

Consulate General of India

Frankfurt

Report on German Assistance for Financial support to Commercial Establishments

As the world faces the challenges of the COVID-19 crisis, Indian expats in Germany are also faced with the many struggles this crisis has brought. The big and small companies run by Indians present in Germany are faced with financial constraints as is the rest of the world.

The German government has taken several measures to assist individuals and companies in distress. There are financial packages, tax concessions and grants, amongst other measures, made available for helping commercial establishments tide through this situation.

This report is an attempt by the Consulate to provide the information on assistance offered by the Government of Germany and the four states under the Consulate's jurisdiction viz. Hessen, North Rhine Westphalia, Saarland and Rhineland-Palatinate. The attempt has been to highlight the broad policy measures and the major initiatives that companies may find useful, in an easily comprehensible manner.

The information collated here has been taken from sources available in the public domain. The measures mentioned here are not an exhaustive list and only broad guidelines are covered. The information has been collated in good will for easy understanding of people. The Consulate does not certify the veracity of the information presented herewith as per latest rules and positions of the German government.

POLICY MEASURES AND INITIATIVES AT THE GERMAN FEDERAL LEVEL AND STATE LEVEL IN DEALING WITH ECONOMIC IMPACTS OF THE COVID CRISIS

Faced with the COVID crisis, the federal Government of Germany has laid out several measures to help large businesses, medium sized businesses, SME's, start-up's and self employed persons.

The policy measures across Germany have focussed on enhancing liquidity of companies. This is being made possible generally by (i) Making loans cheaper and easily available (ii) Extending aid/grants and (iii) Providing tax concessions/ waivers/ deferrals.

The German Government, in its initial policy framing, had identified four pillars to protect employees and companies. The entire document can be found at the link https://www.bmwi.de/Redaktion/EN/Downloads/a/a-protective-shield-for-employees-and-companies.pdf?__blob=publicationFile&v=3. These policy pillars are summarised in the table below:

Protective Shield for employees and companies- Four Pillars

POLICY OBJECTIVE	INITIATIVE	REMARKS
1. Making reduced hours compensation benefit (Kurzarbeitergeld) more flexible	Eligibility requirements loosened: (i) Reduction of minimum ratio of employees in a company affected by shorter working hours by 10% (from earlier decided ratio of one third to be eligible for the benefits) (ii) Partial or complete waiver of the need to build up a negative balance in working hours (iii) Reduced hours compensation benefit also to be available to temporary/agency workers (iv) Complete reimbursement of social contributions by the Federal Labour office	

- | | | |
|--|--|--|
| 2. Tax Related liquidity assistance for businesses | <p>Federal Ministry of Finance to coordinate with state governments for following measures:</p> <p>(i) Making tax deferrals easier thereby helping taxpayers' liquidity situation.</p> <p>(ii) Making it easier to reduce tax prepayments once it is established that the taxpayers' income in the current year will be lower than in previous year.</p> <p>(iii) Enforcement measures and late payment penalties to be waived till 31st December, 2020</p> | <p>Authorities instructed to make similar concessions in Customs Tax, Insurance Tax and VAT.</p> |
| 3. Making it easier for companies to access cheap loans for liquidity enhancement. | <p>(i) KfW's business loans for existing companies and KfW's ERP loan for start-up's that are less than 5 years old will be loosened.</p> <p>(ii) Threshold of turnover for accessing KfW Loan for Growth (meant for larger companies) to be raised from Euros 2 billion to Euros 5 Billion. Risk assumption to be raised and can be given for project in any field (earlier given only for innovation and digitalisation)</p> <p>(iii) For companies with turnover more than Euros 5 billions, support to continue on case to case basis.</p> | <p>Further support extended by Guarantee Banks and Large Guarantee Programmes. Additional special KfW programmes launched.</p> |
| 4. Cohesion with European Commission | <p>German government to work with European Commission's Corona Response Investment Initiative with volume of Euros 25 Billion.</p> | |

Several programmes have been launched to meet these afore-mentioned objectives. The state Governments are complementing and supplementing the Plans announced at the federal level to make implementation possible on the ground. A nodal authority has been announced by each of the states for this purpose.

To complement the above policy decisions, following programs are also launched by the Government of Germany:

1. Economic Stabilization Fund (Wirtschaftsstabilisierungsfonds, WSF)

The German Government has set up the WSF consisting of ¹:

- EUR 400 billion state guarantees for liabilities, including bonds, notes and loans.
- EUR 100 billion for direct state investments.
- EUR 100 billion for funding from KfW.

The **Eligibility criteria** requires businesses to not have any other financing alternatives; and to not have qualified as a company in financial distress as per EU definition of "companies in difficulty" as of December 31, 2019. Other financing options must not be available to companies. The stabilization measures must provide a clear, independent prospect of continuing after the pandemic has been overcome. This means that, to be eligible, the company must prove that it is likely to continue to operate post the COVID-19 crisis as result of the stabilization measures.

