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Euro Tax Flash from KPMG's EU Tax Centre

European Commission extends Temporary Framework for State aid measures

COVID-19 – Economic response – European Union – European Commission – State aid – Temporary Framework – Coronavirus

On April 3, 2020, the European Commission extended the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak with an additional five measures, including targeted support in the form of deferral of tax payments and suspension of social security contributions.

Background

On March 19, 2020, following consultation with EU Member States, the European Commission adopted a [Temporary Framework](#) for State aid measures to support the economy in the current COVID-19 outbreak. The Framework sets out temporary State aid measures that the European Commission considers compatible with the EU internal market and that can be approved rapidly upon notification by each Member State. Please refer to [Euro Tax Flash issue 428](#) for details on the types of measures provided for under the Temporary Framework and related compatibility conditions.

The Framework is based on Article 107(3)(b) of the Treaty of the Functioning of the European Union (TFEU), which allows measures to be taken to remedy a serious disturbance in the economy of a Member State. The Commission concluded that State aid is justified and can be declared compatible with the EU internal market because the COVID-19 outbreak affects all Member States and that containment measures adopted by Member States are having a negative impact on businesses.

The Temporary Framework complements other possibilities available to Member States to mitigate the impact of the outbreak, such as the possibility under Article 107(2)b TFEU to compensate specific companies or specific sectors for the damages directly caused by exceptional occurrences, such as the coronavirus outbreak.

Member States are required to notify any aid granted under the Temporary Framework to the European Commission and to show that the measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy and that all the conditions set out in the Communication are respected.

Extended Temporary Framework

On April 3, the European Commission announced that it had adopted an amendment extending the Temporary Framework with an additional five types of aid:

- Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions;
- Targeted support in the form of wage subsidies for employees;
- Support for coronavirus related research and development (R&D);
- Support for the construction and upscaling of testing facilities;
- Support for the production of products relevant to tackle the coronavirus outbreak.

Aid in the form of deferral of tax payments and suspensions of social security contributions is aimed to further reduce the liquidity constraints on companies due to the coronavirus crisis and to preserve employment. Under this measure, Member States can grant targeted deferrals of payment of taxes and of social security contributions in those sectors, regions or for types of companies that are hit the hardest by the outbreak.

The amendment Temporary Framework also expands on existing types of support that such as zero-interest loans, guarantees on loans covering 100% of the risk, or provide equity, up to the nominal value of EUR 800,000 per company.

The Temporary Framework will be in place until the end of December 2020, but may be extended if the Commission, in consultation with the Member States, deems it necessary.

EU Tax Centre comment

Since the beginning of the coronavirus outbreak, the Commission approved over thirty aid schemes notified by Member States under the Temporary Framework and article 107(2)b TFEU (as at April 6, 2020). Individual Member States continue to introduce targeted measures, including related to the application of interest on late payments of tax, extensions to the deadlines for filing of tax returns and for tax remittances. On April 6, 2020 the European Commission approved an “umbrella” UK scheme to support small and medium-sized enterprises (SMEs) and large corporates in the UK affected by the coronavirus outbreak. The scheme was approved under the amended Temporary Framework and includes (among others) measures for the provision of aid in the form of selective tax advantages.

Very little guidance is available at this stage from individual jurisdictions on topics such as permanent establishment and central management and control issues caused by individuals being stranded in a country that is not their country of residence due to current travel restrictions. However, on April 3, 2020, the Organisation for Economic Cooperation and

Development (OECD) Secretariat issued recommendations on the implications of the COVID-19 crisis on cross-border workers and other related cross-border matters, based on an analysis of the international tax treaty rules. The OECD recognizes that the current situation is raising many tax issues and encourages countries to work together to mitigate the tax cross-border implications of the COVID-19 crisis.

An overview of tax developments being reported globally by KPMG member firms in response to the Novel Coronavirus (COVID-19) is available here. For further insight into the potential tax, legal and mobility implications of COVID-19, please refer to the dedicated KPMG page.

As part of its Keeping Connected Globally virtual meeting series, KPMG is hosting a webcast on Tuesday, April 7, 2020 on Global Supply Chain planning in a post-COVID-19 world. To register for this session and for more information on previous virtual meetings, please visit the series page.

Should you have any queries, please do not hesitate to contact KPMG's EU Tax Centre, or, as appropriate, your local KPMG tax advisor.

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