



CONFCOMMERCIO
IMPRESE PER L'ITALIA

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Introduction

The "de Minimis" scheme, regulated by EU Regulation No. 1407 of 2013, has proven to be, certainly in Italy, the most widely used aid scheme by public administrations, especially by regions.

It allows:

- to the granting authorities, a wide margin of discretion regarding the nature and objectives of the subsidized investments, avoiding the complexities of notifying an aid scheme;
- to beneficiary enterprises, to boost their development processes by avoiding complex fulfillments (please note the following paragraph on the "single enterprise").

Because of these characteristics, in particular, the "de minimis" scheme suits territorial contexts and economic sectors with a high density of micro and small enterprises. Moreover, it is often used (with rapidity) even in emergency phases. On this basis, it is appropriate to strengthen it in the framework of the revision of the current regulation, whose rules will expire on December 31, 2023.

The proposal submitted for consultation by the European Commission focuses on two issues:

- updating the ceiling following economic developments, taking into account the inflation for the period 2014-2030;
- improving transparency for stakeholders and Member States; reducing administrative burdens for companies that currently rely on self-declaration to comply with transparency requirements.

A reform in these areas is definitely welcome. Please find here below some proposals for further possible improvements.

Revision of the ceiling

Regarding the revision of the ceiling, it is necessary to recall that the current one was established by EU Regulation No. 1998 of 2006 and has remained unchanged for 16 years. The European Commission proposes raising it from 200,000 to 275,000 euros, thus an increase of 38 percent, which (implicitly) assumes a measure of average inflation over the 2014-2030 period of 2.3 percent on an annual basis.

We fully agree that this ceiling needs to be revised upward, considering the long period of validity. However, the proposed quantification is insufficient. The increase of 75,000 euros does not consider factors such as the double-digit inflation of the last year, which reverberates in interest rates and guarantee premiums, discouraging investment.

In addition, **the high cost of energy, which is the main factor affecting inflation at this time, implies a greater need for liquidity.** As a result, bank loans (both for investment and liquidity) at this stage are, on market terms, much more expensive than in past years. That means that **today -for the same amount financed- an intervention measure in the form of a loan, guarantee, or interest subsidy requires more State aid than in the past.**

Therefore, **we suggest raising the de minimis ceiling to 500,000 thousand euros.** Such a threshold -identical to the one tested on a large scale with the 2009 temporary framework (without significant effects on trade between Member States having emerged)- would make it possible to reach 2030 with a reference proportionate to reality.

Incentives (bonuses) in countries with high accountability

As mentioned above, public administrations - especially at a sub-national level - frequently use the de minimis regime for public aid. That is partly to avoid the complexities related to notifications of aid schemes and those associated with their management.

It is essential to ensure the adoption, uniformly at the European level, of public registers that replace self-declarations (which are difficult to find) and contain up-to-date information on State aid granted to individual companies.

In this context, we propose the recognition of **a premium of 50,000 euros in the form of an increase in the maximum amount to be granted under de minimis in Member States which use a register aimed at aiding transparency.**

There is a twofold rationale for such intervention. On the one hand, it is an incentive to induce Member States, which do not yet have such an accountability tool, to have one. On the other, it is a competitive realignment measure. Companies acting in countries with such registries are subject to more controls (and the associated burdens) than their competitors, who might sometimes benefit from aid that is not legitimate, as they are exempted.

Superdeminimis

For overcoming the uncertainties outlined in the previous section, administrations resort to granting de minimis aid even for insignificant amounts. This modus operandi results in a volume of administrative work for businesses and offices (applied to grant and monitoring procedures). That is disproportionate to the risk of these interfering with competition on a European scale.

We therefore believe that individual aid amounts below a minimum threshold (which we propose is 2,500 euros) should be exempted from detection for the purposes of de minimis regulations and State aid more generally.

That aims to zero out the disproportionate administrative cost on the side of both businesses and the State, in line with the principles of the Small Business Act.

Of course, this "superde minimis" should link to the prohibition of aid splitting on individual devices. The ordinary de minimis regime should apply to those who should receive more aid under the threshold assumed here of 2,500 euros over three years, exceeding it cumulatively concerning the same facilitation instrument.

Aid in the form of guarantees

Regarding aid aimed at facilitating the provision of financing, measures taken during the pandemic have confirmed the effectiveness of such interventions. These, for the same amount of public resources allocated, make it possible to assist a much larger number of enterprises compared to other aids. That is especially true for aids in the form of guarantees. To maintain the effectiveness of the instrument, however, a "safe harbor" must be kept in the new regulations, continuing, in particular, to provide for **a consistent method of calculating the gross grant equivalent that is sensitive:**

- **to the dynamics of interest rates and guarantee premiums;**
- **to the size of the enterprise.**

We emphasize that micro and small enterprises are more exposed to the risks of credit rationing and financial exclusion even when, **although they are deserving, they are penalized by lower availability of data in electronic format.** As a consequence, the evaluation algorithms (for a prudential choice) to protect banks assign them a higher probability of default. Moreover, these types of firms' size and economic activity, typically limited to national markets, are not significant enough to distort competition. On this basis, we believe that where "the gross subsidy equivalent has been calculated based on the 'exempt' premiums referred to in a Commission notice" (See Article 4.6(C) of the European Commission's proposed wording), the thresholds for exempt premiums are adequate. That is to correct the risk of rapid exhaustion of the de minimis ceiling due to market dynamics distorted by economic trend.

Single undertaking

The definition of "single undertaking," introduced into the de minimis regime rules by Regulation (EU) No. 1407/2013 for the 2014-2020 programming period, has also been extended to State aid granted under the "Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Emergency." That caused an added administrative burden for the government and economic operators in a particularly complex emergency phase.

Under this rule, the "group of enterprises" is the basis of the ceiling's calculations. That also applies when each economic entity in the group is autonomous in the organization and target market's terms. That leads, in many cases, to a rapid saturation of the planned ceiling, exposing enterprises in such conditions to a competitive disadvantage. **We call for a different definition of "single enterprise" to simplify it and reduce disproportionate constraints.**

In addition, it will be essential to reduce the spaces of uncertainty regarding noncommercial entities, by a change in the regulations. Subjects such as:

- individual professionals;
- nonprofit entities, such as associations representing collective interests, when services are offered exclusively to associated entities and not to the market.

Confcommercio-Imprese per l'Italia - the Italian General Confederation of Enterprises, Professions and Self-Employment - counts more than 700,000 enterprises, with almost 2,700,000 employees, making it the largest employer organization in Italy. Confcommercio-Imprese per l'Italia conducts three institutional activities: it signs national collective agreement in the tertiary, distribution and services, tourism, transport and logistics sectors, and other important collective bargaining agreements, which, in total, apply to almost five million workers; it protects and represents the economic and social interests of enterprises and entrepreneurs in dealings with institutions, political and economic organizations and trade unions; it promotes management and professional training initiatives, technical assistance to enterprises, complementary social security and integrated healthcare tools and credit consortia to facilitate access to credit.