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**Subject: State Aid SA.102324 (2022/N) – Lithuania
COVID-19: Aid to accommodation service providers and tour
operators**

Excellency,

1. PROCEDURE

- (1) By electronic notification of 21 March 2022, Lithuania notified aid in the form of limited amounts of aid (“*Aid for the reimbursement of fixed costs to providers of classified accommodation services and subsidies to inbound tourism tour operators*”, 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) Lithuania exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union (“TFEU”), in conjunction with

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), C(2021) 564 (OJ C 34, 1.2.2021, p. 6), and C(2021) 8442 (OJ C 473, 24.11.2021, p. 1).

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Article 3 of Regulation 1/1958² and to have this Decision adopted and notified in English.

2. DESCRIPTION OF THE MEASURE

- (3) Lithuania considers that the COVID-19 pandemic affects the real economy. The Lithuanian authorities submit that the COVID-19 pandemic and the resulting restrictive measures have had a negative impact on the activity of accommodation service providers and tour operators. In 2020, accommodation service providers saw a 73.4% decrease in the number of foreign tourists hosted compared to the number in 2019. Moreover, inbound tour operators saw a loss of 81% of their revenue in 2020 compared to their revenue in 2019. The Lithuanian authorities submit that the situation remained essentially the same in 2021.
- (4) With the measure, the Lithuanian authorities aim to provide financial support to accommodation service providers and inbound tour operators, which have been negatively impacted by restrictions introduced by the government under public health regulations to combat the effects of the COVID-19 pandemic.
- (5) 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 pandemic, to ensure that the disruptions caused by the pandemic do not undermine the viability of the undertakings and thereby to preserve the continuity of economic activity during and after the pandemic.
- (6) Lithuania 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 Lithuania. This is irrespective of the number of job losses actually occurred in the initial establishment of the beneficiary in the EEA.
- (7) 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

- (8) The measure provides aid in the form of direct grants.

2.2. Legal basis

- (9) The legal basis for the measure is the draft Resolution of the Government of the Republic of Lithuania “*on the approval of the descriptions of the procedure of partial reimbursement of fixed costs for classified accommodation service providers and subsidies to inbound tourism tour operators*” (“the Resolution”).

² Regulation No 1 determining the languages to be used by the European Economic Community, OJ 17, 6.10.1958, p. 385.

2.3. Administration of the measure

- (10) The Ministry of the Economy and Innovation of the Republic of Lithuania is responsible for administering the measure. The competent authority to manage the measure is the State owned limited liability company INVEGA³.

2.4. Budget and duration of the measure

- (11) The estimated budget of the measure is EUR 4 million, originating from the Reserve Fund of the Government of the Republic of Lithuania. Of this amount, EUR 3.6 million are allocated for the accommodation sector, of which EUR 150 000 will be used to compensate INVEGA's administrative costs. The remaining EUR 400 000 are allocated for the tour operators sector, of which EUR 50 000 will be used to compensate INVEGA's administrative costs.
- (12) Aid may be granted under the measure as from the notification of the Commission's decision approving the measure until no later than 30 June 2022.

2.5. Beneficiaries

- (13) The beneficiaries of the measure are undertakings of all sizes active in the accommodation sector as well as micro companies and SME active as tour operators⁴. The estimated number of beneficiaries is between 500 and 600. Financial institutions are excluded as eligible beneficiaries.
- (14) Aid may not be granted under the measure to medium⁵ and large enterprises that were already in difficulty within the meaning of the General Block Exemption Regulation ("GBER")⁶ 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 aid⁷ or restructuring aid.⁸

³ The Lithuanian authorities confirm that INVEGA only acts as a financing intermediate between the Government and beneficiaries. INVEGA is the State owned guarantee institution and 100 per cent of its share capital belongs to the State. The Ministry of Economy has the responsibilities of INVEGA's supervision.

⁴ NACE codes: I 55 – Accommodation; N 79.12 Tour operator activities.

⁵ 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.

⁶ As defined in Article 2(18) of 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.

⁷ 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.

⁸ 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.

2.6. Sectoral and regional scope of the measure

- (15) The measure is open to accommodation service providers and tour operators as described in recital (13). Undertakings operating in the financial sector are excluded from the measure.
- (16) The measure applies to the whole territory of Lithuania.

2.7. Basic elements of the measure

- (17) The Lithuanian authorities aim to provide financial aid in the form of direct grants to eligible undertakings operating in the accommodation and tour operators sectors.
- (18) Under the measure, classified accommodation service⁹ providers may receive a grant of up to EUR 50 000 covering up to half of the costs of their public utilities (e.g. bills for electricity, natural gas, heating) for the period November 2021 to March 2022 if their revenue for 2021 decreased by 40% compared to their revenue in 2019.
- (19) If the eligible beneficiary cannot provide evidence for the 40% revenue decrease but they suffered financial loss in 2021, they can receive support of EUR 100 per room of each undertaking they operate, with a maximum amount of EUR 50 000¹⁰.
- (20) The measure seeks to support inbound tour operators¹¹, which provided services of organised trips to Lithuania in 2019 to 2021 and have suffered at least a 30% decrease in their revenue in 2021 compared to their revenue in 2019. Eligible tour operators may receive up to EUR 30 000 per undertaking.
- (21) To be eligible to receive aid under the measure, applicants must prove that they provide the service (by providing the relevant certificate number at the time of application) and that they have experienced the respective decrease in revenue or a financial loss.
- (22) Applicants should submit their application for aid within 10 working days of the publication of the call for applications. Each applicant may submit only one application.

