EUROPEAN COMMISSION



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Subject: State Aid SA.101034 (2022/N) – Czechia

COVID-19: Compensation bonus to self-employed persons and to

partners in small limited liability companies in 2022

Excellency,

1. PROCEDURE

- (1) By electronic notification of 3 January 2022, Czechia notified aid in the form of limited amounts of aid (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.

Jakub KULHÁNEK Ministr zahraničních věcí Ministerstvo zahraničních věcí České republiky Loretánské náměstí 5 118 00 Praha 1 ČESKO

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), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

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) Czechia considers that the COVID-19 pandemic continues to affect the real economy³. 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 pandemic, to ensure that the disruptions caused by the pandemic do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the pandemic.
- (4) 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 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.
- (5) 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

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

2.2. Legal basis

(7) The legal basis for the measure is Act No. 519/2021 Coll., on the compensation bonus for 2022⁴.

2.3. Administration of the measure

(8) The locally competent Financial Administration Bodies (Tax Offices) are responsible for administering the measure, under the control of the Ministry of Finance.

2.4. Budget and duration of the measure

(9) The estimated budget of the measure is CZK 12.4 billion (ca. EUR 509 031 000⁵).

To help households and undertakings through the previous waves of the COVID-19 outbreak in 2020 and early 2021, the government adopted a stimulus package which included among others two previous compensation bonuses for self-employed and partners in small limited liability companies (approved by the Commission under SA.61358 and SA.62930); these expired on 31 May 2021. In autumn 2021, the epidemic situation in Czechia worsened again, resulting in the need to introduce new restrictive measures. In particular, as of 22 November 2021, the Czech Government has imposed restrictions on operation of retail sales and services by laying down conditions for the entry of persons (i.e. only persons with a valid certificate of vaccination or past COVID-19 infection can enter), which have had a negative impact on business activities of the undertakings concerned and have caused them a serious financial loss. A new state of emergency was also declared in the Czech Republic as of 26 November 2021 (and lasted until 25 December 2021).

⁴ Act No. 519/2021 Coll., on the compensation bonus for 2022, adopted on 23 December 2021, with entry into force on 24 December 2021.

Based on the exchange rate 24.360 CZK/EUR published by the Czech National Bank on 10 January 2022.

- (10) The aid is granted in respect of two bonus periods: (i) the first bonus period (22 November 2021 31 December 2021) and (ii) the second bonus period (1 January 2022 31 January 2022).
- (11) Aid may be granted under the measure until no later than 30 June 2022.

2.5. Beneficiaries

- (12) The beneficiaries of the measure are:
 - (a) Self-employed persons⁶
 - (b) Partners of "small limited liability companies" (small limited liability companies are defined as limited liability companies with a maximum of two partners who are natural persons, or limited liability companies where all partners are members of the same family).
- (13) 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 Regulation⁸ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the General Block Exemption Regulation 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 aid¹⁰.

2.6. Sectoral and regional scope of the measure

(14) The measure is in principle open to all sectors. Account taken of the categories of eligible beneficiaries described in recital (12) above, credit and financial institutions are excluded from its scope. The measure applies to the whole territory of Czechia.

⁶ As defined in Article 9, paragraphs 2 and 3 of Act No. 155/1995 Coll., on pension insurance.

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, Annex I to 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 Annex I to 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.

As defined in Article 2(18) of the Regulation (EU) No 651/2014. Wherever reference is made in this Decision to the definition of "undertaking in difficulty" as contained in Article 2(18) of Regulation (EU) No 651/2014, it shall be read as also referring to the definitions contained in Article 2(14) of Regulation (EU) No 702/2014 and Article 3(5) of Regulation 1388/2014 respectively.

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.

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**

- The aid granted under the measure aims at supporting self-employed persons and (15)partners of small limited liability companies, whose business activities have been significantly affected by the COVID-19 outbreak and/or the restrictive measures adopted in relation to the COVID-19 outbreak by the national authorities¹¹.
- Self-employed persons are eligible for aid under the measure if: (16)
 - they were either self-employed on 22 November 2021 or their selfemployment activity was not interrupted earlier than 22 November 2020 (this is meant for seasonal workers who usually suspend their activities during the summer period and who could not recover their activities due to the COVID-19 outbreak);
 - during the relevant bonus period, they are not unreliable payers or unreliable persons pursuant to the Czech VAT Code¹².
- Partners of small limited liability companies are eligible for aid under the measure (17)subject to the following conditions:
 - (a) they must be natural persons;
 - (b) the limited liability company has a maximum of two partners or all partners are members of the same family¹³;
 - (c) they were partners in the small limited liability company on 22 November 2021;
 - (d) on 22 November 2021, they were tax residents in Czechia¹⁴;
 - (e) the small limited liability company in which they are partners:
 - is not bankrupt or in liquidation during the bonus period,
 - is not, during the bonus period, an unreliable payer or an unreliable person pursuant to the Czech VAT Code¹⁵,
 - achieved, in at least one of the two fiscal periods 16 preceding the bonus period, a turnover of at least CZK 120 000 (ca. EUR 4 926),
 - is tax resident in Czechia or in another Member State of the EU or the EEA.

