GERMANY'S GOVERNMENT ANNOUNCES IMPLEMENTATION OF COVID-19 FINANCIAL SHIELD

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The German Federal Government has announced support measures for businesses and employees struggling from the effects of the COVID-19 epidemic. This newsletter focusses on the implementation of a protective financial shield as well as certain additional measures including tax reliefs and a loosening of insolvency filing requirements.

The most important measure being taken for companies facing loss of revenue as a consequence of the coronavirus pandemic is the protective shield. The Finance Minister and the Economics Minister have made it clear that there is no monetary limit to these programmes. At this stage, the Federal Government intends to expand the scope of several existing programmes offered by the state-owned development bank *Kreditanstalt für Wiederaufbau* (KfW) to allow for such assistance. These programmes will be available through a company's principle bank (*Hausbank*).

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In particular, the existing KfW programmes for existing businesses (*KfW Unternehmerkredit*) and for new businesses (*ERP Gründerkredit Universell*) will be expanded to cover businesses with a turnover of up to €2bn. These programmes will allow for working capital loans of up to €200m, which will be 80% guaranteed by KfW. For larger companies, the KfW growth programme (*KfW Kredit für Wachstum*), which originally targeted businesses in the innovation and digitalisation sectors, will now be accessible to businesses from all sectors with a revenue of up to €5bn, with KfW guaranteeing up to 70% of syndicated loans.

The existing large guarantee programme (*Großbürgschaftsprogramm*), under which the federal and state governments co-operated to guarantee working capital and investments loans in structurally weak regions, will be expanded to other regions and allow for guarantees of more than €50m covering up to 80% of the loan amounts. In addition, there are export credit guarantee facilities in place to assist the export industry. The ministers also indicated that new programmes could be implemented to accommodate the impact on businesses of the coronavirus pandemic. Further details have yet to be announced.

Other measures include tax relief such as deferments of payment (*Stundungen*) and a renunciation of enforcement measures and late payment fines (*Verzicht auf Vollstreckungsmaßnahmen und Säumniszuschläge*). Tax prepayments may also be adjusted for businesses facing difficulties.

Furthermore, the Federal Ministry of Justice has announced the suspension of sanctions based on belated insolvency filings until the end of September 2020 (which may then be extended until 31 March 2021). The Insolvency Code requires directors of companies to file for insolvency within 21 days of becoming illiquid or over-indebted (with the risk of a personal civil and criminal liability of the director). This filing obligation can now be suspended if the threat of insolvency results from the impact of the pandemic and the business has a reasonable prospect of restructuring as a consequence of applications for public funding or financing or restructuring negotiations. Precise criteria as to an insolvency being caused by COVID-19 and the interpretation of the prospect of restructuring have not been announced yet.

On a pan-European level, the European Investment Bank Group has announced that up to €40bn will potentially be available at short notice, which will be backed up by guarantees from the European Investment Bank Group and European Union budget. Details will be announced shortly.

Should you need assistance applying for liquidity loans or in insolvency-related matters please do not hesitate to contact Watson Farley & Williams. We gladly offer our support in these complicated times.

Please click **here** to read our latest article on the effects of the pandemic on employment issues in Germany (in German).

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