

State Aid – Simplifications for SMEs urgently needed

BACKGROUND

The digital transformation of business processes, rapid technological changes, increasing bureaucracy and rising demand for skilled workers impose ever-higher demands on companies. In order to assist them in addressing these challenges, well-established and proven support systems exist. This includes, for example, the financing of advisory services and investment aid for educational infrastructures that need to be constantly modernised with costly investments. However, an increasingly rigid and bureaucratic EU state aid policy is more and more intervening in national SME support systems and is increasingly restricting its functioning and the funding opportunities. This development must be counteracted by simplifying the state aid policy for SMEs.

STATE OF PLAY

The EU Commission recently launched an evaluation of a large number of state aid rules, including the General Block Exemption Regulation (GBER) and the De minimis Regulation. These regulations are generally limited until the end of 2020 and, according to the roadmaps published on 7 February 2019 an extension for a period of two years without changing their substance is foreseen. Following the results of the evaluation, the EU Commission intends to decide whether the rules will be extended beyond 2022 and adjusted if necessary.

WHAT TO DO

However, a mere extension is not sufficient. Based on the current state of the discussions, from ZDH's point of view the following simplifications are necessary in order to provide for a more efficient SME support in the future:

1. Article 18 of the GBER must allow for indirect funding. Due to the importance of low barriers for SME support, financial support for advisory services should generally be exempted under Article 18 of the GBER, even when it is provided by institutions such as economic chambers. So far, only the direct support to companies by external consultants is exempted. This is not sufficient to effectively support SMEs due to the bureaucracy and the time-consuming search for external consultants.

2. Investment aid for craft educational infrastructure should generally be exempted under the GBER. So far, only infrastructure support for educational institutions which are used for further education and training measures that are

provided for in the law, are exempted. However, in most cases legal and non-legal educational programmes can hardly be separated. Therefore, all infrastructure investments in educational institutions should be generally exempted.

3. In case of insignificant state aid amounts companies should benefit from simplifications. The de minimis rules have proven to be appropriate for low but still significant aid amounts. In the case of very small-scale funding, however, the bureaucracy linked to the documentation obligations is not proportionate to the potential impact of the aid measure on competition. Therefore the de minimis declaration should be simplified by allowing for a general confirmation that the overall threshold has not been exceeded rather than requiring a detailed list of all de minimis aid received in the past three years. Even better, very small aid amounts should be excluded from the state aid rules altogether.

4. The information on the de minimis aid should be possible both in written and in electronic form, like the de minimis declaration. This would lead to a simplification when delivering the certificates on the aid amount (for example through digitised processes) and thereby reduce administrative costs.

5. The obligation to maintain the de minimis records should be reduced. For smaller companies, a reduced retention period of 5 instead of 10 years would be a considerable relief.

6. Support measures with social objectives should be exempted. Support measures which have the objective to improve social conditions, such as the financing of tailor-made training placements should not be subject to state aid rules, since such measures are intended to create equal chances and living conditions for everybody in Europe.

CONCLUSION

So far, the EU's objective of simplifying aid for SMEs has not been achieved. On the contrary, the strict conditions and documentation requirements result in high barriers for granting aid to SMEs, even though the often very small aid amounts in no way threaten to distort competition in the European internal market. European policy must meet its objectives of strengthening small and medium-sized companies and considerably reducing bureaucracy for them. In addition, Member States must be given more freedom when designing their national economic policies. EU competition policy should rather focus on addressing anti-competitive restraints by large companies.

As of May 2019

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