13 The share of the partners must not have the form of a tradable common certificate ("kmenový list").

Including crisis measures, emergency measures and protective measure adopted by the Czech authorities as defined in Article 1 of Act No. 519/2021 Coll., on the compensation bonus for 2022.

¹² Act No. 235/2004 Coll., VAT Act.

A partner who was not tax-resident in Czechia is still eligible for the aid if he/she is tax resident in an EU or EEA country and at least 90% of his/her income is generated in Czechia.

Act No. 235/2004 Coll., VAT Act.

The fiscal period for the purposes of the corporate income tax as defined in §21a of Act No. 586/1991 Coll., Income Tax Act.

- (18) The aid under the measure is granted to self-employed persons and to partners of small limited liability companies whose business activities have been "significantly affected" by the COVID-19 outbreak and/or the restrictive measures adopted in relation to the COVID-19 outbreak by the national authorities. A business activity is considered to be "significantly affected" if the income from such activity in the "reference period" does not exceed 70% of the income achieved from this activity in the "comparative period" ¹⁷.
- (19) A business activity is not considered "significantly affected" if the decrease of the business activity is predominantly caused by other reasons than:
 - the restrictive measures adopted in relation to the COVID-19 outbreak by the national authorities;
 - the need of the beneficiary, its staff or the staff of the limited liability company to take care of their children;
 - the quarantine of the beneficiary, its staff or the staff of the limited liability company;
- (20) In case of persons participating in sickness insurance ordered to quarantine, the aid amounts to CZK 500 (ca. EUR 20.53) per beneficiary per day of the bonus period. In all other cases, the aid under the measure amounts to CZK 1 000 (ca. EUR 41) per beneficiary per day of the bonus period. The maximum amount of aid per beneficiary is therefore CZK 31 000 (ca. EUR 1 273) per month. In any event, the amount of aid must not exceed the difference between the amount of monthly income achieved in the "reference period" and the amount of average monthly income achieved during the "comparative period".
- (21) Self-employed persons and partners of small limited liability companies are only eligible for aid under the measure if more than half of their income during the "comparative period" stems from the activities "significantly affected" by the COVID-19 outbreak and/or the relevant restrictive measures adopted by the national authorities ¹⁸.
- (22) The aid under the measure cannot be granted to a person who, in respect of the same period, receives unemployment benefits. The aid cannot be granted to a partner of a small limited liability company who is employed in the company if the company receives wage subsidies (program Antivirus or another support related to mitigation of the negative effects of the COVID-19 outbreak) to cover the wage costs of such partner. A person cannot receive the compensation bonus twice with respect to the same calendar day; a person can either benefit from the compensation bonus as self-employed person or as partner of a small limited

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The "reference period" is the relevant month falling in the bonus period for which the aid is being granted. The "comparative period" is a period of three consecutive calendar months chosen by the beneficiary from the period from 1 June 2021 and 31 October 2021. Act No. 519/2021 Coll. also lays down an alternative comparative period for seasonal workers and for persons who became self-employed later than on the first day of the comparative period or partners of later created small limited liability companies.

In case of the partners of limited liability companies, the condition that half of the income must stem from activities "significantly affected" by the COVID-19 outbreak and/or the crisis measures applies both for the income of the partner and of the company.

liability company (not both at the same time). A person who is a partner in more than one small limited liability company can only receive the aid under the measure once.

- (23) The aid under the measure is granted on the basis of an application for aid, in which the beneficiary declares that he/she fulfils the conditions for granting the aid. The application has to be submitted no later than 60 days after the end of the relevant bonus period. The Tax Office records the compensation bonus in the tax evidence of the person and disburses it to the beneficiary without undue delay.
- (24) The Tax Office carries out *ex ante* and *ex post* controls of the compliance with the above described conditions of the measure.

2.8. Additional conditions of the measure

- (25) The Czech authorities confirm that the overall value of direct grants under the measure shall not exceed EUR 290 000 per undertaking active in the primary production of agricultural products, EUR 345 000 per undertaking active in the fishery and aquaculture sector, and EUR 2 300 000 per undertaking active in all other sectors as provided by the Temporary Framework, all figures used being gross, before any deduction of tax or other charges.
- (26) For the agricultural, fisheries and aquaculture sectors, the Czech authorities confirm that:
 - where the beneficiaries are undertakings active in the processing and marketing of agricultural products, the aid is conditional on not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned;
 - aid to undertakings active in the primary production of agricultural products¹⁹ is not fixed on the basis of the price or quantity of products put on the market;
 - aid to undertakings active in the fishery and aquaculture sector²⁰ does not concern any of the categories of aid referred to in Article 1, paragraph (1) (a) to (k) of Regulation (EU) No 717/2014;
 - where an undertaking is active in several sectors t which different maximum amounts apply in accordance with points 22 (a) and 23 (a) of the Temporary Framework, it will be ensured, 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 2.3 million is not exceeded per undertaking. Where an undertaking is active in the sectors covered by

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As defined in Article 2(5) of Regulation (EU) No 702/2014.

