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**Subject: State Aid SA.60275 (2021/N) – Sweden
COVID-19: Compensation scheme for undertakings faced with
turnover losses due to COVID-19 in August 2020 – February 2021**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 2 February 2021, Sweden notified aid in the form of support for uncovered fixed costs (Compensation scheme for undertakings faced with turnover losses due to COVID-19 in the period between August 2020 and February 2021, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹ Sweden submitted additional information on 8 and 10 February 2021.
- (2) Sweden 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 - 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) and C(2021) 564 (OJ C 34, 1.2.2021, p. 6).

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) Sweden considers that the COVID-19 outbreak has affected and affects the real economy. The measure forms part of an overall package of measures and aims 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) Sweden 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 3.12 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:
 - (a) Government Bill Amending the National Budget for 2021;
 - (b) Legal act (*lagen (2020:548) om omställningsstöd*)³;
 - (c) The act is supplemented by provisions in a draft Governmental Ordinance, (*förordning (2020:000) om omställningsstöd för augusti 2020–februari 2021*) communicated to the Commission as part of the notification. The Ordinance is planned to enter into force on 25 February 2021.

2.3. Administration of the measure

- (8) The authority in charge of the administration of the scheme is the Swedish Tax Agency.

2.4. Budget and duration of the measure

- (9) The estimated budget of the measure is SEK 14 billion (approximately EUR 1 378 million⁴).
- (10) The measure will be financed by national funds.

³ <https://svenskförfattningssamling.se/sites/default/files/sfs/2020-06/SFS2020-548.pdf>

⁴ SEK 1 = EUR 0.09840

- (11) Aid may be granted under the measure as from 25 February 2021, or the date of its approval if subsequent to 25 February 2021, until no later than 31 December 2021.
- (12) Applications can be submitted until 30 April 2021.

2.5. Beneficiaries

- (13) The final beneficiaries of the measure are small, medium (“SMEs”) and large enterprises⁵ whether natural persons or corporate entities, conducting an economic activity irrespective of the sector of the economy, registered with the Swedish Tax Agency (so called F tax approval)⁶. However, undertakings whose net turnover was below SEK 250 000 (around EUR 24 500) in the financial year closed immediately before 1 May 2020 are excluded from the measure. In addition, financial institutions are excluded as eligible final beneficiaries. The Swedish authorities estimate that approximately 45 000 companies will benefit from the scheme.
- (14) The following entities are excluded from the scope of the scheme:
 - (a) public authorities (State, regions, municipalities) and associations of local public authorities;
 - (b) corporate entities directly or indirectly controlled by those public authorities, if their activities are not economic in nature;
 - (c) corporations with residence⁷ in a State on the Union or OECD lists of non cooperative jurisdictions for tax purposes;
 - (d) corporations that are not resident in Sweden for tax purposes, unless they have a permanent establishment in Sweden;
 - (e) corporations that, during a period to be determined in the future legal base (recital (7)(c)) have distributed or decided to distribute a dividend or to purchase the company’s own shares;
 - (f) corporations subject to the financial reporting rules applicable to credit and financial institutions.

⁵ 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 (EU) 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, 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, OJ L 369, 24.12.2014, p. 37.

⁶ The F tax criterion is, however, not applicable to certain foundations and non-profit organizations which are partly or wholly exempt from income tax. It is, however, required that such non-profit organizations have a business registration number assigned by the Tax Agency.

⁷ Or where a member in the same group of associated corporations has residence.

- (15) Beneficiaries are also excluded if, at the time of the examination of the application for the respective aid period, they:
- (a) can be considered to be insolvent;
 - (b) are prohibited from conducting business⁸;
 - (c) have tax or public fee debts which have been transferred to be recovered by the Enforcement Agency; or
 - (d) are subject to recovery orders following a previous Commission decision declaring an aid illegal and incompatible with the internal market.
- (16) Aid may not be granted under the measure to undertakings that were already in difficulty within the meaning of the Block Exemption Regulations⁹ on 31 December 2019.

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 Sweden.

2.7. Basic elements of the measure

- (18) The objective of the scheme is to contribute to the uncovered fixed costs of companies affected by the COVID-19 outbreak and the related containment measures adopted by public authorities.
- (19) There are three eligible periods with regard to the measure:
- (a) August – October 2020,
 - (b) November –December 2020, and
 - (c) January – February 2021.
- (20) An undertaking qualifies for aid for each of these eligible periods if its total aggregated net turnover in Sweden during these respective periods is 60% or less of the total aggregated net turnover in Sweden for August – October in 2019 and 70% or less of their total aggregated net turnover in Sweden for the months of November–December in 2019 or January–February in 2019¹⁰.

