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PUBLIC VERSION

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**Subject: State Aid SA.63263 (2021/N) – Sweden  
COVID-19: Prolongation and amendment for May - September 2021  
of SA.60275 - Compensation scheme for undertakings faced with  
turnover losses due to COVID-19, as prolonged by SA.62190**

Excellency,

## **1. PROCEDURE**

- (1) By electronic notification of 28 May 2021, Sweden notified a prolongation and amendment of the existing aid scheme SA.60275<sup>1</sup>, compensation for undertakings faced with turnover losses due to Covid-19, as amended by SA 62190<sup>2</sup> (“the existing aid scheme”), for the period May-September 2021 (the “notified amendments”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”)<sup>3</sup>.

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<sup>1</sup> Decision C(2021) 1071 final of 12.2.2021, 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, not yet published (the “initial decision”).

<sup>2</sup> Decision C(2021) 1749 final of 11.3.2021, State Aid SA.62190 (2021/N) - Sweden - COVID-19: Amendments of SA.60275, not yet published (“the first amendment decision”).

<sup>3</sup> 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).

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- (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 1/1958<sup>4</sup> and to have this Decision adopted and notified in English.

## **2. DESCRIPTION OF THE MEASURE**

- (3) The legal basis for the notified amendments is a draft Governmental Ordinance (amending the Ordinance 2021:126 on compensation aid for August 2020 - April 2021, referred to in recital (7)(c) of the initial decision<sup>5</sup>) communicated to the Commission as part of the notification. The amended Ordinance is planned to enter into force after the notification of the Commission’s approval.
- (4) Section 3.12 of the Temporary Framework, as last amended, provides that aid in the form of support for uncovered fixed costs may be granted no later than 31 December 2021 for uncovered fixed costs incurred during the period between 1 March 2020 and 31 December 2021, including such costs incurred in part of that period (“eligible period”) (paragraph 87 (a)).
- (5) Sweden plans to modify the existing aid scheme by extending the eligible period (currently until April 2021) to the months of May to September 2021 included<sup>6</sup>, by adapting accordingly the reference period for the eligibility condition based on turnover decline<sup>7</sup> and by prolonging the deadline for aid application<sup>8</sup>.
- (6) Sweden intends to increase the budget for this extension by SEK 8.3 billion (around EUR 824 million<sup>9</sup>) (recital (9) of the initial decision and recital (6) of the first amendment decision).
- (7) In addition, Sweden wishes to introduce a modification to the definition of fixed and variable costs taken into account in the determination of the uncovered fixed costs and the profit contribution under the existing aid scheme (recitals (22) to (24) of the initial decision).
- (8) First, labour costs are defined as fixed costs instead of variable costs<sup>10</sup>. The labour costs that Sweden will integrate in the definition of fixed costs are limited to those that cannot be avoided because of the impossibility for the undertakings to adjust

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<sup>4</sup> Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

<sup>5</sup> As prolonged (recitals (3) and (5) of the first amendment decision).

<sup>6</sup> Each calendar month of the period May–September 2021 constitutes an individual aid period.

<sup>7</sup> For each month of the compensation period (footnote 6), the reference period for the assessment of the minimum 30 % decline in turnover corresponds to the same month in 2019.

<sup>8</sup> 31 August 2021, as regards the aid period May or June 2021, 30 September 2021, as regards the aid period July 2021, 8 October 2021, as regards the aid period August 2021, and 29 October 2021, as regards the aid period September 2021.

<sup>9</sup> Exchange rate 9.6.2021 SEK 1= EUR 0.0992

<sup>10</sup> As in the existing aid scheme (recital (22) of the initial decision).

the number of their employees at short notice, and therefore are not depending on the level of output. The Swedish authorities explain that, under the existing aid scheme, many undertakings with substantial labour costs, that could not be avoided, reported a negative profit contribution, meaning that those labour costs were in practice not considered for the calculation of uncovered fixed costs within the meaning of point 87(c) of the Temporary Framework. Under the notified amendment, labour costs are no longer considered variable costs reducing the profit contribution.

