



EUROPEAN COMMISSION

Brussels 15.9.2021
C(2021)6771 final

SENSITIVE*: *COMP Operations*

**Subject: State Aid SA.64446 (2021/N) – Italy
COVID-19: Aid to tourist-accommodation businesses**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 12 August 2021, Italy notified aid in the form of limited amounts of aid (“Misura per compensare le imprese turistico-alberghiere per le perdite dovute alle disposizioni di contenimento COVID-19”, the “measure”) under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the “Temporary Framework”).¹
- (2) Italy 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.

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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) Italy considers that the COVID-19 outbreak affects the real economy. The measure forms part of an overall package of measures and aims to ensure that sufficient liquidity remains available in the market 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) Italy was the very first Member State of the European Union to be affected by the COVID-19 pandemic and to declare, with a resolution of the Council of Ministers of 31 January 2020, a state of emergency.
- (5) Since the declaration of the state of emergency, various decrees have been enacted, which have entailed, among other things, restrictions on people mobility, gatherings, transport passengers, opening of museums and cultural sites, and carrying out of events. According to the Italian authorities, those restrictions have penalised all economic operators in the tourist-accommodation sector.
- (6) According to the Italian authorities, the tourism sector in Italy generates 13% of the country's GDP. Due to COVID-19 outbreak, the 2020 and 2021 tourism statistics for Italy show extremely negative trends in all areas. The main causes include the lack of international, EU, and domestic tourists, the financial difficulties of individuals and the lack of liquidity of companies.
- (7) Therefore, the aim of the measure is to assist tourism-accommodation businesses for the loss of turnover due to the containment measures imposed by the government in its efforts to combat the COVID-19 pandemic.
- (8) Italy 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.
- (9) The compatibility assessment of the measure is based on Article 107(3)(b) TFEU, in light of sections 2 and 3.1 of the Temporary Framework.

2.1. The nature and form of aid

- (10) The measure is a scheme that provides aid in the form of direct grants.

2.2. Legal basis

- (11) The legal basis for the measure is the Decree of the Minister of Tourism of 11 August 2021, No. 223³, based on Article 182(1) of Decree-law No. 34 of 19 May 2020.

³ Article 8 of the Decree contains a commitment from Italy to not put the aid measure into effect before the Commission has taken, or is deemed to have taken, a decision authorising the aid.

2.3. Administration of the measure

- (12) The Ministry of Tourism is the granting authority managing the disbursement of the aid together with the Revenue Agency of the Ministry of Finance.

2.4. Budget and duration of the measure

- (13) The estimated budget of the measure is EUR 200 million.
- (14) 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 2021.

2.5. Beneficiaries

- (15) The final beneficiaries of the measure are undertakings active in Italy and offering tourist-accommodation services. However, financial institutions are excluded as eligible final beneficiaries.
- (16) Aid may not be granted under the measure to medium⁴ and large enterprises that were already in difficulty within the meaning of the GBER⁵ on 31 December 2019. Aid may be granted to micro and small enterprises that were in difficulty within the meaning of the GBER on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid⁶ or restructuring aid.⁷

2.6. Sectoral and regional scope of the measure

- (17) The measure is open to undertakings offering tourist-accommodation services.
- (18) The measure does not include amongst its beneficiaries any undertakings active in the financial sector, in the primary production or the processing and marketing of agricultural products, or in the fisheries or aquaculture sectors.
- (19) The measure applies to the whole territory of Italy.

2.7. Basic elements of the measure

- (20) The beneficiaries will receive aid under the measure for the period from 23 February 2020 until 30 June 2021. The budget of the measure is separated into two pillars.
- (21) Under the first pillar, without need for a prior application, up to a maximum limit of EUR 150 million will be distributed on a flat-rate basis to companies enlisted

⁴ 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 ("GBER").

⁵ As defined in Article 2(18) GBER.

⁶ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

⁷ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

in the database of the Revenue Agency of the Ministry of Finance, who were beneficiaries of the grant referred to in Article 1 of the decree-law of 22 March 2021, n. 41, and who have not unduly received or have not repaid that grant.

