

NEW STATE AID RULES FOR SMALL AND MEDIUM-SIZED ENTERPRISES AFFECTED BY COVID-19 PANDEMIC RECENTLY ENACTED

The coronavirus crisis has created a number of economic difficulties for companies, many of them in great need of liquidities. In this context, the **Small and Medium-Sized Invest Program ("SME Invest Program")**, through which the state guarantees certain loans contracted by small and medium-sized enterprises ("SMEs") for investments and working capital, has undergone certain changes during the recent period.

Certain elements of the existing SME Invest Program have been amended for the purpose of extending the benefits of state aid during this crisis. For instance, recent rules provide that:

- The state will fully cover the interest for the eligible beneficiaries.
- In addition, the state will also cover the risk commission which would normally have to be borne by SMEs. The maximum duration of financing for investment loans has been, however, decreased to 72 months while the guarantee period for working capital loans will be for 36 months with the possibility of an extension with another 36-month period.
- Financial and insurance brokerage, real estate or companies carrying out lease or leasing activities may now also apply for grants related to the IMM Invest program, although this was not previously possible.

In addition to the benefits, the recent rules also include certain limits when it comes to getting access to the SME Invest Program, such as:

- The period of interest subsidization has been limited to last until December 31, 2020. This state aid scheme will continue in 2021 and possibly in 2022, but only if the economic growth estimated in these two years will be below the one registered in the year 2020.
- Moreover, in the context of the Coronavirus pandemic, as an eligibility requirement, SMEs should submit a written statement undertaking not to terminate the working relations with their employees until December 31, 2020.
- In addition, subsidies are conditioned by certain maximum financing values, namely lei 5,000,000 for financing working capital, respectively lei 10,000,000 for investment loans. The financing of micro and small enterprises regarding working capital should fall within certain limits as well: (i) maximum lei 500,000 for micro-enterprises, respectively (ii) maximum lei 1,000,000 for small enterprises.
- The new rules also provide that the abovementioned financing for SMEs will not be greater than the highest value of: (i) the double of the amount representing the salary expenses, including the mandatory social contributions due by the employer related to the salaries, as registered at the level of the year 2019; (ii) 25% of the beneficiary's net turnover for 2019, or (iii) a value that results from their liquidity needs, including both working capital costs and investment costs, in which case the amount of the loan cannot exceed the liquidity needs from the moment of granting the loan for the next 18 months. For companies established after January 1, 2019, the maximum amount of the loan cannot exceed the amount estimated for the first two years of activity.

For any further information and assistance with respect to the above and any other **COVID-19** related legal matters, please do not hesitate to contact us at covidhelpdesk@peterkapartners.com.