⁸ The requirement that the undertaking cannot be prohibited from conducting business will, in the case of the beneficiary being a corporate entity, also apply to any natural person having a significant role in the economic activity of the business.

⁹ As defined in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014, Article 2(14) of Commission Regulation (EU) No 702/2014 of 25 June 2014 and Article 3(5) of Commission Regulation (EU) No 1388/2014 of 16 December 2014.

¹⁰ Therefore, a loss of turnover exceeding 40% and 30%, respectively.

- (21) The aid scheme compensates 70% of the undertaking's uncovered fixed costs for the aid period. An exception is made with regard to small and micro enterprises¹¹ which may be compensated for 75% of their uncovered fixed costs for the period August – October 2020 and/or 90% of their uncovered fixed costs for the other eligible periods.
- (22) Fixed costs eligible for the measure are defined and listed in the Ordinance (recital (7)(c)). Sweden confirms that any cost item that is not reported in that list is not considered an eligible fixed cost. In particular, fixed costs are rent, interest expenses, depreciation on fixed assets, necessary maintenance, consumption of electricity¹², sewage, heating, cleaning and surveillance services, animal feed, insurance, property tax, public permits and inspections fees and franchise or licence fees.¹³
- (23) Uncovered fixed costs are defined under the measure in accordance with point 87(c) of the Temporary Framework. In particular, uncovered fixed costs are defined as the actual fixed costs for the aid period minus the actual profit contribution for the same period and which are not covered by other sources, such as insurance, damages and State aid and all support from other sources¹⁴.
- (24) The profit contribution is defined as the turnover¹⁵ for the aid period minus the variable costs for the aid period. The variable costs include in particular: (i) labour costs and (ii) the costs for raw materials and goods attributable to the aid period.
- (25) The aid scheme only covers past periods. Hence, only historical figures are used without any need to use forecasted losses or proxies¹⁶. The application is based on the accounts of the undertaking and the accounting principles normally used by the undertaking are applied in assessing the aid. Furthermore, the application for aid amounting to at least SEK 100 000 (around EUR 9 850) must be reviewed and validated by an authorized independent auditor¹⁷. An undertaking shall be liable

¹¹ See footnote (5).

¹² Except for electricity used for industrial manufacturing purposes.

¹³ Certain types of fixed costs are explicitly excluded from the scope of the measure. This includes costs that could have been avoided by an undertaking conducting its business in a diligent and reasonable way as well as expenses pertaining to transactions with other undertakings in the same corporate group.

¹⁴ Swedish authorities confirmed that one-off impairment losses as well as other transactions that would result in extraordinary items, for example, penalty fees, damages, costs pertaining to financial instruments and contributions to group companies will not be taken into account under the measure since they would neither constitute fixed nor variable costs.

¹⁵ Sweden states that the definition of turnover corresponds fundamentally to the definition of revenue used in international accounting rules such as the International Financial Reporting Standards (IFRS).

¹⁶ If, following the granting authority's decision, there are new circumstances affecting the right to aid or the aid amount, any amount in excess of what the undertaking is rightfully entitled to will be recovered. This includes, as an example the situation that the undertaking receives insurance compensation in respect of the same fixed costs or loss of turnover that was regarded in assessing the aid.

¹⁷ For undertakings applying for aid below SEK 100 000, the Tax Agency will use tax accounts. It may request the company to provide an audit certificate even in those cases.

to repay the aid which has been unduly granted or exceeds the amount that should have been granted.

- (26) The Tax Agency has access to any information reported for tax purposes by the undertaking (or otherwise collected by Tax Agency for such purposes). Such information may be used by the Tax Agency to assess all the applications.
- (27) The overall maximum aid amount per beneficiary in the scheme will not exceed SEK 97 million (around EUR 9.5 million). All figures used must be gross, that is, before any deduction of tax or other charges.

2.8. Cumulation

- (28) The Swedish authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹⁸ or the Block Exemption Regulations¹⁹ provided the provisions and cumulation rules of those Regulations are respected.
- (29) The Swedish 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.
- (30) The Swedish 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.
- (31) The Swedish 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 3.12 of the Temporary Framework, the overall maximum cap per undertaking, as set out in point 87(d) of that framework, will be respected.
- (32) The Swedish authorities confirm that aid granted under the measure shall not be cumulated with other aid for the same eligible costs²⁰.