2. Immediate Assistance Programme (Soforthilfe)

The German government has adopted an Immediate Assistance Programme² for micro-entities in all sectors of the economy as well as for self-employed people and members of the liberal professions. This programme will provide one-time grants with as little procedural requirements as possible. These grants are meant to cover rental and leasing expenses in particular along with other operating costs such as loans for business premises. The programme is being implemented via the *Länder*, many of which have set up their own assistance programmes that can be combined with federal assistance. The federal government is making €50 billion available for

1 <https://www.bmwi.de/Redaktion/DE/Coronavirus/WSF/wirtschaftsstabilisierungsfonds.html>

2 <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Priority-Issues/Corona/2020-04-01-immediate-assistance-programme-economic-stabilisation-fund.html>

this immediate assistance. Through the program, the support will reach out to support small businesses, freelancers, and the self-employed.

This federal programme supplements other programmes that have already been adopted by the German states. For this reason, state-level authorities will be responsible for handling all applications – for both federal and state-level programmes – in order to ensure uniform procedures. The states have announced which specific authorities are responsible for processing applications in each respective state in relation to the federal aid.

The federal immediate assistance programme provides for the following grants ³:

(i) For Self-employed persons and businesses with up to five employees - One-time grants of up to €9,000 for a period of three months (grants do not have to be paid back)

(ii) Self-employed persons and businesses with up to 10 employees- One-time grants of up to €15,000 for a period of three months (grants do not have to be paid back)

(iii) The German government has allocated an additional €3 billion to provide self-employed people with easier access to basic income support (Grundsicherung) . This will ensure that self-employed people can support themselves and pay for housing.

While there are some differences in the details of each state programme, the overall approach is similar: the state programmes mainly aim to provide financial aid for self-employed people and small businesses.

An overview for four states under CGI jurisdiction, detailing the basic terms of the respective programme for **Immediate Assistance** in the form of one-time grant are as below:

(I) HESSEN

Emergency Aid⁴:

Available since 30 March 2020 to:

3 <https://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Priority-Issues/Corona/2020-04-01-immediate-assistance-programme-economic-stabilisation-fund.html>

4 <https://wirtschaft.hessen.de/wirtschaft/corona-info/soforthilfe/soforthilfe-fuer-selbststaendige-freiberufler-und-kleine-betriebe>

- Freelancers and businesses with up to 5 employees: EUR 10,000 for 3 months;
- Businesses with up to 10 employees: EUR 20,000 for 3 months;
- Businesses with up to 50 employees: EUR 30,000 for 3 months.

Responsible state authority: Wirtschafts- und Infrastrukturbank Hessen; applications to be filed with Regierungspräsidium Kassel.

(II) NORTH RHINE-WESTPHALIA⁵:

Emergency Aid:

Available since 25 March 2020 to:

- Self-employed and businesses with up to 5 employees: EUR 9,000;
- Businesses with up to 10 employees: EUR 15,000;
- Businesses with up to 50 employees: EUR 25,000.

Responsible state authority: Economic Ministry of NRW

(III) RHINELAND-PALATINATE⁶:

Emergency Aid:

- Instant loans, with a term of 6 years, no instalments before the end of 2022;
- Loan available since 30 March 2020 to:
 - Businesses with up to 10 employees: EUR 10,000;
 - Businesses with up to 30 employees: EUR 30,000 plus additional subsidy of 30%.

Responsible state authority: Economic Ministry of Rhineland-Palatinate

(IV) SAARLAND:

Emergency Aid:

Saarland government started a **new emergency aid programme** available since 15 April 2020 to:

- Businesses with 11-24 employees: up to EUR 15,000;

5 <https://www.wirtschaft.nrw/nrw-soforthilfe-2020>

6 <https://www.pwc.de/de/startups/financial-support-during-the-covid-19-crisis.pdf>

- Businesses with up to 49 employees: up to EUR 20,000;
- Businesses with up to 100 employees: up to EUR 25,000.

Responsible state authority: Economic Ministry of Saarland

3. Apart from the afore mentioned two Programs viz. **Economic Stabilization Fund (Wirtschaftstabilisierungsfonds, WSF) and Immediate Assistance Programme (Soforthilfe)**, as well as the loans made available by KfW Bank, several states have rolled out their own specific initiatives also to assist employees and companies in their jurisdiction. The state of North Rhine Westphalia, for example, is extending NRW.BANK Universal loans both for big companies (with turnover of more than Euros 500 million) and NRW.BANK.Mittelstandskredit for SME's. Similar loans are also being extended by the state of Rhineland-Palatinate.

4. The Government of Germany is constantly trying to expand the outreach and is aiming at making these facilities available to more number of people in much lesser time frame.
