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Subject: State Aid SA.103089 (2022/N) – Hungary
TCF: Hungarian umbrella scheme to support companies in context of
Russia's invasion of Ukraine

Excellency,

1. PROCEDURE

- (1) By electronic notification of 20 May 2022, Hungary notified aid in the form of limited amounts of aid to support companies in the context of Russia's invasion of Ukraine (the “measure”) under the Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (the “Temporary Crisis Framework”)¹.
- (2) Hungary 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 on the Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (OJ C 131 I, 24.3.2022, p. 1).

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) Hungary considers that the Russian aggression against Ukraine, the sanctions imposed by the European Union (“EU”) and its international partners and the counter-measures taken by Russia (“the current crisis”) so far affects the real economy. The current crisis has created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods. The current crisis further pushes up commodity prices, and thereby inflation as well. The year-on-year rate of increase in consumer prices rose to 9.5 percent in May 2022. According to the expectations of the Hungarian National Bank, inflation will only return to the tolerance band in the second half of 2023. Due to the higher-than-usual uncertainty, annual average inflation in 2022 is expected to fall within a range of 7.5 to 9.8 percent. The consumer price index in 2023 and 2024 will be 3.3–5.0 percent and 2.5–3.5 percent, respectively. External impacts decelerate the expansion of GDP: the current crisis could hold back Hungary's economic expansion by around 2.5 percentage points. Downside risks to growth have strengthened, so the Hungarian National Bank revised down the forecast for this year's economic growth to 2.5–4.5 percent. Increased real economic uncertainty is holding back corporate credit growth, which is holding back investment and ultimately GDP growth. In 2022, corporate investment activity may fall due to the surging energy and commodity prices and more moderate external demand. The cost increasing impact of energy prices at the end of last year may have already had an impact on corporate profits.
- (4) In light of the effects described in recital (3), the current crisis will have a negative impact on the beneficiaries of the scheme (defined below in recital (13)). All economic sectors are already directly or potentially affected. Thus, the measure aims to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy caused by the Russian aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as by the economic counter measures taken so far by Russia.
- (5) Hungary 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 1 and 2.1 of the Temporary Crisis Framework.

2.1. The nature and form of aid

- (7) The measure provides aid in the form of direct grants (including interest and fee subsidies), tax reductions, equity and loans.

2.2. Legal basis

- (8) The legal basis for the measure is a draft text that will be included in the following acts, decrees and term sheets of funds:

- Decree of the Ministry for Technology and Innovation 14/2019 (VI. 12.) on the utilization and management of the appropriations under the budget heading of the Ministry for Technology and Innovation (Ministry for Technology and Innovation),
- Decree of Ministry of Finance 9/2018. (X. 19.) on the utilization and management of the appropriations under the budget heading of the Ministry of Finance (Ministry of Finance),
- Act XXXI of 1996 on Corporate Tax and Dividend Tax (Ministry of Finance),
- Decree of Ministry of Justice 15/2020. (XII. 13.) on the utilization and management of the appropriations under the budget heading of the Ministry of Justice (Ministry of Justice),
- draft Decree of the Minister of Agriculture laying down general rules concerning the temporary support for agricultural and food processing undertakings put in a difficult economic situation due to the aggression against Ukraine by Russia (Ministry of Agriculture),
- Government Decree 474/2016 (XII. 27.) on the utilisation and distribution of state subsidies for sports purposes & Act I of 2004 on Sports (Ministry of Human Capacities),
- Decree of the Minister in charge of the Cabinet of the Prime Minister 2/2018. (XII. 28.) on the management and utilisation of appropriations managed centrally and at chapter level (Cabinet Office of the Prime Minister),
- Special Annex in the term sheets of the Kecskemét Enterprise Development Fund (Kecskemét Vállalkozásfejlesztési Alap) (Kecskemét Enterprise Development Fund),
- Special Annex in the term sheets of the Kecskemét Urban Development Fund (Kecskeméti Városfejlesztési Alap) (Kecskemét Urban Development Fund),
- Section 2 (1) of Act XLII of 1994 on the Hungarian Export-Import Bank Corporation and the Hungarian Export Credit Insurance Corporation & the Term Sheets based on the Temporary Crisis Framework for State aid measures to support the economy following the aggression against Ukraine by Russia (Hungarian Export-Import Bank),
- Government Decree 255/2014 (X. 10.) on the rules of state aid within the meaning of community law on competition concerning the financial resources allocated to the 2014–2020 period (Ministry of Finance, Ministry for Innovation and Technology, Ministry of Human Capacities, Ministry of Agriculture, Cabinet Office of the Prime Minister and their legal successors, or “managing authorities of Hungarian Operational Programmes”),

- Government Decree 258/2021. (V. 20.) on the rules of state aid within the meaning of community law on competition concerning the financial resources allocated to the 2021–2027 period (managing authorities of Hungarian Operational Programmes),
- Government Decree 413/2021. (VII. 13.) on the rules of implementation and the responsible organisations of Hungary’s Recovery and Resilience Plan.

