

State aid in Germany to small and medium-sized businesses in the context of the corona crisis

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Information of project - <https://www.uyushma.uz/project>



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The article was written at the request of the partners of the PROMHOUSE project from Kazakhstan, who are interested in what kind of assistance from the state in Germany during the current crisis situation is provided to individual entrepreneurs, small and medium-sized enterprises, which are housing management and service companies (this is one of the central target groups of the project).

The German government is providing financial support to deal with the aftermath of the coronavirus crisis. This decision was made by the leaders of the Christian Democratic Union of Germany (CDU), the Christian Social Union (CSU) and the Social Democratic Party (SDP) during a meeting of the coalition committee in the first ten days of March.

Economic production in Europe will decline markedly in the first half of the year, as in many other countries. This means: less profit, less tax revenue, fewer jobs and the threat of more bankruptcies for private businesses. For small businesses, lost orders can quickly escalate into bankruptcy. In such a situation, individual entrepreneurs - translators, musicians, photographers, artists, alternative medical practices, etc., can be especially quickly affected. Therefore, the German Federal Government allocates 50 billion euros to provide emergency assistance to businesses, including individual entrepreneurs, small and medium-sized enterprises to reduce the negative impact of the crisis - for this, a government package of measures has been developed.¹

What forms of support are there? Let's dwell on the main ones.

When there is a significant slowdown or cessation of sales / services, the government helps with one-off **subsidies** so that entrepreneurs can pay rent and incur other costs. For companies with up to five employees working full time, an amount of up to 9,000 euros is provided. Companies with up to ten employees will receive up to 15,000 euros. This applies to individual entrepreneurs and small businesses. The purpose of this support is not to replace lost sales of goods / services, but to help companies pay recurring costs. Applications are being submitted as early as March 30, 2020 through the Land2 Development Banks (Landesförderbanken). Currently, many land development banks have already started paying lump-sum subsidies.

¹ <https://www.bundesfinanzministerium.de/Content/DE/Standardartikel/Themen/Schlaglichter/Corona-Schutzschild/2020-03-13-Milliarden-Schutzschild-fuer-Deutschland.html>

Fighting coronavirus: Germany's largest aid package ever, Federal Ministry of Finance, (Kampf gegen Corona: Größtes Hilfspaket in der Geschichte Deutschland, Bundesministerium der Finanzen), 27.03.2020

² The Federal Republic of Germany is a federation of 16 states, eg. Brandenburg land, Saxon land ...)

Businesses in distress can benefit from government support through KfW Bank to maintain liquidity. Applications are submitted through a home bank, for example, a bank where the company has an account for current expenses. The first year the borrower has to pay only interest, from the second year repayment begins. The interest rate is set by the bank through which the application is submitted. According to KfW, it ranges from 1% to 2.12% - depending on the credit risk. The Bank estimates this based on the economic situation at the end of 2019. The disadvantages of this support tool are at the moment that KfW does not provide for an interest-free phase, as well as the possibility of free early repayment. If the crisis is overcome earlier, the entrepreneur must pay an early repayment commission to compensate the bank for the interest payments not received.

The slogan is now taken as a principle - help in a crisis situation caused by the coronavirus must be quick!

State-owned banking group KfW ensures simple and non-bureaucratic processing of applications through which government loans are transferred to banks that repay loans to borrowers. To obtain a loan, in addition to the current description of the situation, you must send a calculation of income and expenses and a list of other current loans. KfW does not check the creditworthiness of the borrower, relies on the assessment of the bank that repays the loan, in the amount of up to three million euros - this significantly shortens the procedure. In addition, KfW relieves the bank from current operating costs and from credit risk up to 90 percent, thereby significantly reducing the bank's risk. This is especially important because, following the recent banking crisis, the government introduced stricter conditions to protect banks when granting loans to prevent bank failures. These requirements should not impede lending in the current crisis.

According to the law, it is now determined that due to financial difficulties, no one should lose their office premises, telephone communications and loans. The Law on Mitigating the Impact of the COVID-19 Pandemic in Civil, Insolvency and Criminal Proceedings³ of March 27, 2020 provides that between April 1 and June 30, 2020, it is not possible to terminate the lease if, if there are rent arrears. It is also possible to agree on a deferred payment for electricity, mobile, landline telephone and the Internet. Anyone who cannot pay the current loan is granted a grace period of at least three months. The loan agreement will be extended accordingly.

