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**Subject: State Aid SA.59118 (2020/N) – Czechia
COVID-19: Program to support entrepreneurs affected by the
spread of the COVID-19 – Call 2**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 26 October 2020, Czechia notified the aid scheme consisting in a “Call 2 for the Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent” (“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

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, 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, by Communication from the Commission C(2020) 4509 final of 29 June 2020 on the Third Amendment of 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 and by Communication from the Commission C(2020) 7127 final of 13 October 2020 on the Fourth Amendment of the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance, OJ C 340 I, 13.10.2020, p. 1.

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- (2) Czechia 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 1/1958,² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Czechia 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.
- (4) According to the Czech authorities, the Czech economy is severely affected by the COVID-19 outbreak and by the measures taken to limit the spread of contagion. They 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 a reduction of their profits, may face difficulties in paying their rent or lease.
- (5) On 2 June 2020, the Commission approved the “Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 “COVID Rent” in the context of the state of emergency declared by the Czech Government as of 12 March 2020.³ The subsidy “COVID Rent” Call 1 targeted undertakings that were limited or forbidden to carry out their business or provide services in rented premises for at least part of the period between 13 March and 30 June 2020 due to the government restrictive measures.
- (6) As from 5 October 2020, the Czech Government declared a 30-day state of emergency in response to the second wave of COVID-19 outbreak, including restrictive measures taken to stop the spread of the disease. The Czech authorities explain that those measures severely affect the ability of undertakings operating a retail business or providing services to customers to carry out their activities. As a result, those undertakings which have a lower or no income from sales or the provision of services and have already seen their financial reserves depleted due to the spring restrictions, face liquidity shortage and struggle to paying their fixed costs, including rental or lease costs.
- (7) The objective of the measure is to counter the liquidity shortage and mitigate the negative effects of restrictive measures in the form of a partial rental support (50% of the rent) to undertakings operating a retail business or providing services to customers in business premises which were limited or forbidden by the Czech Government. The measure is focused on the sectors that are most affected by the

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

³ State Aid SA.57464(2020/N), Official Journal of the European Union, C 198, 12 June 2020.

crisis measures of the Czech Government in autumn 2020 during the so-called second wave of the COVID-19 outbreak such as for example catering establishments such as restaurants, cafés, bars, inns, tea houses, etc.; music, dance, game and similar social clubs and discos; cinemas; commercially operated indoor sports facilities, zoological gardens.⁴

- (8) Czechia confirms that the aid is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to the territory of the Member State granting the aid. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (9) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 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 due for the months of July, August and September 2020.
- (11) The grant under the measure will be allowed up to a maximum of CZK 10 million (approx. EUR 368 351⁵) per beneficiary.

2.2. Legal basis

- (12) The legal basis for the measure is Act No. 218/2000 Coll., On the Budgetary Rules and the Amendments to Certain Related Acts (Budgetary Rules), as amended. The conditions on the basis of which the direct grants will be granted are laid down in the Call 2 for the ‘Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent’.

2.3. Administration of the measure

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

2.4. Budget and duration of the measure

- (14) Aid is granted under the measure on the basis of a scheme with an estimated budget of CZK 3 billion (approx. EUR 110.5 million⁶). The measure will be financed from the general budget of the State.

⁴ See further Article 4.1.c of the Call 2 for the Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-2 Virus

⁵ https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_fr, exchange rate on 26.10.2020.

⁶ https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_fr, exchange rate on 26.10.2020.

- (15) Aid may be granted under the measure as from its approval until no later than 30 June 2021.

2.5. Beneficiaries

- (16) The beneficiaries of the measure are all undertakings leasing or renting premises that meet the requirements laid down in the Call 2 for the Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent, regardless of their size.
- (17) In particular, undertakings may benefit from the measure if their activities were limited or forbidden as a result of the crisis measures of the Czech Government in autumn 2020 during the so-called second wave of coronavirus spread, such as catering establishments such as restaurants, cafés, bars, inns, tea houses, etc.; music, dance, game and similar social clubs and discos; cinemas; commercially operated indoor sports facilities, zoological gardens.
- (18) The number of beneficiaries is estimated at 15 000. Financial institutions are excluded as eligible beneficiaries. Undertakings in the agricultural, aquaculture and fisheries sectors are also excluded as eligible beneficiaries.
- (19) Aid may not be granted under the measure to medium⁷ and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”)⁸ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid⁹ or restructuring aid.¹⁰

2.6. Sectoral and regional scope of the measure

- (20) 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.
- (21) The measure applies to the whole territory of Czechia.