2.3. Administration of the measure

- (9) The Ministry for Technology and Innovation, the Ministry of Finance, the Ministry of Justice, the Ministry of Agriculture, the Ministry of Human Capacities, the Cabinet Office of the Prime Minister, the Kecskemét Enterprise Development Fund, the Kecskemét Urban Development Fund, the Hungarian Export-Import Bank, the managing authorities of Hungarian Operational Programmes and the legal successors of the above ministries³, as well as the Prime Minister’s Office are responsible for administering the measure.

2.4. Budget and duration of the measure

- (10) The estimated budget of the measure is approximately EUR 1.14 billion⁴ (HUF 442.37 billion). The maximum nominal amount of loans under the measure will not exceed EUR 387 million (HUF 150 billion) The estimated budget per granting authority is further broken down as follows:
- EUR 283 870 968 (HUF 110 billion) for the Ministry for Technology,
 - EUR 8 258 064 (HUF 3.2 billion) for the Ministry of Finance,
 - EUR 51 613 (HUF 20 million) for the Ministry of Justice,
 - EUR 51 612 903 (HUF 20 billion) for the Ministry of Agriculture,
 - EUR 61 935 484 (HUF 24 billion) for the Ministry of Human Capacities,
 - EUR 77 419 354 (HUF 30 billion) for the Cabinet Office of the Prime Minister,
 - EUR 3 870 968 (HUF 1.5 billion) for the Kecskemét Enterprise Development Fund,
 - EUR 3 870 968 (HUF 1.5 billion) for the Kecskemét Urban Development Fund,
 - EUR 200 000 000 (HUF 77.5 billion) for the Hungarian Export-Import Bank,

³ The new Hungarian government following the 2022 election is being formed.

⁴ Conversion rate applied in the decision as of 17 May 2022 (1 EUR = 387.5 HUF).

- EUR 103 225 806 (HUF 40 billion) for the managing authorities of Hungarian Operational Programmes for the 2014-2020 programming period, and
 - EUR 335 483 871 (HUF 130 billion) for the managing authorities of Hungarian Operational Programmes for the 2021-2027 programming period,
 - EUR 12 000 000 (HUF 4.65 billion) for the Prime Minister’s Office.
- (11) The measure will be co-financed by the European Structural and Investment Funds (ESIF). The measure extends to all Operational Programmes of Hungary for the 2014-2020⁵ and the 2021-2027⁶ period.
- (12) Aid may be granted under the measure as from the notification of the Commission’s decision approving the measure until no later than 31 December 2022. The tax liability in relation to which the aid is granted must have arisen no later than 31 December 2022, in line with footnote 37 of the Temporary Crisis Framework.

2.5. Beneficiaries

- (13) The beneficiaries of the measure are SMEs⁷ and large enterprises active in the territory of Hungary that are negatively affected by the economic effects of the war. Before the granting of the aid, such undertakings are required to make a statement concerning the impact of the crisis on their operation. However, credit institutions or other financial institutions are excluded as eligible final beneficiaries. The estimated number of beneficiaries is over 1000.
- (14) Aid will be primarily granted directly to the final beneficiaries. In the case of loans as well as interest and fees subsidies, aid will be channelled through credit and financial institutions as financial intermediaries. The Hungarian authorities explained that the loans will be provided at 0% interest rate (soft loans) through a financial intermediary, the Hungarian Development Bank (Magyar Fejlesztési Bank, MFB)⁸ that will disburse the loan to the final beneficiaries. Additionally,

⁵ The following 2014-2020 operational programmes: Human Resources Development Operational Programme, Economic Development and Innovation Operational Programme, Competitive Central Hungary Operational Programme, Regional and Settlement Development Operational Programme, Integrated Transport Development Operational Programme, Environment and Energy Efficiency Operational Programme and Rural Development Programme.

⁶ The following 2021-2027 operational programmes: Economic Development and Innovation Operational Programme Plus, Economic Development and Innovation Operational Programme Plus, Environment and Energy Efficiency Operational Programme Plus, Integrated Transport Development Operational Programme Plus, Hungarian Fisheries Operational Programme Plus, Regional and Settlement Development Operational Programme Plus and Digital Renewal Operational Programme Plus.

