# Measures to mitigate the economic impact of the COVID-19 outbreak

## National measures

**ITALY**

**Measures taken by the Italian government**

The Italian Government has issued two decree laws. The first is a health emergency measure and the second involves some early measures for the enterprises of the “red zone” in the regions of Northern Italy. A third decree is on the way with structural measures for the boost of the economy, which is still pending and waiting for approval from the European Commission.

The measures destined to SMEs in the second law decree are:

* Extension of deadlines for the 2020 pre-filled tax return.
* Suspension of the time limits for payment of the loads entrusted to the collection agent.
* Suspension of the time limits for the payment of social security contributions and compulsory insurance premiums.
* Suspension of payment terms. For example: a) until 30 April 2020, the deadline for payment of the annual fee for Chambers of Commerce.
* Suspension of withholding payments, contributions and premiums for the tourism-hotel sector.
* Special rules on ordinary income support fund and ordinary cheque. Compensation for self-employed workers of € 500 for a maximum of 3 months.
* SME Guarantee Fund. The intervention is free of charge and to the maximum extent currently allowed by national and EU regulations (80% direct guarantee and 90% reinsurance) for a period of 12 months and for a maximum amount guaranteed per company of € 2.500.000.

**What organisations ask/do**

There is a **need for interventions that can support and relaunch productive activities** when the health emergency is over. In particular:

* Instruments for intervention on the labour market aimed both at tackling the emergency through **adequate funding for social security benefits** and at **stimulating employment**;
* Tools to **address the liquidity shortage of SMEs**;
* Effective tools to **compensate the self-employed** and **support measures for enterprises**;
* Relaunch of Public Investment by ensuring the rapid and widespread **start of construction sites** already planned and by speeding up work to **amend the Code of Public Contracts**;
* Launch of an investment plan for public works with a territorial impact, favouring the use of so-called **0-km businesses**, with simplified access procedures for contracts worth less than €200,000;
* Facilitation of payments by the Public Administration, including through advances to local liquidity institutions through the intervention of public funding and resort to universal **compensation of debts and receivables**;
* Reprogramming of EU resources 2021-2027, giving priority to the intervention of the National Operative Programmes aimed at increasing the attractiveness of the territories;
* Acceleration of Green Deal policies and **support to digitisation**, especially in accompanying smaller companies to **e-commerce** platforms, in addition to actions aimed at reshoring relocated activities;
* Fiscal and administrative simplification that hampers business activity since the cancellation of the rule that introduced joint and several liability of principals on withholding tax for employees of contractors and subcontractors;
* Allocation to companies located in the areas concerned, which in the period from 21 February 2020 until the end of the containment measures have suffered a decrease in turnover compared to the median value of the corresponding figure for the three-year period 2017-2019, by up to 100% of the aforementioned decrease.
* Creation of Urban Free Zones for the territories affected by the health emergency.

**GERMANY**

**Measures taken by the German government**

The federal government already adopted a plan of measures on Sunday 8th March, including simplified regulations and higher financial support for short-time work.

**What organisations ask/do**

It is important that the companies do not go bankrupt as a result of Corona and are financially relieved. In addition, however, credit assistance and guarantees as well as tax relief are needed to offset the shortfalls on the revenue side

Possible starting points for economic policy:

Proclamation of an immediately applicable moratorium on additional financial and administrative burdens for companies!

Implement the easing of short-time work compensation in a timely manner; the planned Work of Tomorrow Act (coming into force in June 2020) comes too late to cushion possible corona effects. The following measures are to be implemented:

* Reimbursement of the social security contributions currently borne solely by the employer during short-time work i. 50 % to 100 % (e.g. from the seventh month, and in the case of further training),
* Legally regulated waiver of the build-up of negative working balances prior to the introduction of short-time work,
* Easier access to short-time work by lowering the quorum,
* Facilitated re-application after a short interruption of short-time work.
* Simplified application procedure, especially for small companies.
* Extension of the period of entitlement to short-time work compensation to up to 24 months should be considered if it becomes apparent that KuG is to be used for a longer period of time due to corona-related work absences.

