



## *Covid-19 Pandemic: Supporting Measures for German Businesses*

In the wake of dramatic effects of the Covid-19 pandemic on business activities, the German federal government, state governments and other institutions have passed several supporting measures for businesses in Germany. Therefore, if you have a subsidiary or a permanent establishment in Germany, here is what you should know:

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### **Short-time allowance**

The federal employment agency has facilitated access to reduced hours compensation. For a maximum of 12 months, the agency will increase the pay by 60% (respectively 67% for employees with a child/children) of the lost wage. A necessary precondition is that there is a substantial temporary loss of work as well as salary losses of at least 10% for at least 10% of the employees. This must be caused by an unavoidable event, which is given in case of the Coronavirus. Furthermore, the loss of workload must be inevitable. Note that employees as well as the workers' council need to consent in order to get access short-time allowance. If there is no short-time work clause in an employee's contract, a corresponding supplementary agreement has to be concluded.

### **Tax support measures**

The requirements for a deferral of tax liabilities have been reduced. For companies that are directly affected by the Corona crisis, the financial authorities will forego enforcement measures and late payment fines until end of the year. Interest and interest-like instruments caused by the virus should be waived. Furthermore, bonus payments to employees of up to € 1,500 will not be taxed in 2020.

The special advance payment that results when a permanent deadline extension is granted for VAT purposes can be reduced to € 0.00 and reimbursed upon request. Note that this provision can vary between the federal states.

### **Deferral of social security contributions**

Upon request, the statutory health insurance companies grant a deferral of social security contributions for the months until April. However, this is only possible if the other support measures, especially reduced hours compensation, have already been

claimed. Please note: if employees are insured by different health insurance companies, the deferral requests must be made separately.

### **Immediate aid**

For self-employed persons, freelancers and small enterprises with up to five (ten) employees, the federal government provides immediate aid in the form of a single payment of € 9,000 (€ 15,000) for three months. The precondition is that the economic distress did not exist before March 2020 and the damage is directly related to the corona crisis. Please note: The payment only covers business expenses and no private living expenses!

### **Debt guarantees**

The German guarantor banks have increased the limit for debt guarantees to € 2.5M for all SMEs. Also, so called express guarantees with a maximum sum of mostly between € 150,000 and € 250,000 (depends on the bank) can be granted within days.

### **Loans**

Companies can get a loan of up to € 1B and with up to 90% liability exemption for investment and operating funds by the Development Loan Corporation (Kreditanstalt für Wiederaufbau, KfW). Furthermore, the KfW participates in syndicated financing for investments and working capital of medium-sized and large enterprises and bears up to 80% of the risk. Furthermore, a new quick loan with 100 percent risk assumption by KfW for medium-sized companies (with 11 to 249 employees) has been announced.

### **Economic Stabilisation Fund**

Enterprises with total assets of more than € 43M, annual turnover of more than € 50M and more than 249 employees on annual average have access to the instruments of the Economic Stabilisation Fund. These include liquidity guarantees totaling € 400B as well as equity and refinancing measures of each € 100B.

### **Supporting measures of the federal states**

The federal states have passed additional substantial supporting measures. These include liquidity support (e.g. non-repayable grants), loans, (express) debt guarantees and equity investments. As these vary from state to state, they are not covered in detail here.

## Subsidy for consultancy costs

For small and medium-sized enterprises (SMEs) in economic distress, the Federal Office of Economics and Export Control grants a subsidy of up to € 4,000 for consultancy costs. Eligible consultancy costs include the fees, expenses and travel costs of consultants, but not the VAT.

## Heads up: Tax evasion and fraud

It is important to note that, in the course of application for tax support measures, all relevant information must be fully and properly disclosed in order to prevent tax evasion. Some financial authorities are already developing methods to check this in relation to the support measures.

Support programmes such as the immediate aid are only intended for companies that have experienced liquidity shortfalls, lost sales or lost fees as a result of the Covid-19 pandemic. Applicants must be able to affirm this and all other information on oath. If aid is claimed unlawfully and false information is provided in applications, leading to unlawful or excessive aid, this may lead to criminal prosecution.

It is expected that the competent authorities will carry out extensive audits in due course.

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## Further information

If you would like to have more detailed information please check at <https://www.dierkes-partner.de/touren/dp-covid-blog/> or contact



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