

Details on KfW - Loans & measures for micro-enterprises and the self-employed

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The *Kreditanstalt für Wiederaufbau* (KfW), which provides emergency loans to companies, the self-employed and freelancers, has announced further details. The Federal Cabinet has also launched a package of measures for micro-enterprises and the self-employed.

a) KfW - loans

The *Kreditanstalt für Wiederaufbau* (KfW) provides emergency loans to companies, self-employed and freelancers. The prerequisite is that the economic difficulties must have occurred after 31 December 2019 and due to the corona pandemic.

If a loan for investments and working capital is applied for, KfW assumes part of the risk of the house bank, thus increasing the chances of a loan commitment. In case of loans to "large" companies, KfW assumes up to 80% of the risk. A "large" enterprise is defined as one with more than 250 employees, a turnover of more than EUR 50 million or a balance sheet total of more than EUR 43 million. For loans to small and medium-sized enterprises the risk assumption is even up to 90 %.

KfW's risk assumption can be taken up by enterprises that have been active on the market for more than five years (KfW Entrepreneur Loans). Companies that have been active on the market for at least three years (ERP Start-up Loan - Universal) can also benefit from the risk assumption. Companies that have been active on the market for less than three years can still apply for a loan for investments and working capital. However, the prerequisite in these cases is that the house bank bears the entire risk.

Each group of companies can apply for a loan of up to 1 billion Euros. However, the maximum loan amount is limited to:

- 25 % of the annual turnover in 2019 or
- twice the wage costs of 2019, or
- the current financing requirements for the next 18 months for small and medium-sized enterprises or 12 months for large enterprises, or
- 50 % of the total debt of your company for loans exceeding 25 million Euros.

We refer to the following website and document for further information:

<https://www.kfw.de/KfW-Konzern/Newsroom/Aktuelles/KfW-Corona-Hilfe-Unternehmen.html>

https://www.gkkpartners.de/files/news_sync/gkk/downloads/faktenblatt-kfw-sonderprogramm.pdf

(b) Corona emergency aid for micro-enterprises and sole proprietors

On 23 March 2020, the Federal Cabinet adopted the key points for immediate financial aid for micro-enterprises from all sectors of the economy as well as for the self-employed and members of the liberal professions with up to 10 employees. The subsidy is intended to secure the economic existence and bridge acute liquidity constraints (i. a. caused by current operating costs such as rent, loans for business premises, leasing instalments, etc.). A prerequisite is that the economic difficulties must be the result of the Corona crisis. Micro-enterprises or solo self-employed persons who have already fallen into economic difficulties before 11 March 2020 will not benefit from the emergency aid.

The emergency financial assistance measures can be summarized as follows:

- Up to EUR 9,000 one-off payment for 3 months for up to 5 employees (full-time equivalents)
- Up to EUR 15,000 one-off payment for 3 months for up to 10 employees (full-time equivalents)
- If the proprietor reduces the rent by at least 20 percent, the possibly unused subsidy can also be used for two further months.

The subsidy may be cumulated with other aid in connection with the Corona pandemic. The immediate financial aid is a taxable subsidy, i.e. this subsidy will be taken into account in the tax assessment for income or corporate tax in the current year with an effect on profits.

The respective federal states or municipalities will approve the applications.

We refer to the following website for further information:

https://www.bmwi.de/Redaktion/DE/Downloads/E/eckpunkte-corona-soforthilfe.pdf?__blob=publicationFile&v=4

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