Subject: State Aid SA.62825 (2021/N) – Estonia
COVID-19: Aid to undertakings in the tourism and retail sectors

Excellency,

1. Procedure

(1) By electronic notification of 26 April 2021, Estonia notified aid in the form of limited amounts of aid (Aid to undertakings in the tourism and retail sectors, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”). On 6 May 2021, the Estonian authorities submitted additional information.

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

---


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

(3) Estonia 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, 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) The measure aims to support the tourism and retail sectors, notably accommodation companies, spa and water centres, food service providers, travel undertakings, meetings and trade fair undertakings, service providers and undertakings engaged in other carriage of passengers by road and sole proprietors active in those sectors, that have suffered significant loss of turnover due to the COVID-19 outbreak.

(5) Estonia 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 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.

(6) 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

(7) The measure constitutes an aid scheme that provides aid in the form of direct grants.

2.2. Legal basis

(8) The legal bases for the measure is the State Budget Act, the Government Regulation No 31 of 28.04.2020 and the Regulation No 16 of Minister of Foreign Trade and Information Technology of 21.04.2021 “Supporting undertakings in connection with restrictions arising from the spread of coronavirus which causes the COVID-19 illness”\(^3\).

2.3. Administration of the measure

(9) The State Foundation Enterprise Estonia\(^4\) is responsible for administering the measure.

2.4. Budget and duration of the measure

(10) The estimated budget of the measure is EUR 44 million.

---

\(^3\) Paragraph 1, Subsection 2 of the Regulation of 21 April 2021 contains a standstill obligation.

\(^4\) Established in 2000, Enterprise Estonia (EAS) is an Estonian national foundation that aims to develop Estonian economy through three principal areas of activity: developing Estonian enterprises and boosting export capacity; increasing tourism revenue; and bringing high value-added foreign investments to Estonia. See also https://www.eas.ee/eas/?lang=en
Aid may be granted under the measure as from the notification of the Commission’s approval until no later than 31 December 2021.

2.5. Beneficiaries

The beneficiaries of the measure are companies of all sizes and sole proprietors active in the tourism and retail sectors, i.e. accommodation companies, spa and water centres, food service providers, travel undertakings, meetings and trade fair undertakings, travel service providers, undertakings engaged in other carriage of passengers by road, and retail undertakings. Financial institutions are excluded as eligible beneficiaries.

Aid may not be granted under the measure to medium and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation (“GBER”) 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 aid or restructuring aid.

2.6. Sectoral and regional scope of the measure

The measure is designed for undertakings and sole proprietors active in the tourism and retail sectors, except the financial sector. The scheme is not open to undertakings active in the processing, the marketing and the production of primary agricultural products, fisheries and aquaculture sectors. It applies to the whole territory of Estonia.

2.7. Basic elements of the measure

The measure provides for liquidity aid in the form of a grant, to partially compensate the eligible beneficiaries for their loss of turnover because of the COVID-19 outbreak. The basis for calculating the grant as well as its minimum/maximum amount follows the following two-step approach:

5 NACE code, section I 55
6 NACE code, section Q 86905
7 NACE code, section I 56
8 NACE code, section N 791
9 NACE code, section N 82301
10 NACE code, section H 4939 or H 49399, or NACE code 49391
11 NACE code G 451, 4532, 4540, 4719, 4726, 474, 475, 476, 477 or 478, except for persons whose main field of activity is NACE code 4773, 4774, 47781 and 4781
13 As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014
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.
• **Step 1:**
  o For accommodation companies, spas and water centres, undertakings engaged in other carriage of passengers by road: 90% of the labour costs of the undertaking in February 2021.
  
  o For food service providers and retail undertakings: 70% of the labour costs paid by the undertaking in February 2021.
  
  o For travel undertakings, meetings and trade fair companies: 60% of the labour costs paid by the undertaking in February 2021.

• **Step 2:** the amount defined in step 1 is multiplied by the following:
  
  o For accommodation undertakings, spas and water centres, food service providers, travel undertakings, meetings and trade fair undertakings, undertakings engaged in other carriage of passengers by road that were liable to value added tax between 1 January 2019 and 31 December 2019: the percentage of the decrease in the turnover of March 2021 that the company experienced compared to the arithmetical average monthly turnover between 1 January 2019 and 31 December 2019 multiplied by three;
  
  o For undertakings active in the retail sector that were liable to value added tax between 1 January 2019 and 31 December 2019: the percentage of the decrease in the turnover of March 2021 that the company experienced compared to the arithmetical average monthly turnover between 1 January 2019 and 31 December 2019 multiplied by two;
  
  o For accommodation undertakings, spas and water centres, food service providers, travel undertakings, meetings and trade fair undertakings and undertakings engaged in other carriage of passengers by road that were not liable to value added tax between 1 January 2019 and 31 December 2019 but that have paid labour taxes on average in the amount of at least EUR 800 per calendar month from the time of commencement of operations to 28 February 2021; or that are not liable to value added tax and that have paid labour taxes in the amount of at least EUR 3 000 between 1 January 2020 and 28 February 2021: three;
  
  o For undertakings active in the retail sector that were not liable to value added tax between 1 January 2019 and 31 December 2019 but that have paid labour taxes on average in the amount of at least EUR 800 per calendar month from the time of commencement of operations to 28 February 2021; or that are not liable to value added tax but that have paid labour taxes in the amount of at least EUR 3 000 between 1 January 2020 and 28 February 2021: three;

---

16 If the turnover in March 2021 has fallen by at least 30% in comparison with the arithmetical average monthly turnover between 1 January 2019 and 31 December 2019.

