

# Euro Tax Flash from KPMG's EU Tax Centre

## EU Commission publishes new Clean Industrial State Aid Framework

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On June 25, 2025, the European Commission adopted the Clean Industrial State Aid Framework (CISAF). The CISAF provides conditions for certain types of aid measures to be considered compatible with EU State aid rules with the aim of promoting investments in renewable energy, industrial decarbonization, and clean technology manufacturing.

The CISAF generally allows aid to be granted in any form, including direct grants and tax advantages (e.g., tax credits and accelerated depreciation). The Framework also lays down specific conditions for State aid schemes in the form of accelerated depreciation granted to incentivize acquisition or lease of clean technology equipment.

The framework replaces the Temporary Crisis and Transition Framework (TCTF) adopted in March 2023, with the CISAF applying as of the adoption date of June 25, 2025, until December 31, 2030.



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## European Commission – Clean Industrial Deal – Tax incentives – State aid – 28th legal regime – Competitiveness – Single Market – Temporary Crisis and Transition Framework – Clean Industrial Deal – Competitiveness – Draghi Report

### Background

Article 107 of the Treaty on the Functioning of the EU (TFEU) generally prohibits advantages in any form conferred by national public authorities to undertakings on a selective basis (State aid<sup>1</sup>), unless exceptionally justified. One exception is provided under Article 107(3)(b) TFEU, which considers aid compatible with the internal market where it is intended to remedy a serious disturbance in the economy of a Member State (or across the EU economy).

In this context, on March 23, 2022, the European Commission (Commission or EC) adopted a Temporary Crisis Framework (TCF) allowing Member States to provide State aid to companies impacted by the conflict in Ukraine. The TCF set out temporary State aid measures that the EC considered compatible with the EU internal market and that can be approved rapidly upon notification by each Member State.

Following several amendments and prolongations, the TCF was replaced by the Temporary Crisis and Transition Framework (TCTF) on March 9, 2023, as part of the broader Green Deal Industrial Plan for the Net Zero Age. The TCTF expanded and further simplified the provisions for support to accelerate renewable energy deployment and industrial decarbonization. Under the TCTF, Member States are allowed to provide investment support for the manufacturing of strategic equipment (e.g., batteries, solar panels, wind turbines, heat-pumps, electrolyzers, and carbon capture usage and storage) for the transition towards a net-zero economy. Amongst others, the support can be structured as direct grants or as tax advantages (e.g., tax credits), loans or guarantees subject to certain caps and limitations. For more information, please refer to Euro Tax Flash [Issue 508](#).

The sections of the TCTF covering support to accelerate renewable energy deployment, industrial decarbonization, and investments in key sectors for the transition to a net-zero economy are generally applicable until December 31, 2025. According to a Commission [release](#), around EUR 796 billion of aid was approved in the period March 2022 to June 2024 either under the TCTF or directly under the Treaty and based on TCTF principles. Examples of approved direct tax related measures under the TCTF include tax credits for investments supporting green transition in France (approved in January 2024), and in Finland (approved in February 2025) – see E-News [Issue 189](#) and [Issue 201](#) for more information.

As part of its 2025 work program, the Commission announced the intended release of the Clean Industrial Deal initiative aiming to boost industrial competitiveness while simultaneously supporting decarbonization. According to the work program, this would include the development of a new State aid Framework to accelerate the roll-out of renewable energy, strengthen industrial decarbonization and ensure sufficient manufacturing capacities for clean tech. The EC's Competitiveness Compass also indicated - in the context of the Clean Industrial Deal - an intention to encourage Member States to adjust their tax systems to support private investment in clean technologies, including through depreciation rules and tax credits.

Against this background, the Commission published its proposal for a new Clean Industry State Aid Framework (CISAF) and launched a consultation regarding this proposal on March 11, 2025. Interested parties were invited to respond to the consultation by April 25, 2025. Simultaneously, the proposal was discussed in a multilateral meeting with the Member States.

For more background information, please refer to Euro Tax Flash [Issue 556](#) and [Issue 558](#).

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<sup>1</sup> It is settled case law of the Court of Justice of the European Union (CJEU) that a national measure qualifies as illegal 'State aid' under EU law when the following conditions are fulfilled:

1. there must be an intervention by the State or through State resources,
2. the intervention must be liable to affect trade,
3. the intervention must confer a selective advantage on the beneficiary, and
4. it must distort or threaten to distort competition.