⁷ As defined in Annex I to 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, OJL 187, 26.6.2014, p. 1.

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, OJL 187, 26.6.2014, p. 1.

⁹ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁰ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

2.7. Basic elements of the measure

- (22) Under the measure, eligible beneficiaries may request a grant corresponding to 50% of the rent for the months of July, August and September 2020 on the condition to have concluded a valid lease agreement before 1 July 2020 and paid 50% of the original rent for the same period.
- (23) Eligible beneficiaries can submit their application for aid between 21 October 2020 and 21 January 2021.
- (24) 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 Call 2 for the “Programme to Support Entrepreneurs Affected by the Worldwide Spread of COVID-19 Caused by SARS-CoV-19 Virus – COVID-Rent”. The Ministry may request additional documents from the applicant.
- (25) 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.
- (26) The Czech authorities confirm that the maximum overall aid amount per undertaking under the measure will not exceed EUR 800 000, as required by point 22(a) of the Temporary Framework. Moreover, the Czech authorities confirm that all figures used are gross figures, that is, before any deduction of tax or other charges.

2.8. Cumulation

- (27) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under the *de minimis* Regulation¹¹ or the GBER, provided the provisions and cumulation rules of those Regulations are respected.
- (28) The Czech authorities also confirm 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.
- (29) The Czech 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 point 22(a) of that framework, will be respected.

2.9. Monitoring and reporting

- (30) The Czech authorities confirm that they will respect the monitoring and reporting obligations laid down in section 4 of the Temporary Framework (including the

¹¹ 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.

obligation to publish relevant information on each individual aid above EUR 100 000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting¹²).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (32) 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.
- (33) The measure is imputable to the State, since it is administered by the Czech Ministry of Industry and Trade (see recital (13)) and it is based on the Call 2 for 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 the Budgetary Rules and the Amendments to Certain Related Acts (Budgetary Rules), as amended (see recital (12)). It is financed through State resources, since it is financed by the general budget of the State (see recital (14)).
- (34) 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.
- (35) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular those of which the activities were limited or forbidden as a result of the crisis measures of the Czech Government in autumn 2020 during the so-called second wave of coronavirus spread, involved in retail business or providing services in rented or lease premises, excluding the financial sector and undertakings active in the agricultural, fishery and aquaculture sectors (see recitals (16) to (19)).
- (36) 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.
- (37) 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.

¹² 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 to Commission Regulation (EU) No 1388/2014.

3.3. Compatibility

- (38) 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.
- (39) 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*”.
- (40) 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*”.
- (41) The measure aims at providing support for the payment of leases or rents (50%) for undertakings which were limited or forbidden to carry out their business activities, due to the exceptional measures taken by the Czech government in Autumn 2020, 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.
- (42) The measure is of a scale which can be reasonably anticipated to produce effects across the entire Czech economy. The measure is restricted to undertakings of which the activities were limited or forbidden as a result of the crisis measures of the Czech Government in autumn 2020 during the so-called second wave of coronavirus spread (see recitals (5) to (7)). 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.
- (43) The Commission accordingly considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of Czechia 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 (26)). Moreover, the Czech Republic 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 3 billion (approx. EUR 110.5 million) as indicated in recital (14). The measure therefore complies with point 22(b) of the Temporary Framework;

- Aid may not be granted under the measure to medium¹³ and large enterprises that were already in difficulty on 31 December 2019 (see recital (19)). The measure therefore complies with point 22(c) of the Temporary Framework.
 - Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid¹⁴ or restructuring aid¹⁵ (see recital (19)). The measure therefore complies with point 22(c)bis of the Temporary Framework;
 - Aid under the measure will be granted no later than 30 June 2021 (see recital (15)). The measure therefore complies with point 22(d) of the Temporary Framework.
- (44) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (30)). The Czech 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 (27) to (29)).
- (45) The Commission therefore considers that the measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of Czechia pursuant to Article 107(3)(b) TFEU since it meets all the relevant conditions of the Temporary Framework.

¹³ As defined in Annex I to 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, OJL 187, 26.6.2014, p. 1.

¹⁴ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁵ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

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

