



EUROPEAN COMMISSION

Brussels, 16.6.2020
C(2020) 4123 final

PUBLIC VERSION

This document is made available for
information purposes only.

**Subject: State Aid SA.57599 (2020/N) – Slovak Republic
COVID-19: Rent rebates for tenants**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 5 June 2020, the Slovak Republic notified the aid measure “Rent rebates for tenants” (hereinafter referred to as “the measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, as amended (“the Temporary Framework”).¹
- (2) The Slovak Republic exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with Article 3 of Regulation 1/1958² 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, 19 March 2020, OJ C 91I, 20.3.2020, p. 1-9, as amended by Communication from the Commission C(2020) 2215 final of 3 April 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 112I, 4.4.2020, p. 1-9 and by Communication from the Commission C(2020) 3156 final of 8 May 2020 on the Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 164, 13.5.2020, p. 3-15.

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

Ivan KORČOK
minister zahraničných vecí a európskych záležitostí Slovenskej republiky
Hlboká cesta 2
SK-833 36 Bratislava
SLOVENSKÁ REPUBLIKA

2. DESCRIPTION OF THE MEASURE

- (3) The Slovak 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 National Bank of Slovakia, the Slovak economy fell by 3.9% in the first quarter of 2020 compared to the first quarter of 2019 and the GDP is expected to decline by 5.8% to 13.5% in 2020.
- (4) In response to the COVID-19 outbreak, the public authorities of the Slovak Republic have adopted a number of measures to prevent the spreading of the virus. These measures include the declaration of an emergency situation³, which applied for the whole of its territory as of 12 March 2020, the closing or reduced accessibility of certain establishments and the interruption of teaching at schools. Undertakings active in retail sales, hotels, restaurants, cultural and sports activities and certain others activities with a focus on customer relations were mainly affected by these measures.
- (5) The objective of the measure is therefore to grant liquidity to undertakings by covering part of their rental costs for infrastructure, the use of which has been particularly affected by the measures adopted in response to the COVID-19 outbreak, as described in recital (20) below.
- (6) The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market, , to ensure that the disruptions caused by the COVID-19 outbreak do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the COVID-19 outbreak.
- (7) 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

- (8) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (9) The legal basis for the measure is:

Act No. 358/2015 Coll. on the regulation of certain relations in the field of State aid and minimum aid and on amendments to certain acts (the State Aid Act) – *Zákon č. 358/2015 Z. z. o úprave niektorých vzťahov v oblasti štátnej pomoci a minimálnej pomoci a o zmene a doplnení niektorých zákonov (zákon o štátnej pomoci).*

Act No. 523/2004 Coll. on budget rules of the public administration and on amendments to certain acts – *Zákon č. 523/2004 Z. z. o rozpočtových pravidlách verejnej správy a o zmene a doplnení niektorých zákonov v platnom znení, as lastly amended by Act No. 372/2018 Coll.*

³ Resolution of the Government of the Slovak Republic. No.111/2020 dated 11. March 2020.

Draft amendment of Act No. 71/2013 Coll. on subsidies within the powers of the Ministry of Economy of the Slovak Republic – *Zákon č. 71/2013 Z.z. o poskytovaní dotácií v pôsobnosti Ministerstva hospodárstva Slovenskej republiky v platnom znení.*⁴

2.3. Administration of the measure

- (10) The Ministry of Economy of the Slovak Republic is responsible for administering the measure.

2.4. Budget and duration of the measure

- (11) The estimated budget of the measure is EUR 200 000 000.
- (12) Aid may be granted under the measure as from its approval until no later than 31 December 2020. The payment of the aid is possible until 30 June 2021.

2.5. Beneficiaries

- (13) The final beneficiaries of the measure are undertakings active in sectors directly affected by the measures adopted by the Slovak authorities in connection with the COVID-19 outbreak. It mainly concerns undertakings active in retail sales, hotels, restaurants, cultural and sports activities, and certain others activities with a focus on customer relations. Financial institutions are excluded as eligible beneficiaries. Slovak authorities estimate that the number of beneficiaries will exceed 1 000.
- (14) Aid may not be granted under the measure to undertakings in difficulties on 31 December 2019, within the meaning of the Block Exemption Regulations⁵, the Agricultural Block Exemption Regulation⁶ or of the Fisheries Block Exemption Regulation⁷ respectively, except in the conditions laid down in the Temporary Framework as applicable at the moment of granting.

2.6. Sectoral and regional scope of the measure

- (15) The measure is open to all sectors except the financial sector. It applies to the whole territory of the Slovak Republic.

2.7. Basic elements of the measure

- (16) The Slovak Republic's authorities explained that the measure aims to grant liquidity to undertakings by covering part of their rental costs for infrastructure the use of which has been particularly affected by measures adopted in response

⁴ The Act will be adopted as per the publication of the Commission decision.

⁵ 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.

⁶ As defined in Article 2(14) of Commission Regulation (EU) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 193 of 1.7.2014, p.1.

⁷ As defined in Article 3(5) of Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 369 of 24 December 2014, p. 37.

to the COVID-19 outbreak as described in one of the scenarios of recital (20) below.

