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COVID-19: Measures Against Economic Impacts

Information on assistance and tips for businesses during the Corona crisis

As the Corona virus pandemic forces people in the US and Europe to stay at home and leaves companies fretting about economic consequences, businesses across the region are wondering what to do about financial commitments, debt and staff.

Below, you will find current information on assistance and tips for companies during the Corona crisis that will be steadily updated:

Measures on the European Level

The European Commission has provided its member states with a temporary framework of aid to support the economy. Among other things, the new framework allows member states to grant subsidies or relief of 500,000€ to companies and to secure loans with state guarantees.

- More information about the EU temporary framework on the website of the European Commission: <https://bit.ly/2QJxkws>

The European Commission also coordinates daily meetings with the **European Health Ministers and Ministers of the Interior**. An initial **package** of measures was announced on 13 March, and further initiatives are being announced almost daily. The EU response includes a combination of direct EU-level financial aid, new legislation, and increased flexibility in the enforcement of EU state aid rules to facilitate the adoption of local member state measures.

- EU Commission Meetings with European Health Ministers and Ministers of Interior: <https://bit.ly/2UBbIJ3>

The main fiscal response to the Corona virus will come from member states' national budgets. EU state aid rules enable member states to take swift and effective action to support citizens and companies, in particular SMEs, facing economic difficulties due to the COVID-19 outbreak.

On 22 March, the European Commission approved two aid schemes with which Germany intends to support its economy following the outbreak of the virus. The schemes notified by Germany were adopted on the basis of the temporary

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framework for state aid to support the economy in response to the current outbreak of COVID-19.

- More information about the European Commission aid schemes: <https://bit.ly/2wCdXOT>
- More information on the EU initial package: <https://bit.ly/33Kq5tn>
- More about state aid framework flexibility: <https://bit.ly/33KqkVj>

Measures in Germany

The federal government is acting resolutely to counter the economic effects of COVID-19. A set of far-reaching measures is to safeguard jobs and support companies. Firms are being furnished with sufficient liquidity so that they can survive the crisis.

On 23 March, the federal cabinet has launched a huge **aid package for business and citizens**. On 25 March, the Bundestag is expected to pass several laws in a fast-track procedure, and also to put into effect an emergency regulation for the debt brake, which will allow the federal government new loans of 156 billion euros. On 26 March, the Bundesrat is expected to vote in favor. Once the Bundestag and Bundesrat have made their decision this week, the self-employed and companies can soon expect immediate aid. **Direct aid of 9,000 euros is planned for companies with up to five employees**. The sum is planned for three months. **Companies with up to ten employees can apply for direct aid of 15,000 euros**.

- More information on the database of the Federal Ministry of Economics and Energy with contact persons or further information on the subject of grants and financing: <https://bit.ly/2Uw8m4K>
- On the website of the **Federal Ministry of Finance** you will find an overview of how companies can take advantage of the Corona Shield program: <https://bit.ly/33V9yTL>

Furthermore, the social security contributions for March and April can be deferred on request without interest and without the provision of collateral. On 27 March, entrepreneurs and self-employed persons would have to transfer the social security contributions for the month of March for their companies to the social security institutions. In an emergency, these could be very high amounts and place an additional financial burden on companies that have run into problems due to the Corona crisis.

Businesses will probably need more time to find solutions to overcome the consequences of the crisis. For this reason, relief is provided for insolvency law in order to avert insolvencies where possible. The currently severely limited

opportunities for meetings can have an impact on the ability of many businesses to act if they prevent important decisions from being made. But associations, cooperatives and condominium owners' associations can also be affected. For this reason, the federal government is taking various measures to ensure the capacity to act and the quorum. Stock corporations can now hold virtual general meetings for the first time.

- You can read more about the package of measures of the federal government: <https://bit.ly/2QLvQSi>
- For the draft law to mitigate the consequences of the COVID-19 pandemic in civil, insolvency and criminal proceedings click: <https://bit.ly/2y88rEh>

The protective shield for employees and companies comprises the following measures in particular:

1. Short-time allowances can be granted on a more flexible basis. It will be easier for companies to obtain such allowances. They are eligible to apply, for instance, if ten percent of employees are affected by a loss of earnings.
2. Companies' liquidity will be improved by means of tax measures. It will be easier to defer tax payments and reduce the amount of advance payments. There will be no foreclosures or late payment fines in cases related to the effects of coronavirus.
3. Companies' liquidity will be protected via new measures of unlimited scope. Existing liquidity assistance schemes, such as KfW and ERP loans, will be expanded and made available to more companies.
4. Economic Affairs Minister Peter Altmaier and Finance Minister Olaf Scholz will also call for coordinated and resolute action at European level. The Federal Government welcomes, among other things, the European Commission's idea of a 'Corona Response Initiative' worth 25 billion euros.