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 (OJ L 187, 26.6.2014, p. 1).

⁸ MFB is fully owned by the State and is a financial institution with a development function, and a long history of involvement in the disbursement of ESIF through loans.

the interest and fee subsidies will be granted through financial intermediaries to the final beneficiaries to cover the interest and fees they need to pay on loans. The measure will be open to all financial institutions acting as intermediaries that express their interest in participating in the scheme, under the same conditions.

- (15) Hungary confirms that the aid under the measure is not granted to undertakings under sanctions adopted by the EU, including but not limited to: (i) persons, entities or bodies specifically named in the legal acts imposing those sanctions; (ii) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the EU; or (iii) undertakings active in industries targeted by sanctions adopted by the EU, insofar as the aid would undermine the objectives of the relevant sanctions.
- (16) Hungary confirms that the measure may not in any way be used to undermine the intended effects of sanctions imposed by the EU or its international partners and will be in full compliance with the anti-circumvention rules of the applicable regulations⁹. In particular, natural persons or entities subject to the sanctions will not benefit directly or indirectly from the measure.

2.6. Sectoral and regional scope of the measure

- (17) The measure is open to all sectors except the financial sector. It applies to the whole territory of Hungary.

2.7. Basic elements of the measure

- (18) The objective of the measures is the provision of direct grants, loans, equity and tax reductions to SMEs and large enterprises affected by Russia's invasion of Ukraine.
- (19) The aid is granted to undertakings negatively affected by the economic effects of the war (i.e. the Russian military aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as the economic counter measures taken, for example by Russia).
- (20) The maximum aid amount per undertaking is EUR 400 000 (gross, i.e. before any deduction of tax or other charge), as set out in paragraph 41 (a) of the Temporary Crisis Framework. For undertakings active in the primary production of agricultural products¹⁰, fishery and aquaculture sector¹¹, the overall aid does not exceed EUR 35 000 (gross). The Hungarian authorities confirm that for aid

⁹ For example, Article 12 of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

¹⁰ As defined in Article 2(5) of 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).

¹¹ 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).

granted in other forms than direct grants, tax and payment advantages, the total nominal value of such forms remains below the overall maximum cap per undertaking.

- (21) The Hungarian authorities confirm that where an undertaking is active in the processing and marketing of agricultural products, the aid is not being partly or entirely passed on to primary producers and is not fixed on the basis of the price or quantity of products purchased from primary producers or 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.
- (22) In the case of interest and fee subsidies referred to in recital (14), safeguards will be applied in relation to the possible indirect aid in favour of the credit and financial institutions channelling the aid in order to limit undue distortions of competition. Provisions for those safeguards will be included in the contracts. Additionally, the aid grantor will set the maximum interest rates and fees for the loan contracts between the financial institutions and the final beneficiaries to be the average market interest rates. The final rate will be driven by the competition for the clients among the intermediaries. In the case of the loans also referred to in recital (14), MFB will not retain any advantage, as it will use the funds of the aid grantor only to disburse the loans at a 0% interest rate, and in this way any advantage will be passed on to the final beneficiaries, the borrowers. The Hungarian authorities also confirmed that the requirements of point 50(g) of the Temporary Crisis Framework will be fulfilled.
- (23) The measure provides for the conversion of aid from one form into another. Aid granted in the form of loans may be converted into other forms of aid specified in recital (7) until 30 June 2023 in a way that the amount of the restructured aid does not have to be taken into account again when verifying the aid ceiling referred to in recital (20), but the beneficiary must comply with the conditions of Section 2.1 of the Temporary Crisis Framework also at the time of restructuring.
- (24) For agricultural, fisheries and aquaculture sector, Hungary confirms that:
- (a) aid to undertakings active in the primary production of agricultural products¹² will not be fixed on the basis of the price or quantity of products put on the market;
 - (b) aid to undertakings active in the fishery and aquaculture sector¹³ does not concern any of the categories of aid referred to in points (a) to (k) of Article 1(1) Commission Regulation (EU) No 717/2014¹⁴;

¹² As defined in Article 2(5) of Commission Regulation (EC) No 702/2014.

¹³ Commission Regulation (EC) No 717/2014.

¹⁴ Commission Regulation (EC) No 717/2014.

