Framework.
- (45) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of the Czech Republic and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants (see recital (10));
  - The overall nominal value of the direct grants shall not exceed EUR 800 000 per undertaking (see recital (12)). Moreover, the Czech Republic has confirmed that all figures used are gross figures, that is, before any deduction of tax or other charges. The measure therefore complies with point 22(a) of the Temporary Framework;
  - Aid is granted under the measure on the basis of a scheme with a budget of CZK 5 billion (approx. EUR 184.3 million) as indicated in recital (16). The measure therefore complies with point 22(b) of the Temporary Framework;
  - Aid under the measure will not be granted to undertakings that were already in difficulty on 31 December 2019 (see recital (20)). The measure therefore complies with point 22(c) of the Temporary Framework;
  - Aid under the measure will be granted no later than 31 December 2020 (see recital (17)). The measure therefore complies with point 22(d) of the Temporary Framework;
- (46) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (see recital (32)). The Czech authorities further confirm that if the beneficiary receives aid on several occasions under the scheme or aid under other measures approved by the Commission under Section 3.1 of the Temporary Framework, the overall maximum cap per undertaking as set out in point 22(a) thereof, shall be respected (see recital (31)). The Czech authorities finally confirm that aid under the measure may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework are respected and provided that the provisions and cumulation rules of the relevant Regulations are respected (see recital (29)).
- (47) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of the Czech Republic pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

#### 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.

The decision is based on non-confidential information and is therefore published in full on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER  
Executive Vice-President

**CERTIFIED COPY**  
For the Secretary-General,

**Jordi AYET PUIGARNAU**  
Director of the Registry  
**EUROPEAN COMMISSION**