In addition, if a company affected by the crisis sends its employees to work on a shorter schedule (**Kurzarbeit**), then the Federal Employment Agency takes over part of the salary payments and reimburses social and tax payments. Working on a shorter schedule in an industrial relationship means a temporary reduction in normal working hours at the enterprise due to a significant loss of workload (today this is due to the situation of the pandemic caused by the coronavirus). Working on a shorter schedule may affect all or only some of the employees in the enterprise. Relevant employees work less or not work at all. This tool allows you to avoid dismissal in case of temporary unemployment. German labor law contains provisions that allow an employer to enter work on a shorter schedule and thereby reduce their personnel costs. In order to partially compensate for the loss of earnings, employees are paid benefits.

Abbreviated Schedule Work Allowance (Kurzarbeitergeld) paid by the Federal Employment Agency. Paid to employees in the event of an imminent, temporary loss of employment for economic reasons or an imminent event. At the same time, I emphasize again, jobs are saved and unemployment is prevented.

³ The name of the law is on deu. lang. - Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht vom 27.03.2020

The legislator, in connection with the current situation with the pandemic, decided to facilitate access to the Manual for working on a shorter schedule. The rules are valid from 03/01/2020 and until 12/31/2020.

Key points:

- The Federal Employment Agency pays an allowance for the time that employees do not work - the allowance compensates for up to 60% (with a child 67%) of the average monthly earnings, net of taxes and social security contributions. And the employer continues to pay wages for the time that employees work (if there is still work for part-time employment). For example, an employee continues to work at 20% of the rate, 20% of his normal monthly salary is paid by the employer, for the remaining 80% (lost working time), the employee receives an allowance of 60% (with a child 67%) of 80% of the monthly salary, net of taxes, and fees.
- The right to such benefits exists if at least 10 percent of the employees of the enterprise have a job loss of more than 10 percent..
- 100 percent of social security contributions are reimbursed for lost working hours, saving costs to the employer.
- The allowance can be allocated for up to 12 months.
- Temporary workers who were employed at the enterprise at this time can also switch to work on a reduced schedule and are eligible for benefits.
- If there is a second job in the period from 04/01/2020 to 10/31/2020, the benefit for work on a reduced schedule within the framework of primary (main) employment is not reduced if the benefit + secondary income does not exceed the standard monthly earnings from primary (main) employment, which the employee received before switching to a reduced schedule.

Taxes. Entrepreneurs can ask the tax office to postpone tax claims if they are not feasible for the entity due to the crisis. Upfront payments should be adjusted without red tape if the outlook for the business this year is not good. "The tax authorities have been instructed not to put forward any strict requirements in this regard," said the German government ("Protective shield for employees and companies. A package of measures to mitigate the consequences of the corona virus" - decree of the Ministry of Finance and the Ministry of Economy and Energy of the Federal Republic of Germany) ⁴. There will be no additional fee for late taxes paid.

In **addition to federal support** individual entrepreneurs, small and medium-sized businesses organized support at the land and city levels. For example, in the Brandenburg state, one-off subsidies (see page 1 of this article) provide amounts between 9.000 and 60.000 euros.

The support provided under the new emergency assistance program will be distributed according to the number of employees and will amount to enterprises where they are employed:

up to 5 employees - up to 9,000 euros; up to 15 employees - up to 15,000 euros; up to 50 employees - up to 30,000 euros; up to 100 employees - up to 60,000 euros.

In this article, we have limited ourselves to considering the main forms of support during a crisis.

In this situation, it remains important for small and medium-sized enterprises that financial assistance should be organized immediately and without bureaucratic delays, which will ensure their survival and allow them to successfully overcome the crisis.

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⁴ the name of the law is on deu. lang. - Ein Schutzschild für Beschäftigte und Unternehmen. Maßnahmenpaket zur Abfederung der Auswirkungen des Corona-Virus, Bundesministerium der Finanzen; Bundesministerium für Wirtschaft und Energie

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Endlich hilft der Staat, ein Kommentar von Mark Schieritz, 09.03.2020

<https://www.zeit.de/wirtschaft/2020-03/wirtschaftskrise-corona-virus-staatshilfe-kredite-kfw-insolvenzen>

«Das haut Deutschland überhaupt nicht um». Hat der Staat genug Geld, um die Unternehmen in der Corona-Krise zu unterstützen? Der Ökonom Friedrich Heinemann ist überzeugt, die schwarze Null zahlt sich jetzt aus. Interview: Zacharias Zacharakis, 14.03.2020

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https://www.bmwi.de/Redaktion/DE/Downloads/S-T/schutzschild-fuer-beschaefigte-und-unternehmen.pdf?__blob=publicationFile&v=14

«Ein Schutzschild für Beschäftigte und Unternehmen. Maßnahmenpaket zur Abfederung der Auswirkungen des Corona-Virus», Bundesministerium der Finanzen; Bundesministerium für Wirtschaft und Energie