The KfW Special Program 2020 will be in effect from March 23. Applications can be submitted with immediate effect. The funds for the **KfW Special Program** are unlimited. It is available to small and medium-sized enterprises as well as large enterprises. The credit conditions will be improved again.

- More about the German Protective Shield: <https://bit.ly/2Ui3e5f>
- More about the German aid package for business and citizens: <https://bit.ly/3boua9b>
- More about social security contributions: <https://bit.ly/2xpwJci>
- Find the KfW-factsheet: <https://bit.ly/3augYPW>
- More about the KfW Special Program: <https://bit.ly/3aiDtHJ>

Measures in the US

The US administration wants to assemble a **massive stimulus package** aimed at preventing the US economy from plummeting into its worst collapse since the Great Depression, as fears about the coronavirus pandemic brought much of American life to a standstill.

- More about the US stimulus package from Washington Post: <https://wapo.st/3ahncJ>

Republicans and Democrats in Congress agreed on the details of the package

After several days of negotiations, the U.S. government, Republicans and Democrats in Congress agreed on the details of the package, Eric Ueland, a senior representative of the White House, said during the night. Other participants confirmed this.

The package is designed to cushion the impact of the pandemic on the US economy, including one-time payments of \$ 1200 to most Americans, an expansion of unemployment benefits, and a \$ 367 billion program to support small businesses. The hospitals should also receive more money. Details of the deal are not public yet.

It was controversial to what extent large corporations should also be supported with subsidized loans, including the airlines which were badly hit by the crisis. What the agreement looks like on this point is not known yet. Lawmakers are still finalizing the text of the legislation, which is expected to be released later Wednesday morning, according to Eric Ueland, the White House legislative affairs chief.

- More about the package: <https://bloom.bg/3bnQnnL>

Further Information

President Trump signed a **coronavirus relief package** into law that provides paid leave benefits and additional unemployment benefits for US workers. The package, which will take effect by 2 April, includes new federal employee-benefit mandates and offers these provisions for employers:

- Tax credits for businesses with fewer than 500 employees to cover:
 - Two weeks of paid sick leave for employees who have been quarantined, have a sick family member, or have been affected by school closings.
 - Up to three months of paid family and medical leave amounting to two-thirds of regular pay for those employees listed above.

- The option for the Labor Department to exempt businesses with fewer than 50 employees from abiding by the paid leave mandate, if the Labor Department decides the new law could pose an existential threat to the company.

Recently, President Trump also signed a bill that allows the Small Business Administration to issue an estimated \$7 billion in low-interest loans. The US Small Business Administration announced that small businesses with financial burdens caused by the pandemic that don't have credit available elsewhere can be eligible for loans of up to \$2 million with a 3.75 percent interest rate (2.75 percent for nonprofits).

The details are subject to change as congressional leaders and the White House continue negotiating the nearly \$2 trillion package. Republicans and the administration have also resisted demands by Democrats and governors for aid to the states, whose governors have requested \$150 billion to shore up budgets strained by large new costs and plummeting tax revenues.

- More about US Policy Prognosis from Squire Patton Boggs: <https://bit.ly/2xpzWZo>
- Learn more about steps states have taken to address corona virus from the National Governors Organization: <https://www.nga.org/coronavirus/#states>
- More about resources for businesses and employers from the Centers for Disease Control and Prevention: <https://bit.ly/39eaX8V>
- More about county declarations and policies in response to Covid-19 pandemic from the National Association of Counties: <https://bit.ly/2UfBi67>
- More about Disaster Assistance in Response to the Coronavirus for Small Businesses: <https://bit.ly/2Uhopo7>
- More information about what the Fed is doing in response to the COVID-19 crisis: <https://www.brookings.edu/research/fed-response-to-covid19/>