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**Subject: State Aid SA.61948 (2021/N) – Czechia
COVID-19: Support to accommodation facilities II**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 22 March 2021, Czechia notified aid in the form of limited amounts of aid (“COVID Accommodation II” or the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹
- (2) Czechia 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 (OJ C 91I, 20.3.2020, p. 1), as amended by Commission Communications C(2020) 2215 (OJ C 112I, 4.4.2020, p. 1), C(2020) 3156 (OJ C 164, 13.5.2020, p. 3), C(2020) 4509 (OJ C 218, 2.7.2020, p. 3), C(2020) 7127 (OJ C 340I, 13.10.2020, p. 1) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

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

- (3) Czechia considers that the COVID-19 outbreak affects 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, and 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) On 20 July 2020, the Czech government adopted Resolution no. 766 granting support to accommodation establishments (hereinafter referred to as “COVID Accommodation I”), which the Commission approved on 27 August 2020³. The aid granted through the approved programme COVID Accommodation I covered a period from 14 March to 24 May 2020 (72 days), which allowed partial compensation of loss of revenues due to government restrictions on the provision of accommodation services. Applicants could apply for aid from 7 September 2020 to 3 November 2020. 5016 applications totalising CZK 2,3 billion (approximately EUR 87,06 million) of subsidies were approved.
- (5) Due to the on-going pandemic and subsequent measures, the Czech authorities submit that further support for the accommodation sector is needed.
- (6) On 14 December 2020, the Czech government adopted Resolution no. 1331 on further support of accommodation establishments, allowing it to grant additional aid to accommodation establishments. The measure aims to compensate part of the loss of revenues due to government restrictions during the period from 22 October 2020 up to 31 December 2021. The new reference period enables granting support to operators of accommodation facilities for each day of implementation of preventive measures adopted by the government (the provision of accommodation services was banned by several government resolutions). The Czech authorities confirmed that the aid will not be provided prior to the approval of the European Commission.
- (7) On 18 January 2021, the Czech government adopted Resolution no. 50 on the amendment and adjustment of the support framework, thereby expanding the scope of the measure to also include individual accommodation establishments. Support to individual accommodation establishments will be granted under the *de minimis* Regulation⁴, whereas support to collective accommodation establishments will be granted under the Temporary Framework. The present decision covers only the support of the collective accommodation establishments (continuation of the COVID Accommodation I as detailed in recital (4) above, approved by decision SA.58398).

3 Commission Decision C(2020)5961 final of 27 August 2020 on State aid SA.58398 (2020/N) – Czech Republic – COVID-19: Accommodation Facility Support (COVID-Accommodation) (“decision SA.58398”).

4 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).

- (8) Czechia confirms that the aid under the measure is not conditioned on the relocation of a production activity or of another activity of the beneficiary from another country within the EEA to Czechia. 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 is a scheme and provides aid in the form of direct grants.

2.2. Legal basis

- (11) The legal basis for the measure is (i) Act No. 218/2000 Coll. on Budgetary Rules; (ii) Government Resolution No. 766/2020 of 20 July 2020 pertaining to the document Support of the accommodation facilities (COVID-Accommodation). (iii) Resolution No. 1331 of 14 December 2020 pertaining to the document Support of the accommodation facilities (COVID-Accommodation II), as amended by Resolution no. 50 of 18 January 2021 on the amendment and adjustment of the support framework; (iv) Act No. 455/1991 Coll., on Trade Licensing (Trade Licensing Act), (v) Decree No. 501/2006 Coll., on general requirements for land use and (vi) Decree No. 268/2009 Coll., on technical requirements for constructions; (vii) Act No. 211/2000 Coll., on State Investment Support Fund of Czechia.

2.3. Administration of the measure

- (12) The Ministry of Regional Development (MRD) is the granting authority while the State Investment Promotion Fund (SIPF)⁵ is responsible for administering the measure.