¹⁸ 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 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) 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).

¹⁹ Commission Regulation (EU) No 651/2014 of 17 June 2014, Commission Regulation (EC) No 702/2014 of 25 June 2014 and Commission Regulation (EU) No 1388/2014 of 16 December 2014.

²⁰ If the undertaking receives state aid through a rent rebate (Sweden aims to prolong the section 3.1 scheme SA.56972 for e.g. January and February 2021) given in respect of the same rent that was included in the uncovered fixed costs for the aid period, the aid channelled via the landlord will be offset against the aid under the now notified scheme. Furthermore, only the cost for rent net of rebates may be regarded as a fixed cost under this section 3.12 scheme.

2.9. Monitoring and reporting

- (33) The Swedish 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 granting²¹).

3. ASSESSMENT

3.1. Lawfulness of the measure

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

3.2. Existence of State aid

- (35) 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.
- (36) The measure is imputable to the State, since it is administered by the Swedish Tax Agency (recital (8)) and it is based on legal basis reported in recital (7). It is financed through State resources, since it is financed by public funds (recital (10)).
- (37) 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.
- (38) The advantage granted by the measure is selective, since it is awarded only to certain undertakings (recitals (13) to (18) and (20)), i.e. undertakings that suffered a significant decline in turnover due to the COVID-19 outbreak, excluding the financial sector.
- (39) 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 (recital (17)) in which intra-Union trade exists.
- (40) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Swedish authorities do not contest that conclusion.

²¹ 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.

3.3. Compatibility

- (41) 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.
- (42) 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”*.
- (43) 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”*.
- (44) The measure aims at ensuring continuity of business activity 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.
- (45) The measure is one of a series of measures conceived at national level by the Swedish authorities to remedy a serious disturbance in their economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (*“Aid in the form of support for uncovered fixed costs”*) described in section 3.12 of the Temporary Framework.
- (46) 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:
- Aid is granted under the measure no later than 31 December 2021 (recital (11)) and covers uncovered fixed costs incurred during the period between August 2020 and February 2021 (recital (19)). The measure therefore complies with point 87(a) of the Temporary Framework.
 - Aid is granted under the measure on the basis of a scheme to undertakings that suffer a decline in turnover during the eligible period of at least 30% compared to the same period in 2019 (recital (20)). The measure therefore complies with point 87(b) of the Temporary Framework.
 - In accordance with point 87(c) of the Temporary Framework, uncovered fixed costs are defined under the measure as the actual fixed costs for the aid period minus the actual profit contribution for the same period and which are not covered by other sources, such as insurance, damages and State aid and all support from other sources during the eligible period (recital (23)) and the aid intensity will not exceed 70% of these uncovered fixed costs, except for micro and small companies, where the aid intensity will not exceed 75% of their uncovered fixed costs for the period August – October 2020 and/or 90% of their uncovered fixed costs for the other

eligible periods (recital (21)). The aid under this measure covers only past periods and thus it is not based on forecasted losses (recital (25)). The application for aid amounting to at least SEK 100 000 (around EUR 9 850) must be reviewed and validated by an authorized independent auditor (recital (25)). For aid amounting to levels below that threshold, this review will be made on the basis of tax accounts, which appears adequate since an independent audit would appear disproportionate in light of the amount of aid. The Tax Agency has access to any information reported for tax purposes by the undertaking (or otherwise collected by Tax Agency for such purposes) and may use this information in order to appreciate the elements submitted in the application form (recital (26)). The measure therefore complies with point 87(c) of the Temporary Framework .

- The aid takes the form of grants (recital (6)). The overall nominal value of the grants will not exceed SEK 97 million (around EUR 9.5 million) (recital (27)) per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (27)). The measure therefore complies with point 87(d) of the Temporary Framework.
- The aid under the measure shall not be cumulated with other aid for the same eligible costs (recital (32)). The measure therefore complies with point 87(e) of the Temporary Framework.
- Aid may not be granted under the measure to undertakings that were already in difficulty on 31 December 2019 (recital (16)). The measure therefore complies with point 87(f) of the Temporary Framework.

- (47) The Swedish 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)).
- (48) The Swedish authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (33)). The Swedish 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 (28) to (32)).
- (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 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