- (c) where an undertaking is active in several sectors to which different maximum amounts apply in accordance with points 41(a) and 42(a) of the Temporary Crisis Framework, it will be ensured, by appropriate means such as separation of accounts, that for each of those activities the relevant ceiling is respected and that the overall maximum amount of EUR 400 000 is not exceeded per undertaking. Where an undertaking is active in the sectors covered by point 42(a) of the Temporary Crisis Framework, the overall maximum amount of EUR 35 000 is not exceeded per undertaking.

2.8. Cumulation

- (25) The aid ceilings and cumulation maxima fixed under the measure will apply regardless of whether the support for the aided project is financed entirely from State resources or partly financed by the European Structural and Investment Funds (ESIF).
- (26) The Hungarian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹⁵ or the General Block Exemption Regulation¹⁶ or with aid under the Agricultural Block Exemption Regulation¹⁷ or with aid under the Fisheries Block Exemption Regulation¹⁸ provided the provisions and cumulation rules of those Regulations are respected.
- (27) The Hungarian authorities confirm that aid under the 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.
- (28) The Hungarian authorities confirm that aid under the measure may be cumulated with aid under the following measures under the COVID-19 Temporary Framework: SA.56994 and its amendments; SA.57064 and its amendments; SA.57269 and its amendments; SA.57285 and its amendments; SA.57329 and its amendments; SA.57468 and its amendments and SA.62363 and its amendment. Those measures were approved by the Commission under the Temporary Framework for State aid measures to support the economy in the current

¹⁵ 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).

¹⁶ Commission Regulation (EU) No 651/2014.

¹⁷ Commission Regulation (EU) No 702/2014.

¹⁸ 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).

COVID-19 outbreak¹⁹ (COVID-19 Temporary Framework) and the aid under the notified measure may be cumulated with those measures provided the respective cumulation rules are respected.

- (29) The Hungarian 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 Crisis Framework provided the provisions in those specific sections are respected.
- (30) The Hungarian 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 2.1 of the Temporary Crisis Framework, the overall maximum cap per undertaking, as set out in points 41(a) and 42(a) of that framework, will be respected. Aid granted under the measure and other measures approved by the Commission under section 2.1 of the Temporary Crisis Framework, which has been reimbursed before 31 December 2022 will not be taken into account in determining whether the relevant ceiling is exceeded.

2.9. Monitoring and reporting

- (31) The Hungarian authorities confirm that they will respect the monitoring and reporting obligations laid down in section 3 of the Temporary Crisis 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 granting²⁰).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (32) By notifying the measure before putting it into effect, the Hungarian authorities have respected their obligations under Article 108(3) TFEU (recital (8)).

¹⁹ 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).

²⁰ 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. For loans and other forms of aid, the nominal value of the underlying instrument shall be inserted per beneficiary. For tax and payment advantages, the aid amount of the individual aid may be indicated in ranges.

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 granting authorities referred to in recital (9) and it is based on the national legal bases listed in recital (8). It is financed through State resources, since it is financed by public funds and EU funds under the control of the State (recitals (10) and (11)).
- (35) The measure confers an advantage on its beneficiaries in the form of direct grants, tax reductions, equity and loans (recital (7)). The measure thus confers an advantage on those beneficiaries which they would not have had and relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (36) The advantage granted by the measure is selective, since it is awarded only to certain undertakings affected by the current crisis, excluding undertakings active in the financial sector (recital (13)).
- (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 Hungarian 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 Crisis Framework on 23 March 2022, the Commission acknowledged (in section 1) that the military aggression against Ukraine by Russia, the sanctions imposed the EU or its international partners and the counter measures taken, for example by Russia have created significant economic uncertainties, disrupted trade flows and supply chains and led to exceptionally large and unexpected price increases, especially in natural gas and electricity, but also in numerous other input and raw materials and primary goods, including in the agri-food sector. Those effects taken together have caused a serious disturbance of the economy in all Member States, including in the economy of Hungary. 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 if it serves to remedy the liquidity shortage faced by undertakings that are directly or indirectly affected by the serious disturbance of the economy caused by the Russian military aggression against Ukraine, the sanctions imposed by the EU or by its international partners, as well as the economic counter measures taken so far, for example by Russia.

