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**Subject: State Aid SA.57149 (2020/N) – Czech Republic
COVID-19: Social contribution payment reliefs for self-employed**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 24 April 2020, the Czech Republic notified aid in the form of tax advantages for self-employed persons (Social contribution payment reliefs for self-employed, “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 On 29 April, 7 and 19 May, 15 June and 1 July 2020 the Commission asked for further information, which the Czech authorities submitted on 30 April, 5 and 11 May, 8 and 17 June and 2 July 2020.
- (2) The Czech Republic exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in

¹ Communication from the Commission - Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 91I, 20.3.2020, p. 1, 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, and by the 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 and by the Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, OJ C 218, 2.7.2020, p. 3.

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conjunction with Article 3 of Regulation 1/1958,² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) The Czech Republic considers that the COVID-19 outbreak has started to affect the real economy. 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.³
- (4) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 and 3.9 of the Temporary Framework.

2.1. The nature and form of aid

- (5) The measure provides aid for self-employed persons in the form of:
- payment advantages regarding pension and State employment policy contributions (Measure 1),
 - waiver of penalties related to late filing of annual statements and late payments of pension and State employment policy contributions (Measure 2),
 - deferral of monthly pre-payments of pension and State employment policy contributions (Measure 3).

2.2. Legal basis

- (6) The legal bases for the measures are i) “Act of 25 March on certain adjustments in the fields of social security premiums and contribution to State employment and pension insurance in connection with emergency measure of 2020 epidemic (Act 136/2020 Coll.)” and ii) the “Decision of the Ministry of Labour and Social Affairs of 26 March 2012”.

2.3. Administration of the measure

- (7) The aid granting authority of the measure is the Ministry of Labour and Social Affairs. The Czech Social Security Administration is responsible for administering the measure.

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

³ The Czech Republic declared a state of emergency between 12 March 2020 and 17 May 2020 to curb the impact of the COVID-19 pandemic, closing schools, restricting events and the operation of shops, and significantly limiting gathering of people. Based on the forecast submitted by the Member State, the crisis will significantly affect the whole economy. The real GDP is expected to drop by 5.6% by the end of 2020 and the unemployment rate is expected to grow by more than 60 % by the end of 2020 compared to 2019. To help households and firms through the crisis, the government announced a stimulus package involving direct support measures and public guarantees.

2.4. Budget and duration of the measure

- (8) The estimated budget of the measure is CZK 15 billion (ca. EUR 551 million⁴).
- (9) Aid may be granted under the measure as from its approval until no later than 31 December 2020.⁵
- (10) The beneficiaries of the measure are self-employed persons affected by the COVID-19 outbreak with an activity in the Czech Republic and who are included in the mandatory social insurance system based on that activity in the Czech Republic.

2.5. Sectoral and regional scope of the measure

- (11) The measure is open to all sectors. It applies to the whole territory of the Czech Republic.

2.6. Basic elements of the measure

2.6.1. Measures covered by Section 3.1 of the Temporary Framework

- (12) Aid under Measure 1 and Measure 2 will be granted in the form of limited amounts of aid in line with section 3.1 of the Temporary Framework. Measure 1 aims at a reduction of the annual pension and State employment policy contributions calculated on the 2020 annual statement base during a period between March and August 2020 for each month, in which the eligible undertaking carried out a remunerated activity. The reductions will amount to ca. (a) CZK 2 544 (ca. EUR 94) for a person's primary activity, and to (b) CZK 1 018 (ca. EUR 37) for their secondary activity. Measure 2 aims at waiving penalties for late filing and late payments of remaining pension and State employment contribution for 2019 provided that the filing and payments will not occur later than 3 August 2020. These measures aim at remedying serious disturbances in the economy as referred to in Article 107(3)(b) TFEU in relation to self-employed. It may be granted provided that the total nominal value, including other aid granted in accordance with section 3.1 of the Temporary Framework, does not exceed the following amounts (all figures used being expressed in gross):
 - (a) EUR 100 000 for undertakings operating in the primary production sector of agricultural products⁶, or
 - (b) EUR 120 000 for undertakings operating in the fisheries and aquaculture sector⁷, or
 - (c) EUR 800 000 for other undertakings.

