

COVID-19: Information on the Corona Hilfsfonds (relief fund)

The government has prepared another package of measures, as Austrian companies have urgently demanded additional relief measures to support them in coping with the coronavirus crisis. For the new Corona-Hilfsfonds (corona relief fund), EUR 15 billion are made available in addition to the previous instruments **to cover liquidity requirements** and **later also to cover overheads**. The aim is to ensure the economic existence of many companies that are hit particularly hard by the measures for the containment of the coronavirus, and to save jobs in doing so.

The Corona-Hilfsfonds comprises

- **guarantees by the Republic of Austria** for the collateralisation of working capital credits, on the one hand, and
- **direct subsidies** to cover overheads, on the other hand.

Business enterprises taking up such a loan to ensure their liquidity will receive the subsidy by not paying back part of the loan. Business enterprises that do not require any liquidity aid, but nevertheless incur losses that are a prerequisite for the subsidy, may equally apply for a subsidy.

Business enterprises having their **business location and business operations in Austria** and whose Austrian location is in **need of liquidity** may submit their applications to the relief fund. Public limited companies must additionally limit the bonuses paid to managing board members to a maximum of 50% of last year's bonuses and must not effect any dividend payments from 16 March 2020 until 16 March 2021.

1. Credit guarantee

Entrepreneurs particularly hard hit by the COVID measures, who have liquidity problems, may assert claims to the liability of the federal government. The guarantee of the Republic of Austria in the amount of 90% of the principal serves to collateralise working capital credits to cover the actual financial needs of companies in Austria. The upper limit of the collateralised loan amounts to **3 monthly sales** or **EUR 120 million**, with increases only being possible in justified exceptional cases. The credit will bear **interest** at a maximum rate of **1%**, and depending on the size of the company and the term of the guarantee, **guarantee fees of 0.25% to 2%** will be incurred. The term of the loan amounts to **a maximum of 5 years and may be extended by another 5 years**. The lender of these working capital credits is the company's relationship bank, who will also bear the remaining 10% of default risk.

Applications can probably be submitted **as of 8 April 2020 to the relationship bank** and must substantiate the requirement of liquid funds due to the coronavirus crisis. Applications submitted in full are reportedly going to be approved and processed within 7 workdays. Therefore, disbursements are meant to be effected from 15 April onwards.

2. Fixed cost allowance

The allowance to cover any overheads incurred in the course of operations in Austria will be paid to companies having suffered a **loss in sales of at least 40%** in 2020 due to the coronavirus crisis. The allowance may be applied for up to a **maximum amount of EUR 90 million** for the following costs, among others:

- Rental fees
- employer's salary in the amount of EUR 2,000 per month in accordance with the hardship fund (Härtefall-Fonds)
- Contractual payment obligations required for the company's operations
 - for electricity,
 - gas,
 - telephone,
 - Internet,
 - leasing instalments,
 - licence fees,
 - insurance premiums
 - and the like, as well as for the
 - costs of perishable or seasonal goods subject to a deterioration of at least 50% due to the measures to fight the coronavirus.

However, companies must take all reasonable measures to preserve jobs and to reduce overheads to a minimum, such as claiming deferments of interest expenses or deferments or reductions of payment obligations or rental fees.

At the end of the business year, depending on the actual decline in sales, the **non-repayable, tax-exempt allowance** will be granted – either as part of the credit or regardless of the same – if the fixed costs exceed EUR 2,000 within 3 months.

The fixed cost allowance is staggered, and depending on the loss in sales of the business enterprise, the federal government will pay the following **allowances**:

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|---------------------------|-----|
| ■ Loss in sales 40 – 60% | 25% |
| ■ Loss in sales 60 – 80% | 50% |
| ■ Loss in sales 80 – 100% | 75% |

Companies with more than 250 employees (as at 31 December 2019), if they have laid off any of them instead of resorting to Covid-19 short-time work, as well as companies in the financial and insurance sector are **excluded from receiving an allowance**. Moreover, only those are eligible to be granted the allowance that were healthy companies prior to the crisis.

Applications may be **registered as of 15 April 2020 until 31 December 2020** via the online tool of the AWS. The complete application must be submitted by 31 August 2021 and must include a presentation of fixed costs actually incurred as well as the loss in sales actually incurred. Prior to filing the application, the information contained therein must be checked and confirmed by the tax advisor or certified public accountant.



The **allowance will be disbursed** after determination of the loss, i.e. after the end of the business year and after submission of the confirmation by the tax advisor or certified public accountant.

The allowance itself is not subject to tax, but will reduce deductible expenses.

Further information and clarifications are to be expected from the guidelines yet to be published.

Stay safe and healthy!

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