

## COVID 19: The SME INVEST State Aid Scheme to support SMEs in the context of Covid-19

### 1. PURPOSE

The State Aid Scheme published on 4 April 2020 sets forth that SMEs<sup>1</sup> are entitled to benefit from state aid provided they meet the **eligibility criteria** cumulatively at the date of application:

- *they were not in difficulty*, within the meaning of the legal provisions, on 31 December 2019, but have since encountered difficulties or entered into difficulties due to the COVID-19 pandemic
- *they submit a written statement* in which they undertake not to lay off existing staff between the date of entry into force of GEO no. 42/2020 and 31 December 2020
- *they are not engaged in a dispute, in the capacity of defendant, with the Ministry of Public Finance and/or the partner credit institution*
- *they had no recorded outstanding loans*, including any for leasing-type financing, during the six months prior to 31 December 2019, or, where they did, these fell under categories A, B and C in the Central Credit Register database
- *they were not forbidden from issuing cheques* as at 31 December 2019 and are not recorded in connection with major incidents involving promissory notes during the six months prior to 31 December 2019 in the Payments Incident Database
- *no insolvency proceedings have been opened against them*
- *no recovery decisions for state aid have been issued against them* or, if such decisions were issued, these were carried out as per the legal provisions in force
- *they have not applied for other types of state aid for the same eligible costs*
- *they present to the credit institution collateral guarantees* which, in the case of investment loans, together with state guarantees and immovable and/or movable mortgages for the assets financed from the loan, cover at least 100% of the amounts financed
- *they are eligible under the internal regulations of the credit institution*
- *they do not have any outstanding tax obligations*, or where they do, the beneficiary undertakes to pay said obligations using the loan/credit line granted under the scheme to finance working capital

### 2. FORMS OF STATE AID

Under the scheme it is estimated that state aid will be awarded to a maximum of 40,000 beneficiaries in two possible forms: loan guarantees and grants.

#### STATE AID IN THE FORM OF LOAN GUARANTEES

Guarantees will be awarded under the state aid scheme against **80% or 90% of the amount financed** for the following types of loan:

- a) **loans used for investment and/or to finance working capital** will be guaranteed by the state at up to a **maximum of 80% of the amount of financing**, excluding any interest, commissions and bank charges relating to the loan

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<sup>1</sup> with the exception of those deemed ineligible i.e. those active in the fields of gambling and betting, the manufacturing or sale of arms, ammunition, explosives, tobacco, alcohol, substances under national control, plants, narcotic and psychotropic substances and preparations, and investigation and protection activities



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The maximum cumulative value of state guaranteed financing that can be awarded to a beneficiary under this facility is RON 10,000,000 (approx. EUR 2,070,000).

The maximum value of loans/lines of credit for use in financing working capital is RON 5,000,000 (approx. EUR 1,035,000), while the maximum value with respect to investment loans is RON 10,000,000 (approx. EUR 2,070,000).

- b) loans granted to micro-enterprises and small enterprises and used to finance working capital will be guaranteed by the state at up to a maximum of 90% of the amount of financing**, excluding any interest, commissions and bank charges relating to the loan.

These loans will have a maximum value of RON 500,000 (approx. EUR 103,500) for micro-enterprises, and RON 1,000,000 (approx. EUR 207,000) in the case of small enterprises.

Guarantees for the two types of loan mentioned above will be granted against whatever is highest of the following amounts:

- (i) *double the amount corresponding to salary expenses*, including the compulsory social contributions due by the employer in relation to salary income and assimilated to salaries, for the level reported for 2019. (In the case of companies established after 1 January 2019, the maximum amount of the loan cannot exceed the amount estimated for the first 2 years of activity); or
- (ii) *25% of the beneficiary's net turnover for 2019 or the gross income or normalised annual income for natural persons who obtain income from independent activities*, as the case may be; or
- (iii) *the amount resulting from the beneficiary's liquidity needs*, in which case the amount of the loan may not exceed the liquidity needs for a period of 18 months beginning with the date on which the loan is granted

The Ministry of Public Finance will subsidise the interest payable on loans/credit lines used to finance working capital and on investment loans at the rate of 100%, with the subsidy period running from the date of granting of loans/lines of credit contracted after 4 April 2020 (the date of entry into force of GEO no. 42/2020) until 31 December 2020.

### STATE AID IN THE FORM OF GRANTS

SMEs that have taken out guaranteed loans/credit lines to finance investments and/or working capital may benefit from grants worth up to the RON equivalent of EUR 800,000 for each beneficiary.

As regards the agriculture, fisheries and aquaculture sector, the amount of aid received will not exceed EUR 120,000 for each company operating in the fisheries and aquaculture sector, or EUR 100,000 for those active in the field of primary production of agricultural products.



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Where an enterprise operates in several sectors for which different maximum amounts apply, the company must ensure, by appropriate means, such as the separation of accounts, that the ceiling for each activity is respected and that the total amount received does not exceed the maximum possible amount.

### 3. PERIOD OF FINANCING

The maximum duration of financing is 72 months in the case of investment loans, or 36 months in the case of loans/lines of credit used to finance working capital (these periods can be extended by a maximum of 36 months).

The duration of these loan guarantees cannot exceed 6 years and risk commissions will apply.

The period during which a grant can be paid out runs from 4 April 2020 (the date of entry into force of GEO no. 42/2020) to 31 March 2021, with the possibility of extension.

*Source: Government Emergency Ordinance no. 42/2020 to amend and supplement Government Emergency Ordinance no. 110/2017 on the SME INVEST Support Programme for small and medium-sized enterprises and to approve the State Aid Scheme to support the activity of SMEs in the context of the economic crisis generated by the Covid-19 pandemic, published in the Official Gazette no. 283 on 4 April 2020.*

This newsletter is a service of TPA.

Kind regards

**Your TPA Team**

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