

CORONA PANDEMIC

Status: 19 March 2020

Government measures to mitigate the impact of the coronavirus and related information

1.	Reduced hours & compensation (“Kurzarbeit”) / reduced hours compensation benefit (“Kurzarbeitergeld” = KUG)	
1.1	Requirements	<p>If companies decide on reduced hours and compensation (normal case: partial; special case: 100%) due to the corona epidemic, the resulting loss of remuneration for the employee is partially compensated by government via reduced hours compensation benefit (in the following: “Kurzarbeitergeld” or “KUG”).</p> <p>Requirements:</p> <ul style="list-style-type: none">• Agreement with employees/works council/trade union• benefit must be applied for with the Federal Employment Office by the employer• At least 10% of the employees must be affected by reduced hours & compensation (previously: 30%)• No need to build up negative working time balances before reduced hours compensation benefit / KUG can be applied (unlike before)• Temporary workers can also receive reduced hours compensation benefit / KUG (unlike before)• Social insurance contributions on reduced hours compensation benefit (KUG (normally paid by the employer) are reimbursed in full by the Federal Employment Agency

<p>1.2</p>	<p>What is the sequence of steps to be followed for KUG?</p>	<p>Application with the Federal Employment Agency (“Bundesagentur für Arbeit”) in 2 steps:</p> <ol style="list-style-type: none"> 1) One-time notification of the need for reduced hours compensation benefit / KUG to the employment agency using a standard form (can be submitted immediately) 2) Application for reduced hours compensation benefit <ul style="list-style-type: none"> → Benefits must first be calculated using payroll software. <p>Steps for the company as a whole:</p> <ol style="list-style-type: none"> 1) Agreement with employees/works council/trade union on reduced working hours & remuneration 2) One-time notification of need for reduced hours compensation benefit to the employment agency 3) Application for reduced hours compensation benefit at the employment agency 4) Employer pays the agreed, lower remuneration and the reduced hours compensation benefit directly to employees 5) Employment agency reimburses employer for reduced hours compensation benefit in one sum
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<p>1.3</p>	<p>Who is entitled to reduced hours compensation benefit / KUG?</p>	<p>Entitled are:</p> <ul style="list-style-type: none"> • Employees who are subject to compulsory unemployment insurance, including part-time and temporary workers <p>Not entitled are:</p> <ul style="list-style-type: none"> • Marginally employed persons (Geringfügig Beschäftigte) • Pensioners • Recipients of sickness benefit (Bezieher von Krankengeld) • Trainees (Auszubildende) <p>Special measures for employees in quarantine: entitlement to compensation in accordance with the Infection Protection Act (IfSG)</p>
<p>1.4</p>	<p>How high is the KUG?</p>	<p>The calculation is based on the net loss of remuneration and is generally</p> <ul style="list-style-type: none"> • 60% for employees without children • 67% when there is at least 1 child in the household <p>The reduced hours compensation benefit / KUG is limited in its determination to the contribution assessment ceiling (Beitragsbemessungsgrenze) for unemployment insurance.</p>

2.	Support measures for companies	
2.1	How can a company obtain liquidity quickly?	<ul style="list-style-type: none"> • KfW Bank The federally owned KfW Bank has various existing loan programs. Access to these has been made easier. These programs can be accessed through your house banks, which are the first point of contact in this respect • Guarantee banks Guarantee banks may now make their own decisions within 3 days for decisions up to EUR 250,000. Cost free advance inquiries for financing up to EUR 2.5 million possible with promised feedback within 48 hours.
2.2	Help for solo self-employed persons	<ul style="list-style-type: none"> • During ordered quarantine according to IfSG compensation for loss of earnings (plus expenses for private social security) and ongoing, uncovered operating expenses possible • If not under quarantine, but turnovers break away or the business closed regardless: Emergency fund for small and medium sized companies announced to help with leases and rentals

3.	Compensation, insolvency	
3.1	Compensation for loss of orders due to the corona epidemic ("force majeure")?	Whether or not a contractual force-majeure-clause will come into effect in the wake of the Corona crisis depends on certain conditions. Otherwise, each individual case must be considered carefully on its own. The DIHK (German Industry and Trade Federation) recommends that, in the event of current problems or cancellations, you should talk to business partners about a fair settlement for both sides and, if in doubt, seek legal advice from lawyers.
3.2	Regulations in the event of insolvency?	A legal regulation to suspend the obligation to file for insolvency until 30 September 2020 is planned.

