

COVID-19: BRIDGING RELIEF/TEMPORARY SUPPORT FOR SMALL AND MEDIUM-SIZED ENTERPRISES



On 12 June 2020, the Federal Cabinet adopted the key points of the bridging relief programme "Temporary support for small and medium businesses that have had to shut down to a significant extent or in full as a result of the coronavirus crisis".

The aim of the programme is to secure the economic existence of small and medium-sized enterprises that have suffered considerable losses of revenue due to corona pandemic measures. Companies, organisations and self-employed persons can apply for interim aid for the months June, July and August 2020.

The main points of the aid programme are outlined below:

ELIGIBILITY

This bridging relief is available to companies and organisations from all sectors of the economy, irrespective of the number of employees, up to a predetermined size. Solo self-employed persons and full-time freelancers in liberal professions, who pursue their profession as their main occupation, are also eligible to apply.

Companies or groups of companies qualifying for the Economic Stabilisation Fund (Wirtschaftsstabilisierungsfonds) are excluded. According to this, there is no entitlement to the bridging relief programme if at least two of the following three criteria are exceeded:

- ▶ a balance sheet total of more than 43 million euros,
- ▶ more than 50 million euros in sales revenues and
- ▶ more than 249 employees on an annual average.

For the assessment the last two financial years before 1 January 2020 that have already been closed in the balance sheet are to be used.

Applications may also be submitted by the non-profit enterprises and organisations concerned, irrespective of their legal status. In the case of these, instead of the turnover, the income (including donations and membership fees) is used as a basis.

Public enterprises are generally excluded from the subsidy.

APPLICATION REQUIREMENTS

This is on condition that the company's business activities had to be discontinued completely or to a significant extent as a result of the Corona crisis. This is assumed if sales in the months of April and May 2020 together have fallen by at least 60 % compared to April and May 2019. If a company was founded after April 2019, the months of November and December 2019 are to be used as comparative months.

The applicant must not have been in difficulty on 31 December 2019 - as per EU-definition.

ABOUT BDO

With over 1,900 employees across 27 different locations, BDO is one of the leading companies for auditing and audit-related services, tax and business law consulting, and advisory services in Germany.

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ELIGIBLE COSTS

Eligible costs are fixed costs which are incurred during the period of eligibility and which are contractually justified or fixed by public authorities and cannot be changed unilaterally. These include, for example, rents and leases, interest expenses, operating licence fees, costs for trainees, expenses for necessary maintenance and servicing, insurance, and expenses for electricity, water, heating, cleaning and hygiene measures. Subsidies are granted depending on the intensity of the decline in sales suffered. The entrepreneur's salary itself is not eligible.

MAXIMUM AMOUNTS OF AID

The bridging relief will reimburse a corresponding proportion of the fixed costs, amounting to

- ▶ 80 % of fixed costs with more than 70 % drop in sales,
- ▶ 50 % of fixed costs in the event of a drop in sales of between 50 % and 70 %,
- ▶ 40 % of fixed costs in the event of a drop in sales of between 40 % and less than 50 %.

The maximum grant is EUR 150,000.00 for 3 months. The maximum subsidy amount is graduated according to the number of employees (cut-off date 29.2.2020):

- ▶ up to 5 employees: EUR 3,000.00 per month,
- ▶ up to 10 employees: EUR 5,000.00 per month,
- ▶ from 10 employees: EUR 50,000 per month.

In the case of affiliated companies, the employees of the individual companies are to be added together.

Maximum support amounts may be exceeded in certain exceptional and duly justified cases.

APPLICATION DEADLINE

The application period for bridging relief (limited funding) ends on **31 August 2020** at the latest. Since 8 July 2020, applications for bridging relief can be submitted by tax consultants, auditors or sworn accountants via a portal set up by the federal government.

Payment is to be made by 30 November 2020.

MISCELLANEOUS

This bridging relief programme is a measure taken on grounds of equity, the granting of which is decided at due discretion, but to which there is no legal entitlement. The bridging allowance is taxable and must be taken into account in the determination of profits in accordance with the general tax regulations.

In the event of an overlap between the eligibility period for emergency aid and bridging relief, any emergency aid already paid shall be credited.

If the company is not continued until August 2020, the subsidies are to be repaid. The subsidies cannot be paid out to companies that have ceased business operations or filed for insolvency.

These remarks are only intended to give a brief overview of the possibility of applying for bridging relief in case of economic difficulties due to the corona pandemic. Further explanations can be found in the Key Issues Paper (Eckpunkt Papier) adopted by the Federal Government on 12 June 2020, which we have linked [here](#) (german language).

The bridging allowance can only be applied for by tax consultants, auditors and sworn accountants via a nationwide online portal. Feel free to contact us if you fear a Corona-crisis related decline in turnover in your company and therefore need to take action.