Reducing the burden on employers with regard to contributions to statutory health insurance by suspending the parity-based financing of contributions for a limited period. The employer's share of the additional contribution of 0.55 percent on average could be replenished by tax revenues. A rough estimate of this would have resulted in a relief effect of € 500 million per month for the economy; a rough estimate of € 100 million of this would have been for employers in the craft trades.

Alignment of the framework conditions for trainees with those for students in health, nursing care and accident insurance. Vocational training is very cost-intensive for companies.

Extension of the submission and payment deadlines for tax returns and advance VAT returns and a generous deferral arrangement for tax payments because this would provide companies with short-term liquidity.

Retroactive reduction of income and corporation tax rates and abolition of the solidarity surcharge as of 1 January 2020, in particular for all companies and corporate forms. On the one hand, this would stimulate the economy and provide companies with urgently needed liquidity.

Short-term improvement of depreciation conditions, e.g. by introducing, if necessary also temporarily, digressive depreciation for movable assets.

The need for a fundamental reform of corporate taxation must not be lost sight of if Germany is to remain competitive as a business location.

Credit and guarantee programme (guarantees, special Kfw programmes, facilitation of guarantees, etc.). During the financial and economic crisis, the following very successful measures were implemented to support guarantee banks:

* Raising the upper limit for guarantees to € 2.5 million (2009: € 2 million) what will enable guarantee banks to help existing companies that already have guarantees and whose financial circumstances are therefore known, quickly and without problems in the crisis if the normal standard amount of €1.25 million is exceeded.
* Increase of the counter-guarantee ratio of the German Government by 10 % to 49 %. A higher counter-guarantee increases the leverage and enables the guarantee banks to shoulder the risks that are difficult to assess during the crisis more easily.
* Acceleration of decisions (personal competence). In a crisis situation, the craftsmen/SMEs must be helped quickly and without bureaucracy. As the guarantee banks bear a significant part of the risk, there is no moral hazard problem.
* All the above measures must be implemented without delay. In addition, the existing restriction that guarantee banks may only have 35 % of working capital financing in their portfolio would have to be suspended for the times of the crisis. In addition to collateralisation with guarantees, a short-term liquidity requirement for working capital can also be covered by the KfW Entrepreneur Loan and the ERP Start-up Loan, considering the possible streamlining of the underlying procedures.

**BELGIUM**

**Measures taken by the Belgian government:**

- All of these measures are designed, on the one hand, to enable the affected companies to place their employees on temporary economic unemployment in order to safeguard employment and, on the other hand, to provide for arrangements for spreading, deferring and exemption from payment of social security contributions, withholding taxes, for companies and the self-employed.

- Temporary unemployment due to force majeure will be extended by three months, until 30 June 2020. It may also be invoked pending recognition of the status of company in difficulty. Temporary unemployment benefits - both for economic reasons and force majeure - will be increased from 65 to 70% for a period of three months in order to limit the loss of income suffered by the workers affected.

- Covid-19 will be able to be invoked to obtain amicable payment deadlines for the first and second quarters of 2020.

- To the extent that the taxpayer can demonstrate that he or she has payment difficulties related to the coronavirus, it will be possible to request a deferral of payments for personal and corporate income tax.

- For all federal government contracts, and provided that it is demonstrated that the delay or failure to perform is due to Covid-19, the Federal Government will not apply penalties or sanctions against contractors, companies and self-employed persons.

**What organisations ask/do**

* delayed payments of corporate tax, delayed payments of social contributions, temporary unemployment due to unforeseen circumstances (is less burocratic and cheaper for enterprises than the economic unemployment measures taken by the government), correct provision of information to employers and employees about the possible measures.
* Organisations have a 24/24 helpline and a chatbox for members with questions.
* As there is from 14/3 onwards a partial lockdown in Belgium : request for the creation of a disaster fund for horeca, tourism sector, retail and amusement sector.

**FRANCE**

**Measures taken by the French government**

The application of support measures on a case-by-case basis to businesses that would meet with serious difficulties, in particular :

* The postponement of social and/or fiscal payment deadlines (URSSAF, taxes) ;
* If necessary, a plan to spread the debts with the support of the State and the Banque de France;
* Obtaining or maintaining a bank credit via Bpifrance, which will guarantee all cash loans that businesses may need because of the epidemic;
* The financing of employees through the temporary unemployment scheme (chomage partiel);
* Support in dealing with conflicts with customers or suppliers;

The State considers Coronavirus a case of “force majeure”. This means that for all State public procurement contracts, penalties for delays will not be applied.

