

COVID-19 Briefing - Germany Agrees to Unprecedented Package to Protect Businesses

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On 13 March 2020, the German government agreed on a far-reaching package of measures to protect companies and businesses in the German market. The central message is that the Federal State (*Bund*) and the provinces (*Bundesländer*) have enough liquidity to tackle the crisis and will apply this liquidity in a way that is unprecedented in the history of the Federal Republic of Germany. The measures so far will include:

- Increased amount of loans and guarantees by state owned development banks
- Expansion of export credit guarantees (Hermes covers)
- Tax deferrals and suspensions of related enforcement measures
- Eased conditions for Reduced-Hours Compensation (*Kurzarbeitergeld*) and
- Temporary suspension of the obligation to file for insolvency under certain conditions

LIQUIDITY PROGRAMS AND FEDERAL EXPORT CREDIT GUARANTEES

The liquidity situation of companies and businesses in Germany will be directly improved by way of funding through low-interest loans and state guarantees. Domestic and foreign companies are eligible if the funding is for projects in Germany. German companies or joint ventures with significant German participation are further eligible for funding of projects outside of Germany. The measures will include:

- Eased conditions for existing liquidity programs as well as new liquidity programs of the German state-owned development bank (KfW) for companies with a turnover of up to €5 billion experiencing serious financial difficulties as a result of the COVID-19 crisis
- Case-by-case support for companies with a turnover of more than €5 billion
- More comprehensive guarantee programs through guarantee banks (*Bürgschaftsbanken*) with increased guarantee limits (now up to €2.5 million), accelerated liquidity provisions and increased government backing
- A sufficient budget for federal export credit guarantees (Hermes Covers) to guarantee additional export covers and refinancing

TAX-RELATED LIQUIDITY ASSISTANCE

On the tax side, relief will be granted to companies and businesses in Germany as follows:

- Deferral of tax payments if a collection leads to significant hardship or liquidity problems
- Short term reduction of tax prepayments if, as a result of COVID-19, the income is expected to be lower than in the previous year
- A suspension of enforcement measures without late payment penalties until 31 December 2020 if the inability to pay is a result of COVID-19

REDUCED HOURS COMPENSATION BENEFIT

To reduce the wage cost burden of companies and businesses in Germany affected by the COVID-19 crisis, the eligibility requirements for so called Reduced-Hours Compensation (*Kurzarbeitergeld*) payable by the state will be eased and their scope be expanded in particular by:

- Reducing the minimum threshold of employees affected by reduced working hours from 30% to 10%

- Expanding Reduced-Hours Compensation to temporary/agency workers
- Including social security contributions owed by the employer as compensable costs

TEMPORARY SUSPENSION OF THE OBLIGATION TO FILE FOR INSOLVENCY

Finally, in order to avoid insolvencies of companies or businesses due to temporary liquidity shortfalls as a result of COVID-19, the Federal Ministry of Justice and Consumer Protection announced that it intends to temporarily suspend the obligation to file for insolvency until 30 September 2020 in cases where the insolvency is the result of the COVID-19 crisis and, due to the current exceptional situation, public aid or financing is not available, or restructuring negotiations cannot be completed, within the short mandatory deadline for insolvency applications.

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Please visit Goodwin's [Coronavirus Knowledge Center](#), where firm lawyers from across the globe are issuing new guidance and insights to help clients fully understand and assess the ramifications of COVID-19 and navigate the potential effects of the outbreak on their businesses.

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