⁴ Based on the exchange rate 27.20 CZK/EUR.

⁵ The tax liability to which the advantage will be granted does not arise later than 31 December 2020.

⁶ All products listed in Annex I to the TFEU with the exception of the products of the fisheries and aquaculture sector.

⁷ Products listed in Annex I to Regulation No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000, OJ L 354, 28.12.2013, p. 1.

- (13) The Czech authorities confirm that the aid will not be granted under the measure to undertakings that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)⁸, Regulation 702/2014 (“ABER”)⁹ and Regulation 1388/2014 (“FIBER”)¹⁰ on 31 December 2019.
- (14) In derogation to that exclusion, aid may be granted to micro and small enterprises (within the meaning of Annex I of the General Block Exemption Regulation) that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue aid¹¹ or restructuring aid¹².
- (15) 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.
- (16) 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. Aid to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in Article 1(1)(a) to (k) of Commission Regulation (EU) No 717/2014¹³.
- (17) Where an undertaking is active in several sectors to which different maximum amounts apply, in accordance with point 23 bis of the Temporary Framework, the Czech Republic will ensure, by appropriate means, such as separation of accounts, that the relevant ceiling is respected for each of these activities, and that the highest possible amount is not exceeded in total.

2.6.2. Measure covered by the Section 3.9 of the Temporary Framework

- (18) Measure 3 aims at deferring the monthly pre-payments of pension and State employment policy contribution for the period of March-August 2020 of self-employed affected by the COVID-19 outbreak. The last date of the deferral will be 31 December 2021.

⁸ 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.

⁹ 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, 1.7.2014, p.1.

¹⁰ 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, 24.12.2014, p. 37.

¹¹ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting the aid under this Temporary Framework.

¹² Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting the aid under this Temporary Framework.

¹³ Commission Regulation (EC) No (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 90, 28.6.2014, p. 45.

2.7. Cumulation

- (19) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹⁴, ABER and FIBER provided the provisions and cumulation rules of those Regulations are respected.
- (20) The Czech 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.

2.8. Monitoring and reporting

- (21) The Czech authorities confirm 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 above EUR 100 000¹⁵ granted under this Communication, and above EUR 10 000¹⁶ in the agriculture and fisheries sectors on the comprehensive State aid website or Commission's IT tool¹⁷ within 12 months from the moment of granting).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (22) The Commission observes that Czech Republic has started to grant the aid according to the notified scheme before the Commission has adopted its decision on the notified scheme. The Commission regrets that Czech Republic put the aid according to the notified scheme into effect, in breach of Article 108(3) of the Treaty on the Functioning of the European Union. However, it has decided, on the basis of the following assessment not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) TFEU.

¹⁴ 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).

¹⁵ Referring to information required in Annex III to Commission Regulation (EU) No. 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014. *For tax and payment advantages, the aid amount of the individual aid may be indicated in ranges.*

¹⁶ Referring to information required in Annex III of the Commission Regulation (EU) No 702/2014 and Annex III of the Commission Regulation (EU) No 1388/2014. For repayable advances, guarantees, loans and other forms the nominal value of the underlying instrument shall be inserted per beneficiary. For tax and payment advantages, the aid amount of the individual aid may be indicated in ranges.

¹⁷ The State aid transparency public search gives access to state aid individual award data provided by the Member State in compliance with the European transparency requirements for state aid and can be found at <https://webgate.ec.europa.eu/competition/transparency/public?lang=en>.