## Clean Industry State Aid Framework

The [CISAF](#) was published on June 25, 2025 and sets out the conditions under which State aid for certain investments would be considered compatible with the internal market without unduly distorting competition. According to the related European Commission [release](#), the new proposed framework is intended to encourage Member States to set up aid measures (where appropriate) that further accelerate the roll-out of renewable energy, facilitate industrial decarbonization, and ensure sufficient manufacturing capacity of clean tech.

The CISAF provides conditions for certain types of aid measures to be considered compatible with the internal market, on the basis of Article 107(3):

- measures accelerating the rollout of clean energy;
- measures providing support for electricity costs for energy-intensive users;
- measures facilitating industrial decarbonization;
- measures ensuring sufficient manufacturing capacity in clean technologies;
- measures to de-risk private investments.

It is noted that - unless otherwise provided in the CISAF, aid can be granted in any form, including direct grants, tax advantages (e.g., tax credits and accelerated depreciation), subsidized interest rates on new loans or guarantees on new loans. However, it is clarified that the aid cannot concern the reduction of taxes or levies, which reflect the essential costs of providing energy or related services (for example, network charges or charges financing capacity mechanisms).

With respect to aid measures to ensure sufficient manufacturing capacity in clean technologies, the CISAF lays down specific conditions for schemes in the form of accelerated depreciation granted to incentivize acquisition or lease of clean technology equipment, including:

- The aid should be granted in the form of aid schemes that consist in accelerated depreciation, up to full and immediate expensing, of costs incurred for the acquisition or lease of eligible assets.
- Eligible assets are defined as all final products listed in Annex II of the CISAF, including certain:
  - solar technologies;
  - onshore wind and offshore renewable technologies;
  - battery and energy storage technologies;
  - heat pumps and geothermal energy technologies;
  - hydrogen technologies;
  - carbon capture and carbon storage technologies;
  - electricity grid technologies;
  - other renewable energy technologies;
  - CO2 transport and utilization technologies;
  - nuclear technologies.
- Eligible assets must be used primarily for the activities of the company that receives the benefit and must remain associated with these activities for at least five years (or three years for SMEs). They must be depreciable (immediate expensing is not allowed for assets depreciable over a period of more than 15 years) and must be purchased or leased under market conditions from third parties unrelated to the buyer. Eligible assets must be included in the assets of the company that receives the support.

The CISAF further encourages EU Member States to exclude from State aid measures entities that provide for a certain link to jurisdictions that feature on the EU list of non-cooperative jurisdictions with the aim of avoiding taxes.<sup>2</sup>

### Next steps

The new framework applies to all measures notified as of June 25, 2025. It also applies to measures notified prior to this date, including those notified under the current Temporary Crisis and Transition Framework (TCTF) that was adopted on March 9, 2023, replaced by the CISAF. The measures will be in force until December 31, 2030. As such, the costs eligible for accelerated depreciation must be incurred and the accelerated depreciation must start no later than that date of expiry.

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<sup>2</sup> See Commission Recommendation (EU) of 14 July 2020 on making State financial support to undertakings in the Union conditional on the absence of links to non-cooperative jurisdictions (OJ L 227, 16.7.2020).

## ETC comment:

The CISAF expands options for Member States to grant support for certain investments and objectives that would be considered in line with EU State aid rules and the EU's climate goals.

Alongside such relaxation of EU State aid rules, the Commission's Clean Industrial Deal – published in February 2025, previously included plans to issue recommendations for EU Member States to adopt incentives, including accelerated depreciation for certain technology assets and the use of tax credits for businesses in strategic sectors for the clean transition. The recommendations were scheduled to be issued in the second quarter of 2025, but have not yet been issued.

Taxpayers operating in the EU may want to monitor closely to what extent individual Member States will choose to make use of the EC recommendations to adopt tax incentives whilst respecting the new EU State aid guidelines. In particular, budgetary constraints may be a limiting factor in many EU countries. Furthermore, several Member States have already publicly expressed concerns with regards to more relaxed State aid rules, including concerns about a subsidy race that would disproportionately benefit EU countries with large budgets. For more details, please refer to E-News [Issue 211](#).

Also, it should be noted that countries will further need to consider internationally agreed principles (e.g., Pillar Two, BEPS Action 5 and the related review by the OECD Forum on Harmful Tax Practices) that set certain additional boundaries for the design of tax incentives. For more information on how countries may be incentivized to adjust their tax systems and on which legislative actions have already been taken or are being considered locally in light of Pillar Two implementation, please refer to KPMG's dedicated [article](#) "Pillar Two and Tax incentives".

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