17 If the turnover in March 2021 has fallen by at least 30% in comparison with the arithmetical average monthly turnover between 1 January 2019 and 31 December 2019.
amount of at least EUR 3 000 between 1 January 2020 and 28 February 2021: two.

(16) As a derogation to the above, accommodation undertakings, spas and water centres, food service providers, travel undertakings, meetings and trade fair undertakings and undertakings engaged in other carriage of passengers by road that have not paid labour costs for February 2021 will receive a lump sum of EUR 3 000. Undertakings active in the retail sector that have not paid labour costs for February 2021 will receive a lump sum of EUR 2 000.

(17) Travel services providers and sole-proprietors will receive a fixed amount of aid defined as follows:

- For travel services providers, with the exception of sole proprietors active in this sector: EUR 7 500;
- For sole proprietors active in the eligible sectors, with the exception of the retail sector: EUR 2 000.
- For sole proprietors active in the retail sector: EUR 1 400.

(18) The minimum amount of aid per undertaking under the measure is the following:

- For accommodation companies, spas and water centres, food service providers, travel undertakings, meetings and trade fair undertakings, undertakings engaged in other carriage of passengers by road: EUR 3 000.
- For undertakings active in the retail sector: EUR 2 000.

(19) The maximum amount of aid per undertaking under the measure is the following:

- For accommodation companies, spas and water centres, food service providers, travel undertakings, meetings and trade fair undertakings and undertakings engaged in other carriage of passengers by road: EUR 900 000.
- For undertakings active in the retail sector: EUR 600 000.

(20) To be eligible for aid under the measure, undertakings must meet the following conditions:

- They must be a private legal person or a sole-proprietor registered in the commercial register or in the register of non-profit associations and foundations;
- They must be active in the sectors listed in recital (12);
- They must not have any arrear of State taxes at the time of submitting the application, or in the case of arrears of State taxes, those must have been paid or staggered by the time of submitting the application;

---

18 All figures used must be gross, that is, before any deduction of tax or other charge.
- They must have respected their duty to submit tax returns and annual reports by the time of submitting the application;

- No compulsory dissolution, liquidation or bankruptcy proceedings must have been instituted against them or against a person having dominant influence over the applicant;

- In the case of a self-employed person, they must not have been deleted from the commercial register before a decision on the application is made;

- If they received support subject to recovery and the payment has fallen due, the repayments must have been made in the required sum by the moment of submission of the application;

- They must not have received support from the funds of the 2021 Supplementary State Budget Act on the basis of regulations of the Minister of Culture due to restrictions arising from 19 August 2020 Order No 282 of the Government of the Republic ‘Measures for the prevention of the virus causing the COVID-19 disease’.

2.8. Cumulation

(21) The Estonian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations\(^{19}\) or the GBER provided the provisions and cumulation rules of those Regulations are respected.

(22) The Estonian 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.

(23) The Estonian 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

(24) The Estonian 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 100 000 granted under the measure on the comprehensive national State aid website or Commission’s IT tool within 12 months from the moment of granting\(^{20}\)).

---


\(^{20}\) Referring to information required in Annex III to the GBER.
3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

(26) 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.

(27) The measure is imputable to the State, since it is administered by the State Foundation Enterprise Estonia (recital (9)) and it is based on the State Budget Act, the Government Regulation No 31 of 28.04.2020 and the Regulation No 16 of Minister of Foreign Trade and Information Technology of 21.04.2021 “Supporting undertakings in connection with restrictions arising from the spread of coronavirus which causes the COVID-19 illness” (recital (8)). It is financed through State resources, since it is financed by public funds.

(28) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (7)). The measure thus confers on those beneficiaries an advantage that they would not have had under normal market conditions.

(29) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in the tourism and retail sectors, excluding the financial sector (recital (12)).

(30) 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.

(31) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Estonian authorities do not contest that conclusion.

3.3. Compatibility

(32) 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.

(33) 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”.

(34) 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”.

(35) The measure aims to provide liquidity support to companies active in the tourism and retail sectors and to alleviate the damage caused by the crisis, 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.

(36) The measure is one of a series of measures conceived at national level by the Estonia authorities to remedy a serious disturbance in their economy. The importance of the measure to provide liquidity support and thus 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 Estonia economy. 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.

(37) 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 (7)).

  The overall nominal value of the direct grants shall not exceed EUR 900 000 (recital (19)); 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 (10). The measure therefore complies with point 22(b) of the Temporary Framework.

- Aid may not be granted under the measure to medium\textsuperscript{21} and large enterprises that were already in difficulty on 31 December 2019 (recital (13)). 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 aid\textsuperscript{22} or restructuring aid\textsuperscript{23} (recital (13)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

\textsuperscript{21} As defined in Annex I to the GBER.

\textsuperscript{22} 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.

\textsuperscript{23} 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.
- Aid will be granted under the measure no later than 31 December 2021 (recital (11)). The measure therefore complies with point 22(d) of the Temporary Framework.

(38) The Estonian authorities confirm 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 (recital (5)).

(39) The Estonian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (24)). The Estonian 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 and the cumulation rules of the relevant Regulations are respected (recitals (21), (22) and (23)).

(40) 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