3.2. Existence of State aid

- (23) For a measure to be categorised as State 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.
- (24) The measure, consisting of three sub-measures, is imputable to the State, since it is based on the Act 136/2020 Coll. and the Decision of the Ministry of Labour and Social Affairs and it is granted by the Ministry of Labour and Social Affairs (recital (7)). It is financed through State resources, since the public authorities forgo revenues (recital (7)).
- (25) The measure confers an advantage on its beneficiaries (self-employed) in the form of payment advantages regarding pension and State employment policy contribution (Measure 1), waiver of penalties related to late filing and late payments of pension and State employment policy contributions (Measure 2) and deferral of monthly pre-payments of pension and State employment policy contributions (Measure 3) (recital (5)). The measure thus relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (26) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. self-employed persons (recital (10)).
- (27) 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.
- (28) In view of the above, the Commission concludes that the measure constitutes State aid within the meaning of Article 107(1) TFEU. The Czech authorities do not contest that conclusion.

3.3. Compatibility

- (29) Since the measure involves State aid within the meaning of Article 107(1) TFEU, it is necessary to consider whether that measure is compatible with the internal market.
- (30) 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*”.
- (31) 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*”.

- (32) 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 important to preserve employment and economic continuity for self-employed. It is widely accepted by economic commentators that the measure is of a scale which can be reasonably anticipated to produce effects across the entire Czech economy. Furthermore, the measure has been designed to meet the requirements specific categories of aid (“*Limited amounts of aid*”) described in Section 3.1 of the Temporary Framework and of aid (*Aid in the form of deferral of tax*) described in Section 3.9.
- (33) 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.

3.3.1. Measures covered by Section 3.1 of the Temporary Framework

- The aid under section 3.1 fulfils all the conditions provided in Temporary Framework. aid takes the form of payment advantages regarding pension and State employment policy contributions for self-employed persons (Measure 1) and waiver of penalties related to late filing and late payment of pension and State employment policy contributions for self-employed persons (Measure 2) (recital (5)).
- The overall nominal value of the payment advantages and the penalties will not exceed EUR 800 000 per undertaking; all figures used must be gross (recital (12)). The measure therefore complies with point 22(a) of the Temporary Framework.
- The overall nominal value of the payment advantages and penalties does not exceed EUR 120 000 per undertaking active in the fishery and aquaculture sector (recital (12)) or EUR 100 000 per undertaking active in the primary production of agricultural products (recital (12)). The measure therefore complies with point 23(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 (8). The measure therefore complies with point 22(b) of the Temporary Framework;
- Aid will not be granted under the measure to undertakings that were already in difficulty on 31 December 2019. Aid may be however granted to micro and small enterprises (within the meaning of Annex I of the General Block Exemption Regulation) that were already in difficulty on 31 December 2019 provided that they are not subject to collective insolvency procedure under national law, and that they have not received rescue¹⁸ aid or restructuring aid¹⁹ (recitals (13) and (14)). 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 (recital (9)). The measure therefore complies with point 22(d) of the Temporary Framework;

¹⁸ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting the aid under this Temporary Framework.

¹⁹ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting the aid under this Temporary Framework.

- Aid to undertakings active in the processing and marketing of agricultural products is 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 (recital (15)). The measure therefore complies with point 22(e) 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 (recital (16)). 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 (recital (16)). 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, the Czech Republic 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 (recital (17)). The measure therefore complies with point 23bis of the Temporary Framework.

3.3.2. Measure covered by section 3.9 of the Temporary Framework

- (34) The aid under section 3.9 fulfils all the conditions provided in Temporary Framework.
- (35) In accordance with point 41 of the Temporary Framework, the aid under Measure 3 consists of a temporary deferral of a pension and State employment policy contributions for self-employed persons that are affected by the COVID-19 outbreak (recital (18)). The aid will be granted before 31 December 2020 (recital (9)) and the latest end date for the deferral will be 30 December 2021, thus not later than 31 December 2022 (recital (18)).

3.3.3. General provisions on monitoring, reporting and cumulation

- (36) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (21) for all three measures.
- (37) The Czech authorities further confirm that the aid under the all three measures may only be cumulated with other aid, provided the specific provisions in the sections of the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (19) and (20)).
- (38) 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.

- (39) The Czech authorities confirm that the notification does not contain confidential information.

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