

# SMC NEWSLETTER

## CORONA EPIDEMIC

### Response & support for companies by the German government

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Dear Clients and business partners,

All around the globe governments are trying to respond to the COVID-19 (Corona) crisis and are implementing measures. Besides the public health aspect, supporting the businesses that are affected by this sudden downturn of the economy is a major focus.

On Friday, 13 March 2020, the German Federal government (Federal Ministry of Finance and Federal Ministry for Economic Affairs and Energy) announced an extensive package of measures to help businesses and their employees.

Please find that statement attached to this email. Below we would like to outline and summarize the measures taken by the German Federal government to help businesses affected by the current crisis.

#### I) Taxation

- a) Due payments on assessed taxes:  
payment deferrals will be more easily granted  
➔ SMC can support you with the application for payment deferral.
- b) Tax prepayments:  
reduction of prepayments will be more easily granted  
➔ SMC can support you with the application for a reduction of prepayments.
- c) Enforcement measures & late payment penalties  
Enforcement measures and late payment penalties will be waived until  
31 December 2020

We are expecting a Letter Memorandum from the Federal Ministry of Finance shortly with further detailed information and instructions to the tax offices.

#### II) Business loans to provide liquidity

The German government will protect businesses with new measures to provide liquidity, the volume of which is unlimited. In a first step, existing liquidity assistance programs will be expanded to make it easier for companies to access cheap loans. Small and medium-sized enterprises in particular are to benefit from them.

Via your company's house banks you can apply for access to loans and guarantees from the state-owned KfW Bank; the existing programmes are:

- a) KfW-Unternehmerkredit (business loan for existing companies)
- b) ERP-Gründerkredit-Universell (start-up loan for companies that are less than 5 years old)
- c) KfW Loan for Growth (a program aimed at larger companies)
- d) guarantee banks (Bürgschaftsbanken),  
for guarantee banks the guarantee limit will be doubled, to €2.5 million. The Federal government will increase its risk share in guarantee banks by 10%
- e) large guarantee program (parallel guarantees from the Federation and the States)  
The program, which was previously limited to companies in structurally weak regions, will be opened up to companies in other regions as well

➔ The German government will launch additional special KfW programs.

### III) **Reduced hours compensation benefit ("Kurzarbeit")**

Germany has a well-established and well working relationship between employers and employees. Employers and employees (in some businesses represented by a works council) can agree to reduce working hours and compensation ("Kurzarbeit") in a time of need (to avoid layoffs), with the Federal Employment Agency partially covering the gap in the employees' compensation ("Kurzarbeitergeld").

Because of the current crisis the prerequisites for application by companies to this program are lowered from March 2020 onwards:

- Reduction of minimum percentage of employees that need to be affected by reduced hours/pay is lowered down to 10% of overall workforce
- Social security contributions on the government paid benefit ("Kurzarbeitergeld") are completely covered by the government (unlike before)
- Temporary workers are now included in the "Kurzarbeit" benefits
- Waiver of the need for employees to build up a negative working hours account before application

Further regulations and support measures for companies exist if for example a proven case of Corona virus is detected in an employee and parts or the whole company are put under quarantine by government order.

➔ Due to the many applications that are sure to be put in, it is important to prepare a complete application and follow the existing laws (labor law etc.) in order to quickly received the approval for your company.

➔ Henning Riehl ([henning.riehl@schiffmartini.com](mailto:henning.riehl@schiffmartini.com)) will be your first point of contact within SMC if you wish to explore or apply for the option of "Kurzarbeit".

Apart from the federal governments' economic response package from Friday 13<sup>th</sup> 2020, additional measures have since been taken by the Federal States and the municipalities, which might also affect your businesses; such as border closings, mandatory closings for certain businesses or limited opening hours.

We understand and appreciate your need for new information on your options to safeguard your businesses' continued existence. We would like to ask for your understanding that the current situation is highly unusual. The outlined measures are still being implemented and the administrations on the federal, state and local levels are themselves struggling to change their internal operations as well as preparing for the influx of multitudes of applications by businesses for the various support packages. In addition, further measures are already discussed or drafted up by the government (such as deadline/payment extensions for tax filings).

We at Schiff-Martini & Cie. will remain available to you during these challenging times. We will continue to provide you with the newest information as it becomes available.

We hope that all of us will overcome the current situation smoothly and in good health.

For further assistance please contact one of the following advisors:

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**Employment matters**

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