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INFORMATION NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: **COMPET Council of 12/3: Belgian proposition for AOB point on 'Barriers for scale-ups in state aid rules'**

The Commission has recently been putting more emphasis on fast-growing firms, the so-called scale-ups. As stated in the Commission's 'Start-up and Scale-up initiative' ¹, the aim is to remove barriers to scaling up in the single market and create better opportunities for access to finance and skills. To have a lasting economic impact, create more jobs and enhance Europe's competitiveness, start-ups need to prosper and grow across borders.

Belgium subscribes to the policy of the EU and wants to create better opportunities for scale-ups, amongst others regarding their access to finance. Unfortunately, when trying to support scale-ups through innovation subsidies, barriers in the state aid rules pop up due to an unwanted side-effect of the definition of an undertaking in difficulty. The definition is based on a 50% equity to share capital threshold ratio, to be met before any government support can be given. Scale-ups, who can be R&D- or cost-intensive and have a high cash burn, are typically periodically funded through a series of funding rounds and show a cyclical equity to share capital ratio, often lower than 50% (a fortiori when they approach a next funding round). The equity to share capital ratio does not accurately reflect the financial position of such a company.

¹ Doc. 14261/16, COM(2016) 733 final.

As a consequence, scale-ups are often in a position where they cannot receive government support as they fit with the definition of an undertaking in difficulty, even though they are economically healthy undertakings.

Belgium fully agrees that undertakings in difficulty should be excluded from government aid. However, it cannot accept that promising, fast-growing companies become the victim of rules that are not adapted to their reality. We therefore urge the Commission to tackle this problem in the interest of Europe's scale-ups.