<p>4.</p>	<p>Compensation in accordance with the Infection Protection Act (IfSG)</p>	
<p>4.1</p>	<p>Who is entitled to compensation under the IfSG?</p>	<p>Entitlement</p> <ul style="list-style-type: none"> • in the event of a ban on activities or quarantine ordered by the health authorities <p>No Entitlement</p> <ul style="list-style-type: none"> • Parents who are not banned from working and whose children have no childcare facility due to due closed childcare facilities • In case of other, remunerated assignment within the company • For times of sick leave (*) • For trainees <p>* Normal wage continues to be paid by employer in case of illness for max. 6 weeks, with a partial reimbursement by health insurance companies to smaller companies (with up to 30 full time equivalent employees = "FTE").</p> <p>Entitlement includes</p> <ul style="list-style-type: none"> • Compensation for loss of earnings • Reimbursement of ongoing operating costs "to an appropriate extent".

<p>5.</p>	<p>Support measures within tax law</p>	
<p>5.1</p>	<p>How does the government help?</p>	<p>Already on 19 March 2020, the Federal Ministry of Finance (BMF letter) and the supreme tax authorities of the federal states issued identical decrees:</p> <ul style="list-style-type: none"> • Interest-free deferrals of the following types of tax if sales have collapsed due to the corona crisis <i>To be applied for with the tax authorities:</i> <ul style="list-style-type: none"> ○ Income tax (IT) ○ Corporate income tax (CIT) ○ Value added tax (VAT), in our opinion this could also include the deferral of the monthly VAT prepayments • <i>To be applied for with the cities / municipalities (exception: city states):</i> <ul style="list-style-type: none"> ○ Trade tax (TT) • A reduction of advance payments for IT, CIT and TT for the purpose of advance payments can be applied for with the tax authorities (the municipality determining the TT is bound to the tax authorities' assessment of the TT base amount). No extensive evidence should be necessary. • Enforcement measures and late payment penalties are suspended until 31 December 2020 <p>A decree from the Federal Ministry of Finance (BMF-Schreiben) on solutions for submitting VAT and wage tax declarations has been announced (possibly extension of submission deadlines or conversion to quarterly filing)</p>

		<p>In some cases, more far-reaching measures have been taken at the state level (Federal States). In addition to the already outlined measures, the Hessian Ministry of Finance also grants a refund of the special advance payments already made for VAT (1/11) upon informal application. This application for refund should also be made in other federal states in order to use this opportunity.</p> <p>For other types of tax, the competent authorities are also encouraged to provide adequate assistance to taxpayers.</p> <ul style="list-style-type: none"> • Customs administration (e.g. energy tax and air traffic tax) • Federal Central Tax Office (insurance tax)
<p>5.2</p>	<p>Tax audits</p>	<p>Tax audits are interrupted if necessary. In any case, you can expect understanding for longer processing times of inquiries etc.</p>

<p>6.</p>	<p>Measures in social security law</p>	
<p>6.1</p>	<p>Facilitations for companies?</p>	<p>The possibility of deferring social security contributions is in principle already regulated.</p> <p>A deferral is possible if immediate collection is associated with considerable hardship for companies and the claim is not jeopardised by deferral.</p> <p>The decision on deferral is made by the respective health insurance company as the competent collecting agency. The application for deferral could currently fail due to the second requirement, because of the fundamental threat to the existence of many companies right now.</p> <p>Therefore, it is currently being examined by the government whether there will be more far-reaching regulations for the deferral of social security contributions (analogous to previous measures in the case of flood disasters).</p>

7.	Annual financial statements as of 31 December 2019	
7.1	Effects of the Corona crisis on the preparation of the financial statements 2019?	<ul style="list-style-type: none">• although the first corona infections occurred in December 2019, they were still limited to Asia• Expansion of the crisis into a global event did not take place until January 2020, which means that the value-creating event is located in 2020 and thus its effects (formation of provisions, special depreciation, etc.) will likely not yet be taken into account in the annual financial statements as of 31 December 2019

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