2.4. Budget and duration of the measure

- (13) The overall budget of the measures relating to accommodation support (both COVID-Accommodation and COVID-Accommodation II programmes) is estimated to approximately EUR 383 million⁶ (10 billion CZK), out of which approximately EUR 268.1 million (7 billion CZK) will represent the estimated support under the present COVID Accommodation II.
- (14) Aid may be granted under the measure as from the notification of the Commission's approval until no later than 31 December 2021.

5 The State Investment Promotion Fund ("SIPF") is an independent public legal entity established by Act No. 211/2000 Coll., under the competence of the Ministry of Regional Development. For more information please see <https://sfpi.cz/sfpi/>

6 Exchange rate: CZK 1 = EUR 0.0383 taken on 22 March 2021 from: <https://ec.europa.eu/budget/graphs/inforeuro.html>

2.5. Beneficiaries

- (15) The beneficiaries of the measure are undertakings active in Czechia, irrespective of their size.
- (16) 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

- (17) The measure is open to applicants operating accommodation facilities in Czechia, on the basis of a trade license for accommodation services (Act No. 455/1991 Coll., On Trade Licensing). The estimated number of such applicants is 9 383.
- (18) The measure does not cover the financial sector and is not open to undertakings active in the fishery and aquaculture sector or in the primary production or processing and marketing of agricultural products. It applies to the whole territory of Czechia.

2.7. Basic elements of the measure

- (19) The aim of COVID Accommodation I and II programmes is to support the tourism sector, namely accommodation establishments, affected by measures related to the COVID-19 pandemic, to preserve jobs and the operation of accommodation establishments, to maintain the supply of existing services, strengthen liquidity and to support the development of the sector. The measure may cover a period from 22 October 2020 up to 31 December 2021, and its amount will be determined according to the type of accommodation facility by a lump sum to cover part of the unrealized revenues/proceeds of these facilities. The aid granted through the approved programme COVID Accommodation I covered a period from 14 March to 24 May 2020 (72 days), which allowed partial compensation of loss of revenues due to government restrictions on the provision of accommodation services.
- (20) The COVID Accommodation II programme is aimed to cover the period of the second and third wave of the COVID-19 outbreak. The measure aims to compensate part of the loss of revenues due to government restrictions during the

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.

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.

period from from 22 October 2020 up to 31 December 2021. The new reference period enables granting support to operators of accommodation facilities for each day of implementation of preventive measures adopted by the government (the provision of accommodation services was banned by government resolutions). The Czech authorities may announce calls for support during the different reference periods.

- (21) The calls of the measure will be announced in connection with the length of preventive measures of the government and on the basis of a government resolution. The support will be provided only for days when accommodation service providers were not allowed to do business due to a government resolution, such as for example, government resolution from 21 October 2020 No. 1079, which was subsequently prolonged until 14 February 2021 (government resolution from 22 January 2021 no. 57)¹¹.
- (22) The measure will provide support to applicants that operate accommodation facilities on the territory of Czechia based on a trade license for accommodation services (Act no. 455/1991 Coll., on Trade Licensing).
- (23) The support will represent a fixed amount per room for the period when the accommodation facility was closed due to a crisis measure adopted by the Government. The aid granted under the measure will not exceed EUR 1.8 million per undertaking. All figures used must be gross, that is, before any deduction of tax or other charges.
- (24) In the case of spa facilities, accommodation capacities that are intended for the purpose of providing medical rehabilitation care according to the certificate of registration of non-state medical facilities, will be excluded from support.¹²
- (25) The seasonality of a facility will be considered when determining the amount of support. Facilities that were newly opened after 31 December 2019 are entitled for support according to the average occupancy in the region where the accommodation facility is located during the same period in 2019.
- (26) Under the measure, the amount of support provided per room is differentiated according to the quality of the accommodation facility. The highest quality is achieved by 5- and 4-star hotels, between which there is a slight quality difference. 3-star hotels also possess a similar quality to the 5 and 4 stars hotels. Hotels with 1 and 2 stars are facilities with a lower quality. A hotel of the Garni type is qualitatively comparable to a 3-star hotels, but provides lesser catering services. The rate for this type of hotels is therefore set at a lower amount than for 3-star hotels.
- (27) Non-state spa facilities (NSF) have different levels of quality, and therefore the rate for the payment of the subsidy will depend on the quality of accommodation according to individual types of hotels.