- (9) Second, for clarification purposes, variable sales commissions such as fees to booking agents, marketing partners and credit/debit card companies are explicitly included in the definition of variable costs (recital (24) of the initial decision).
- (10) Apart from the notified amendments, Sweden confirms that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.

### **3. ASSESSMENT**

#### **3.1. Lawfulness of the measure**

- (11) By notifying the notified amendments before putting them into effect, the Swedish authorities have respected their obligations under Article 108(3) TFEU.

#### **3.2. Existence of State aid**

- (12) 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.
- (13) The existing aid scheme constitutes State aid within the meaning of Article 107(1) TFEU for the reasons set out in the initial decision<sup>11</sup>. The notified amendments do not affect that conclusion. The Commission therefore refers to the assessment of the initial decision and concludes that the existing aid scheme as modified by the notified amendments, constitutes State aid in the meaning of Article 107(1) TFEU.

#### **3.3. Compatibility**

- (14) The Commission has assessed the existing aid scheme on the basis of Article 107(3)(b) TFEU in light of the Temporary Framework and concluded that it was compliant with the compatibility conditions set out in that Framework.

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<sup>11</sup> See recitals (35) to (40) of the initial decision.

- (15) The Commission refers to its analysis of compatibility as set out in the initial decision<sup>12</sup>.
- (16) In light of point 87(a) of the Temporary Framework, the Commission considers that the notified amendment concerning the extension of the eligible period (recital (5)) meets the conditions of the Temporary Framework and does not alter the conclusions reached by the Commission as to the compatibility of the existing aid scheme as set out in the initial decision.
- (17) Similarly, in light of point 87(a) of the Temporary Framework, the Commission considers that the prolongation of the deadline for aid applications (recital (5)) and the increase of the budget (recital (6)) are related to the extension of the eligible period and do not alter the conclusions reached by the Commission as to the compatibility of the existing aid scheme as set out in the initial decision.
- (18) In light of point 87(b) of the Temporary framework, the Commission considers that the notified amendment concerning the adjustment of the reference period does not affect the conclusion that aid is granted to undertakings that suffer a decline in turnover during the eligible period of at least 30% compared to the same period in 2019 (footnote 7). It therefore does not alter the conclusions reached by the Commission as to the compatibility of the existing aid scheme as set out in the initial decision.
- (19) Finally, the Commission notes that Sweden has defined uncovered fixed costs under the existing aid scheme in line with point 87(c) of the Temporary Framework, without using the simplified approach set out in that point (i.e., referring to the losses of undertakings from their profit and loss statements during the eligible period). The labour costs that Sweden will integrate in the definition of fixed costs are limited to those that cannot be avoided because of the impossibility for the undertakings to adjust the number of their employees at short notice, and therefore are not depending on the level of output. As the modifications proposed by Sweden regarding the classification of fixed and variable costs (recitals (8) and (9)) remain in line with footnote 76 of the Temporary Framework, the Commission considers that the relevant notified amendment does not alter the conclusions reached by the Commission as to the compatibility of the existing aid scheme as set out in the initial decision.
- (20) Apart from the notified amendments, Sweden confirms that no further amendments are proposed to the existing aid scheme and that all other conditions of that scheme remain unaltered.
- (21) The Commission therefore considers that the notified amendments are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State pursuant to Article 107(3)(b) TFEU, since they meet all the relevant conditions of the Temporary Framework. The Commission therefore considers that the notified amendments do not alter the Commission's conclusion on the compatibility of the existing aid scheme in the initial decision.

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<sup>12</sup> See recitals (41) to (49) of the initial decision.

#### 4. CONCLUSION

The Commission has accordingly decided not to raise objections to the notified amendments of the existing aid scheme on the grounds that they are 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