- (42) The measure aims at facilitating limited amount of aid to undertakings affected by the crisis at a time when a wide range of economic sectors are affected, the normal functioning of markets is severely disturbed leading to severe disturbances of the real economy of Member States, including in the economy of Hungary.
- (43) The measure is conceived at national level by the Hungarian authorities to remedy a serious disturbance in their economy. The importance of the measure to provide liquidity (e.g., stimulate lending by private banks to enterprises during the current crisis) is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Hungarian 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 2.1 of the Temporary Crisis Framework and the requirements for aid in the form of loans channelled through credit institutions or other financial institutions described in point 50(g) of the Temporary Crisis Framework.
- (44) The Commission 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 relevant conditions of the Temporary Crisis Framework. In particular:
- The aid takes the form of direct grants (including interest and fee subsidies), tax reductions, equity and loans (recital (7)).
 - The overall nominal value of direct grants (including interest and fee subsidies), tax reductions, equity and loans will not exceed EUR 400 000 per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (20)). The measure therefore complies with point 41(a) of the Temporary Crisis 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 41(b) of the Temporary Crisis Framework.
 - Aid will be granted under the measure no later than 31 December 2022. For aid in the form of tax advantages, the tax liability in relation to which that advantage is granted must have arisen no later than 31 December 2022 (recital (12)). The measure therefore complies with point 41(c) of the Temporary Crisis Framework.
 - Aid will be granted only to undertakings affected by the crisis (recital (13)). The measure therefore complies with point 41 (d) of the Temporary Crisis 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 (21)). The measure therefore complies with point 41(e) of the Temporary Framework.

- The measure provides for the conversion of aid granted under the measure in the form of loans into other forms of aid referred to in recital (7), provided that conversion takes place by 30 June 2023 at the latest (recital (23)). The measure therefore complies with point 44 of the Temporary Crisis Framework.
- The measure introduces safeguards in relation to the possible indirect aid in favour of the credit institutions or other financial institutions to limit undue distortions to competition. In the case of interest and fees subsidies, safeguards will be applied in relation to the possible indirect aid in favour of the credit and financial institutions channelling the aid in order to limit undue distortions of competition. The aid grantor will set the maximum interest rates and fees for the loan contracts between the financial institutions and the final beneficiaries to be the average market interest rates. The final rate will be driven by the competition for the clients among the intermediaries (recital (22)). In the case of the loans, the financial intermediary will not retain any advantage, as it will use the funds of the aid grantor only to disburse the loans at a 0% interest rate (recital (22)). The safeguards thus ensure that those institutions, to the largest extent possible, pass on the advantages of the measure to the final beneficiaries. The measure therefore complies with point 50(g) of the Temporary Crisis Framework.
- The overall nominal value of direct grants (including interest and fee subsidies), tax reductions, equity and loans does not exceed EUR 35 000 per undertaking active in the primary production of agricultural products, fishery and aquaculture sectors (recital (20)). The measure therefore complies with point 42(a) of the Temporary Crisis 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 (21)). The measure therefore complies with point 42(b) of the Temporary Crisis Framework.
- Aid granted to undertakings active in the fishery and aquaculture sector does not concern any of the categories of aid referred to in points (a) to (k) of Article 1(1) Commission Regulation (EU) No 717/2014 (recital (24)). The measure therefore complies with point 42(c) of the Temporary Crisis Framework.
- Where an undertaking is active in several sectors to which different maximum aid amounts apply in accordance with points 41(a) and 42(a) of the Temporary Crisis Framework, Hungary 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 400 000 is not exceeded per undertaking (recital (24)). Where an undertaking is active in the sectors covered by point 42(a) of the Temporary Framework, the overall maximum amount of EUR 35 000 is not exceeded per undertaking (recital (24)). The measure therefore complies with point 43 of the Temporary Crisis Framework.

- (45) The Hungarian authorities confirm that, pursuant to point 32 of the Temporary Crisis Framework, 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)).
- (46) The Hungarian authorities confirm that, pursuant to point 33 of the Temporary Crisis Framework, the aid under the measure will not be granted to undertakings under sanctions adopted by the EU, including but not limited to: a) persons, entities or bodies specifically named in the legal acts imposing those sanctions; b) undertakings owned or controlled by persons, entities or bodies targeted by sanctions adopted by the EU; or c) undertakings active in industries targeted by sanctions adopted by the EU, insofar as the aid would undermine the objectives of the relevant sanctions (recital (15)).
- (47) The Hungarian authorities confirm that the monitoring and reporting rules laid down in section 3 of the Temporary Crisis Framework will be respected (recital (31)). The Hungarian 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 Crisis Framework, the COVID-19 Temporary Framework and the cumulation rules of the relevant Regulations are respected (recitals (25) to (29)).
- (48) The Hungarian authorities also confirm that the rules under the European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF), European Union Solidarity Fund (EUSF) or the Coronavirus Response Investment Initiative (CRII) will be respected.
- (49) 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 Crisis 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