- (17) The aid consists of a grant benefiting the tenant that equals a reduction of the rent negotiated with the landlord. For instance: if a tenant negotiates a rebate of 20% of the rent with the landlord, the State will pay to the landlord, on behalf of the tenant, another 20% of the rent. The tenant will thus see his rental costs reduced by 40% in total.
- (18) Applications may be submitted pursuant to a call for applications published on the website of the Ministry of Economy of the Slovak Republic.
- (19) The contribution from the State is capped at maximum 50% of the original rent.
- (20) Only rental costs for the period during which the tenant, as a result of the measures taken by the Slovak authorities, was obliged to close business in the premises, interrupt teaching (in schools and school facilities) or exclude the presence of the public from the establishment are eligible. Rental agreements entered into force after 12 March 2020 are not included in the scope of the measure.
- (21) If the rent is also determined by turnover (i.e. it is not only set as a fixed amount, but also consists of a variable part), the turnover component is not eligible.
- (22) The value added tax (VAT) on the rent is not eligible if the tenant is entitled to its deduction. Other liabilities, such as payments for services associated with the rent, are also not eligible.

2.8. Cumulation

- (23) The Slovak Republic's authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁸ or Block Exemption Regulations⁹ provided the provisions and cumulation rules of those Regulations are respected.

⁸ 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 Regulation (EU) No 1408/2013 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 in the agriculture sector (OJ L 352, 24.12.2013 p. 9), Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45) and Commission Regulation (EU) No 360/2012 of 25 April 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114 of 26.4.2012, p. 8).

⁹ 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, Commission Regulation (EC) No 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, OJ L 193, 1.7.2014, p. 1 and Commission Regulation (EU) No 1388/2014 of 16 December 2014 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union OJ L 369, 24.12.2014, p. 37.

- (24) The Slovak Republic's authorities confirm that aid under the notified measure may be cumulated with other forms of Union financing, provided that the maximum aid intensities indicated in the relevant Guidelines or Regulations are respected.
- (25) The Slovak Republic's authorities confirm that aid granted under the measure may be cumulated with aid granted under other measures approved by the Commission under other sections of the Temporary Framework provided the provisions in those specific sections are respected.
- (26) The Slovak Republic's authorities confirm that if the beneficiary receives aid on several occasions or in several forms under the measure 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 points 22(a) and 23(a) of that framework, shall be respected.

3. ASSESSMENT

3.1. Lawfulness of the measure

- (27) By notifying the measure before putting it into effect, the Slovak Republic's 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 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 Ministry of Economy of the Slovak Republic and it is based on Act No. 358/2015 Coll, Act No. 523/2004 Coll. And Act No. 71/2013 Coll. (recital (9)). It is financed through State resources, since it is financed by public funds.
- (30) The measure confers an advantage on its beneficiaries in the form of direct grants. The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (31) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in sectors directly affected by the measures adopted by the public authorities in connection with the COVID-19 outbreak (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 Slovak Republic's authorities do not contest that conclusion.

3.3. Compatibility

- (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 (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*”.
- (37) The measure aims at providing support for the payment of rents for undertakings that have incurred decreases in turnover due to measures taken by the Slovak authorities in connection with the COVID-19 outbreak 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.
- (38) The measure is one of a series of measures conceived at national level by the Slovak Republic’s authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Slovak economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Aid in the form of direct grants*”) described in Section 3.1. of the Temporary Framework.
- (39) The Commission notes that:
- The aid takes the form of direct grants.
 - The overall nominal value shall not exceed EUR 800 000 per undertaking; all figures used must be gross, 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 an estimated budget as indicated in recital (11). The measure therefore complies with point 22(b) of the Temporary Framework;
 - Aid will not be granted to undertakings under the measure that were already in difficulty on 31 December 2019, except in the conditions laid down in the Temporary Framework, as applicable at the moment of granting. The measure therefore complies with point 22(c) of the Temporary Framework;

- Aid will be granted under the measure no later than 31 December 2020;
 - Aid granted to undertakings active in the processing and marketing of agricultural products are excluded when the aid is conditional on being partly or totally passed on to primary producers, fixed on the basis of the price or quantity of products purchased from primary producers, or put on the market by such producers. The measure therefore complies with point 22(e) of the Temporary Framework.
 - The overall nominal value of the grants does not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector or EUR 100 000 per undertaking active in the primary production of agricultural products. The measure therefore complies with point 23(a) of the Temporary Framework;
 - Aid granted to undertakings active in the primary production of agricultural products must not be fixed on the basis of the price or quantity of products put on the market. The measure therefore complies with point 23(b) of the Temporary Framework;
 - Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1, paragraph (1)(a) to (k) of Commission Regulation (EU) No 717/2014. The measure therefore complies with point 23(c) of the Temporary Framework.
 - Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 22(a) and 23(a) of the Temporary Framework, Slovakia will ensure, by appropriate means such as separation of accounts, that the relevant ceiling is respected for each of those activities and that the overall maximum amount of EUR 800 000 is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 120 000 is not exceeded per undertaking. The measure therefore complies with point 23bis of the Temporary Framework.
- (40) The Slovak Republic's authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected. The Slovak Republic's authorities further confirm that the 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 the cumulation rules of the relevant Regulations are respected (recitals (23) to (26)).
- (41) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State 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