⁹ The Lithuanian authorities explain that a classified accommodation service provider holds a valid certificate issued in accordance with the procedure established by the Law on Tourism granting the right to provide the classified accommodation services.

¹⁰ Lithuania further explain that in this case (i) either the decrease in revenue was lower than 40%, or (ii) they started operating after the end of 2019 and there is no data to demonstrate the revenue decrease. Therefore, such undertakings are eligible for aid under the measure if they suffered a financial loss. Financial loss is the final row of the profit-loss report/balance when costs and expenses are subtracted from “net product sales”.

¹¹ The Lithuanian authorities explain that an inbound tour operator holds a valid certificate of an inbound tourism tour operator that has been issued in accordance with the procedure established by the Law on Tourism.

- (23) The Lithuanian authorities confirm that the overall nominal value of the direct grants shall not exceed the overall maximum aid amount of EUR 2.3 million per undertaking¹².

2.8. Cumulation

- (24) The Lithuanian authorities confirm that aid granted under the measure may be cumulated with aid under de minimis Regulations¹³ or the General Block Exemption Regulation¹⁴ provided the provisions and cumulation rules of those Regulations are respected.
- (25) The Lithuanian 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.
- (26) The Lithuanian 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 overall maximum cap per undertaking, as set out in point 22(a) of that framework, will be respected.

2.9. Monitoring and reporting

- (27) The Lithuanian 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 granting¹⁵).

3. ASSESSMENT

3.1. Lawfulness of the measure

- (28) By notifying the measure before putting it into effect, the Lithuanian authorities have respected their obligations under Article 108(3) TFEU.

¹² All figures must be gross, i.e. before any deduction of tax or other charge.

¹³ 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) and 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. 8).

¹⁴ 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 of 26.6.2014, p. 1.

¹⁵ Referring to information required in Annex III to Commission Regulation (EU) No 651/2014 and Annex III to Commission Regulation (EU) No 702/2014 and Annex III to Commission Regulation (EU) No 1388/2014.

3.2. Existence of State aid

- (29) 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.
- (30) The measure is imputable to the State, since it is administered by the Ministry of the Economy and Innovation of the Republic of Lithuania (see recital (10)) and it is based on the Resolution (recital (9)). It is financed through State resources, since it is financed by public funds.
- (31) The measure confers an advantage on its beneficiaries in the form of direct grants (recital (8)). The measure thus confers an advantage on those beneficiaries which they would not have had and relieves those beneficiaries of costs which they would have had to bear under normal market conditions.
- (32) The advantage granted by the measure is selective, since it is awarded only to certain undertakings, in particular undertakings active in the accommodation and tour operators sectors (see recital (13)), excluding the financial sector.
- (33) 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.
- (34) In view of the above, the Commission concludes that the measure constitutes aid within the meaning of Article 107(1) TFEU. The Lithuanian authorities do not contest that conclusion.

3.3. Compatibility

- (35) 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.
- (36) 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*”.
- (37) 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*”.
- (38) The measure aims at ensuring financial sustainability in the accommodation and tourism sectors at a time when the normal functioning of markets is severely disturbed by the COVID-19 pandemic and that pandemic is affecting the wider

economy and leading to severe disturbances of the real economy of Member States.

(39) The measure is one of a series of measures conceived at national level by the Lithuanian 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 Lithuanian 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.

(40) 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 (8)).

The overall nominal value of the direct grants will not exceed EUR 2.3 million per undertaking; all figures used must be gross, that is, before any deduction of tax or other charges (recital (23)). 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 (11). The measure therefore complies with point 22(b) of the Temporary Framework.
- Aid may not be granted under the measure to medium¹⁶ and large enterprises that were already in difficulty on 31 December 2019 (recital (14)). 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 aid¹⁷ or restructuring aid¹⁸ (recital (14)). The measure therefore complies with point 22(c)bis of the Temporary Framework.
- Aid will be granted under the measure no later than 30 June 2022 (recital (12)). The measure therefore complies with point 22(d) of the Temporary Framework.

(41) The Lithuanian 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

¹⁶ 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.

¹⁷ 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.

¹⁸ 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.

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 (6)).

- (42) The Lithuanian authorities confirm that the monitoring and reporting rules laid down in section 4 of the Temporary Framework will be respected (recital (27)). The Lithuanian 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 (24) to (26)).
- (43) 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.

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