11 For more information on government resolutions please see <https://www.vlada.cz/cz/epidemie-koronaviru/dulezite-informace/prehled-vladnich-usneseni-od-vyhlaseni-nouzoveho-stavu-180608/#rijen>

12 The certificate is issued by the Health Care Services Department of the Self-Governing Regional Authority.

- (28) Certification of hotels is not required by law. The inspection will thus be based on the certification of the Association of Hotels and Restaurants of Czechia as well as the quality that the entities/operators present to their clients within their reservation systems.¹³ The daily subsidy per room will be set at the following levels:

Type of accommodation facility	Daily subsidy amount per room in CZK	Daily subsidy amount per room in EUR
Hotel, NSF *****	CZK 330	EUR 12.64
Hotel, motel, boat hotel, NSF ****	CZK 330	EUR 12.64
Hotel, motel, boat hotel, NSF ***	CZK 300	EUR 11.5
Hotel, motel, boat hotel, NSF **	CZK 200	EUR 7.66
Hotel, motel, boat hotel, NSF *	CZK 200	EUR 7.66
Garni hotel	CZK 250	EUR 9.57
Guesthouse/Boarding House	CZK 200	EUR 7.66
Camp (accommodation facilities)	CZK 100	EUR 3.83
Summer cottage settlement	CZK 100	EUR 3.83
Tourist hostel	CZK 100	EUR 3.83
Apartment's hotel	CZK 200	EUR 7.66

2.8. Cumulation

- (29) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹⁴ or the GBER provided the provisions and cumulation rules of those Regulations are respected.
- (30) 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.
- (31) 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

- (32) 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

¹³ The obligation to denote accommodation establishments by category and class follows from Section 19 of the Trade Licensing Act (Act no. 455/1991 Coll.)

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) 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, 26.4.2012, p. 8).

000 granted under the measure on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting¹⁵).

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.

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 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 State Investment Promotion Fund (SIPF), an independent public legal entity under the competence of the Ministry of Regional Development (recital (12)) and it is based on the COVID Accommodation II Resolution (recital (6)). It is financed through State resources, since it is financed by public funds.
- (36) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (10)). The measure thus confers an advantage on those beneficiaries that they would not have had under normal market conditions.
- (37) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular operators offering accommodation services, (recital (17)) excluding the sectors mentioned in recital (18)). These undertakings are in a comparable situation to other undertakings that offer services on the market and that do not have access to the grant.
- (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 State 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.

15 Referring to information required in Annex III to Commission Regulation (EU) No 651/2014.

- (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 ensuring liquidity for undertakings active in the accommodation services sector at a time when the normal functioning of 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 importance of the measure to preserve employment and 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 accommodation services sector across Czechia. 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 a Member State and meets all the conditions of the Temporary Framework. In particular:
- The aid takes the form of direct grants (recital (10)).

The overall nominal value of shall not exceed EUR 1.8 million per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (23)). 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 ((13)). The measure therefore complies with point 22(b) of the Temporary Framework.
 - Aid may not be granted under the measure to medium¹⁶ and large enterprises that were already in difficulty on 31 December 2019 (recital (16)). 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

16 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, OJ L 187, 26.6.2014, p. 1.

national law and they have not received rescue aid¹⁷ or restructuring aid¹⁸ (recital (16)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

- Aid will be granted under the measure no later than 31 December 2021. The measure therefore complies with point 22(d) of the Temporary Framework.
- (46) The Czech authorities confirmed that the aid under the measure 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
- (47) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (32)). 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 (29)-(30)).
- (48) 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.

17 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.

18 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