As defined in Article 2(1) of 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).

point 23 (a) of the Temporary Framework, the overall maximum amount of EUR 345 000 is not exceeded per undertaking.

2.9. Cumulation

- (27) The Czech authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations²¹ or the Block Exemption Regulations²² provided the provisions and cumulation rules of those Regulations are respected.
- (28) The Czech 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.
- (29) 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 that the provisions in those specific sections are respected.
- (30) 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(s) 22(a) and 23(a) of that framework, will be respected. Aid granted under the measure and/or other measures approved by the Commission under section 3.1 of the Temporary Framework which has been reimbursed before 31 December 2021 shall not be taken into account in determining whether the relevant ceiling is exceeded.

2.10. Monitoring and reporting

(31) 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 100 000 granted under the measure and EUR 10 000 in the primary agriculture and in the fisheries sectors on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting²³).

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 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).

²² Regulation (EU) No 651/2014, Regulation (EC) No 702/2014 and Regulation (EU) No 1388/2014.

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. ASSESSMENT

3.1. Unlawfulness of the measure

(32) The Commission observes that Czechia has started to grant the aid under the measure before the Commission has adopted its decision on such measure. The Commission regrets that Czechia put the measure into effect in breach of Article 108(3) TFEU.

3.2. Existence of State aid

- (33) 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.
- (34) The measure is imputable to the State, since it is administered by the Financial Administration Bodies (Tax Offices) (recital (8)) and is based on Act No. 519/2021 Coll., on the compensation bonus for 2022 (recital (7)). It is financed through State resources, since it is financed by public funds.
- (35) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (6)). The measure thus confers an advantage on those beneficiaries which they would not have had under normal market conditions.
- (36) The advantage granted by the measure is selective, since the aid is awarded only to certain undertakings, namely self-employed persons and partners of small limited liability companies particularly affected by the COVID-19 outbreak (recital (12)).
- (37) 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.
- (38) 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.

3.3. Compatibility

- (39) 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.
- (40) 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".
- (41) 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".

- (42) The measure aims at facilitating the access of undertakings to external finance at a time when the normal functioning of markets is severely disturbed by the COVID-19 pandemic and that pandemic is affecting the wider economy and leading to severe disturbances of the real economy of Member States.
- (43) 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 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 Czech economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid ("Aid in the form of limited amounts of aid") described in section 3.1 of the Temporary Framework.
- (44) 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 (6)).
 - The overall nominal value of direct grants shall not exceed EUR 2.3 million per undertaking (recital (20) and (25)); all figures used must be gross, that is, before any deduction of tax or other charges. 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 (recital (30)). 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 (9). The measure therefore complies with point 22(b) of the Temporary Framework.
 - Aid may not be granted under the measure to medium²⁴ 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 aid²⁵ or restructuring aid²⁶ (recital (13)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

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.

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.

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 30 June 2022 (recital (11)). The measure therefore complies with point 22(d) of the Temporary Framework.
- Aid granted to undertakings active in the processing and marketing of agricultural products is excluded when the aid is conditional on being partly or entirely passed on to primary producers, fixed on the basis of the price or quantity of products put on the market by the undertakings concerned or purchased from primary producers, unless, in the latter case, the products were either not put on the market or were used for non-food purposes such as distillation, methanization or composting by the undertakings concerned (recital (26)). The measure therefore complies with point 22(e) of the Temporary Framework.
- The overall nominal value of the direct grants does not exceed EUR 345 000 per undertaking active in the fishery and aquaculture sector or EUR 290 000 per undertaking active in the primary production of agricultural products (recital (25)). If the beneficiary active in those sectors 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 23(a) of that framework, will be respected (recital (30)). 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 (recital (26)). 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 (26)). 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, Czechia 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 2.3 million 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 345 000 is not exceeded per undertaking (recital (26)). The measure therefore complies with point 23bis of the Temporary Framework.
- (45) The Czech 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 (4)).
- (46) The Czech authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (31)). The Czech authorities further confirm that the aid under the measure may only be cumulated with other aid, provided that the specific provisions in the sections of

- the Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (27) (30)).
- (47) 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.

Your request should be sent electronically to the following address:

European Commission,
Directorate-General Competition
State Aid Greffe
B-1049 Brussels
Stateaidgreffe@ec.europa.eu

Yours faithfully,

For the Commission

Margrethe VESTAGER Executive Vice-President