- (22) Those funds are distributed as follows:
- a) EUR 1 000 for beneficiaries with a turnover of less than EUR 100 000 in 2019;
 - b) EUR 4 000 for beneficiaries with a turnover between EUR 100 000 and EUR 400 000 in 2019;
 - c) EUR 5 000 for beneficiaries with a turnover between EUR 400 000 and EUR 1 million in 2019;
 - d) EUR 10 000 for beneficiaries with a turnover between EUR 1 million and EUR 5 million in 2019;
 - e) EUR 100 000 for beneficiaries with a turnover between EUR 5 million and EUR 10 million in 2019.
- (23) The rest of the allocated budget, amounting to EUR 50 million, will be granted on a lump sum basis to beneficiaries with turnover in 2019 exceeding EUR 10 million, following a successful application.
- (24) Under the second pillar, the contribution due to each beneficiary will be equal to EUR 200 000. The aid is due provided that the average monthly amount of turnover of the beneficiary for the year 2020 is at least 30 % lower than the average monthly amount of turnover for the year 2019.
- (25) In any case, the overall amount of aid under both pillars of the measure cannot exceed EUR 200 000 per undertaking⁸.

2.8. Cumulation

- (26) The Italian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations⁹ or the GBER provided the provisions and cumulation rules of those Regulations are respected.
- (27) The Italian 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.
- (28) The Italian 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 3.1 of the Temporary Framework, the

⁸ All figures used must be gross, that is, before any deduction of tax or other charge.

⁹ 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 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.1.

overall maximum cap per undertaking, as set out in point 22(a) of that framework, will be respected.

2.9. Monitoring and reporting

- (29) The Italian 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 on the comprehensive national State aid website or Commission's IT tool within 12 months from the moment of granting¹⁰).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (30) By notifying the measure before putting it into effect¹¹, the Italian authorities have respected their obligations under Article 108(3) TFEU.

3.2. Existence of State aid

- (31) 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.
- (32) The measure is imputable to the State, since it is administered by the Ministry of Tourism (recital (12)) and it is based on the Decree of the Minister of Tourism of 11 August 2021, No. 223 (recital (11)). It is financed through State resources, since it is financed by public funds.
- (33) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (10)). The measure thus confers an advantage on those beneficiaries, which they would not have had under normal market conditions.
- (34) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, i.e. undertakings offering tourist-accommodation services (recital (17)), excluding the financial sector.
- (35) 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.
- (36) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

¹⁰ Referring to information required in Annex III to the GBER.

¹¹ Article 8 of the Decree of the Minister of Tourism of 11 August 2021, No. 223 contains a commitment from Italy to not put the aid measure into effect before the Commission has taken, or is deemed to have taken, a decision authorising the aid.

3.3. Compatibility

- (37) 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.
- (38) 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*”.
- (39) 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*”.
- (40) The measure aims to assist tourism-accommodation businesses for the loss of turnover due to the containment measures of COVID-19 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.
- (41) The measure is one of a series of measures conceived at national level by the Italian authorities to remedy a serious disturbance in their economy. The importance of the measure to preserve employment and economic continuity is widely accepted by economic commentators and the measure is of a scale which can be reasonably anticipated to produce effects across the entire Italian economy. Furthermore, the measure has been designed to meet the requirements of a specific category of aid (“*Limited amounts of aid*”) described in section 3.1 of the Temporary Framework.
- (42) 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:
- The aid takes the form of direct grants (recital (10)).

The overall nominal value of direct grants shall not exceed EUR 200 000 per undertaking¹² (recital (25)). The measure therefore complies with point 22(a) of the Temporary Framework.
 - Aid is granted under the measure on the basis of a scheme with an estimated budget as indicated in recital (13). The measure therefore complies with point 22(b) of the Temporary Framework.
 - Aid may not be granted under the measure to medium¹³ and large enterprises that were already in difficulty on 31 December 2019 (recital

¹² All figures used must be gross, that is, before any deduction of tax or other charges.

¹³ As defined in Annex I to GBER.

(16)). The measure therefore complies with point 22(c) of the Temporary Framework. Aid may be granted to micro and small enterprises that were in difficulty on 31 December 2019, if those enterprises, at the moment of granting the aid, are not subject to collective insolvency procedure under national law and they have not received rescue aid¹⁴ or restructuring aid¹⁵ (recital (16)). The measure therefore complies with point 22(c)bis of the Temporary Framework.

- Aid will be granted under the measure no later than 31 December 2021 (recital (14)). The measure therefore complies with point 22(d) of the Temporary Framework.
- (43) The Italian 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 (8)).
- (44) The Italian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (29)). The Italian 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 (26) - (28)).
- (45) 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.

¹⁴ Alternatively, if they have received rescue aid, they have reimbursed the loan or terminated the guarantee at the moment of granting of the aid under the notified measure.

¹⁵ Alternatively, if they have received restructuring aid, they are no longer subject to a restructuring plan at the moment of granting of the aid under the notified measure.

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