Ministers called on the major contractors to show solidarity with their suppliers and sub-contractors who may find it increasingly difficult to obtain supplies and to respect the delivery deadlines.

The provision of all useful information on the business and logistical situation in the different Chinese provinces.

Acceleration of approval procedures in certain sectors for new sources in the supply chain, in particular for the construction or chemical sector in order to help diversify their sources of supply while respecting social standards, environmental and European.

The launch of a reflection on the security of supplies for certain sectors strategic sectors, such as the automotive industry, in order to make them more independent from their supplies from overseas.

**What organisations ask/do**

* the French government to consider covering operating losses incurred by craft, commercial and liberal enterprises, if necessary through insurance companies.

**CROATIA**

**What organisations ask/do**

Some of the measures considered helpful are delay for payment of taxes and social contributions, technical unemployment. If the CORONA-virus epidemic is going to last longer, some legislative measures on national level will be necessary to help crafts to recover.

**SPAIN**

**Measures taken by the Spanish government**

The Government has published a Guide with preventive measures to cope with the virus within the work environment.

**What organisations ask/do**

Significant measures deployed by the Spanish government such as the ERTEs, the application of telework or the exemption of social contribution to business forced to shut down -while workers are not losing their own social contributions- can help enterprises to cope with this issue.

**CYPRUS**

**Measures taken by the Cypriot government**

The attention is mostly focused on the strategy for tourism. Organisation of campaigns on attracting last minute visitors in the short term and more longer term campaigns promoting the advantages of Cyprus as an open destination where trains are not used and where large gatherings of people do not take place.

**What organisations ask/do**

* support to companies that might face serious or even viability problems as a result of the corona-virus but also other measures, including state-aid if necessary.

**AUSTRIA**

**Measures taken by the Austrian government**

The Austrian government has not presented specific measures. General measures are accessible to SMEs (currently governmental emergency default liabilities and subsidies short-time work)

**FINLAND**

**Measures taken by the Finnish government**

There has been no need for special measures in Finland so far.

**What organisations ask/do**

Where necessary, it may be justified to maintain domestic demand, for example by reducing taxation. So far, however, there is no justification for this.

## European measures

### Commission

* Coordination team
* Use of all possible flexibility of Stability and Growth Pact
* Corona Respond Initiative – for 37 bn investments
* Including 1bn budget guarantee for 100.000 SME/small mid-cap to provide liquidity
* State aid: fast track approval, 7/7 hotline to provide advice and templates with schemes which work
* Preparing Temporary Framework for State aid, if it becomes necessary
* State aid: allowing extended support by using Art 107 (2) b – extraordinary circumstances
* Ensuring bank lending by allowing capital relieve in banks
* Funding H2020 reoriented towards research virus

### ECB

* Support buying SME loans from banks
* Extending Bond buying programme by 120 bn until the end of 2020.

### EIB

* Increase financing for health sector

**What our organisations ask to do**

SME organisations welcome the Commission’s general response to the Corona virus emergency, in particular the flexibility allowed in the application of the Stability and Growth Pact rules.

In addition our SME organisations ask for:

* The EU should also react and support the emergency situation through a coordinated fiscal stimulus package focused on our common sustainable growth goals and a temporary relaxation of the fiscal rules if necessary.
* More liquidity should be granted to SMEs through specific instruments that allow micro, small and medium enterprises to recover from the situation and possibly see new opportunities to boost their business activity in the aftermath of the Coronavirus outbreak.
* Further solidarity of the EU countries is needed, together with an action plan at EU level to enhance coordination among Member States to face the emergency jointly.
* An increase of funds for research of the virus is necessary to make sure that the EU is provided with a consistent and future-proof research framework.
* The necessary medical equipment, such as test kits, masks and breathing equipment, should be produced within the EU and made available to all Member States.
* A stronger support for health workers fighting the Coronavirus is needed at European level, to show that the EU is solid and united against the emergency and that it puts any means at its disposal in the hands of the health providers.
* Extension of non-performing-loan rule to 180 days (finance).
* Compensation payments for losses related to the current crisis
* Provision of reliable information to avoid spreading panic and irrational behaviors.

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