

# Covid-19: German Federal Support Measures

Info sheet on important Federal measures to support the German economy during the Covid-19 crisis.  
(Updated version as of December 2020)

The Federal Government has decided on numerous state aid measures to overcome the Corona crisis. They concern small and medium sized companies as well as large ones, but also the so-called solo-self-employed and many more who are economically affected by the Corona crisis. In total, the "Corona Aid" for commercial and professional enterprises is the largest aid package in the history of modern Germany. In addition to loans and recapitalizations, it also includes sureties, grants and tax incentives as well as measures targeted at keeping unemployment rates low: Policymakers have expanded and made more flexible options for receiving short-time working benefits. At its peak, almost six million employees in around 600,000 companies were working short-time.

As the pandemic evolved, so have the measures taken by the German government. After an initial aid package in March, the government adopted an economic stimulus package consisting of 57 individual measures. It is divided into the so-called "economic stimulus and crisis management package" (130 billion EUR in volume) and the "future package" (50 billion EUR in volume). According to estimates by the German Federal Ministry of Finance, all measures in sum are likely to additionally burden the public budget with almost 230 billion EUR in the next two years alone. However, the funds made available have so far been far from exhausted. For example, to date, KfW has approved more than 100,000 loans totalling around 47 billion EUR from its entire special programs - largely to SMEs.

In addition, the federal and state governments pledged to provide guarantees of around 650 billion EUR as well as contingent liabilities that could arise from the unlimited provision of liquidity to businesses and companies via the federal government's guarantee framework (an estimated 822 billion EUR). In order to stabilize the German export industry, the Federal Government is also assuming the risk of non-payment in domestic and foreign supply relationships of German companies with a protective shield for supply chains and trade credit insurance with a volume of 30 billion euros until mid-2021.

After a second so called "Bridging Aid" program lasting from September thru to December 2020, the German Federal government in November 2020 adopted the "Bridging Aid III" program comprising more than 11 billion Euro per month for companies and solo self-employed people, lasting from January to June 2021, as well as a special November and December 2020 packages with another 30 million EUR in funds. This budget was granted in order to

make up for income losses and support the culture and events sectors. For 2021, the German government has also budgeted around 334 million EUR for pandemic management and preparedness.

At the EU level, there also have been made huge efforts to combat the pandemic and resulting crisis. For example, the EU launched a [Coronavirus Response Investment Initiative](#) (CRII) with a total volume of 37 billion EUR especially targeting the following sectors: health care, SMEs and employee support. Since 1<sup>st</sup> April, the application of rules for faster and more flexible use of EU cohesion funds is in place. This applies retroactively to expenditures that Member States have made and continue to make since February to combat the crisis. Last, but not least, the EU leaders in July agreed on an unprecedented stimulus package worth 750 billion EUR, with 390 billion EUR of grants and 360 billion EUR of low-interest loans.

This info sheet provides a brief overview of the federal measures to support the German economy as well as a selection of links to inform employees and interested groups in various languages.

### **For all companies, businesses, self-employed persons, associations and institutions directly affected by the temporary closures adopted on 28 October 2020 (November & December aid)**

- For each week of closures, subsidies of 75 percent of the average weekly turnover in November and December 2019 will be granted. Solo self-employed persons can alternatively use the average weekly turnover in 2019 as a basis.
- Eligible are also affiliated companies if more than 80 percent of their total group-wide turnover is accounted for by companies directly affected.
- Eligible are also companies that work indirectly for a company directly affected by the closure orders, if demonstrably and regularly 80 percent of their income is coming from that affected company.
- If a company achieves sales in November despite closing in principle, these are not taken into account up to 25 percent of the comparative sales. A special rule applies to restaurants that sell food “to go”.
- The "restart aid" as part of Bridging Aid III allows solo self-employed people to apply a one-time flat rate for operating costs amounting to 25 percent of the comparative turnover. They receive a one-time amount of up to 5,000 EUR as a subsidy (starting December 2020).
- The financial volume of December aid is expected to amount to approximately 4.5 billion EUR per week of funding.

### **For small companies, self-employed and start-ups**

- Supplemented by financial programs in the federal states to varying degrees 7.5 billion EUR for facilitated access to basic security of self-employed workers.
- Low-interest loans via the KfW reconstruction bank (the Federal Government takes over up to up to 100 percent of the default risk).
- 2 billion EUR for public venture capital investors for financing rounds for start-ups.
- Postponement of the due date for import VAT to the 26th of the following month.
- KfW low-interest loans can now be used by enterprises with up to 10 employees (up to 300,000 EUR).
- The restart assistance is not to be credited against benefits of the basic security.
- Depreciation of assets is recognized as eligible costs up to 50 percent.

### **For medium-sized and larger companies**

- Low-interest loans through the KfW.
- Fast loans are also possible, where the Federal Government bears the default risk (maximum 500.000 EUR for 11 to 49 employees, from 50 employees maximum 800.000 EUR).
- Economic Stabilisation Fund with 600 billion EUR, thereof 100 billion EUR for capital measures and equity investments and 400 billion EUR in liquidity guarantees.
- Modernization of corporation tax law, including a model for partnerships to opt for corporation tax

- Extension of the tax loss carryback: to a maximum of 5 million EUR for 2020 and 2021.
- In general: with 30 percent loss of income, up to 40 percent can be substituted; with 50 percent or more loss of income, up to 60 percent can be substituted, and 70 percent or more loss of income can be substituted up to 90 percent.
- The catalogue of eligible costs is extended to include structural modernisation, renovation or conversion measures for hygiene measures up to 20,000 EUR. Marketing and advertising costs are eligible up to a maximum of the corresponding expenditure in 2019.
- The industry-specific fixed cost regulation for the travel industry will be extended. The previous limitation to package tours is removed.
- Maximum monthly subsidy per enterprise is quadrupled from currently 50,000 EUR to up to 200,000 EUR.
- Companies in the event and cultural sector can claim downtime costs for the period March to December 2020. Both internal and external cancellation costs are eligible.

### For employees

- Extended short-time allowance: This instrument proved to be a key support for employment during the financial crisis of 2008/2009, and it continues to play a key role now. Companies can partially compensate for loss of work and loss of pay. The Federal Employment Agency pays 60 percent of the lost wages or 67 percent for households with at least one child (if short-time work must be continued for more than three months, the allowance is higher).
- Simplified access to basic security without a financial audit and in addition to the child supplement.
- Guarantee that social security contributions will not exceed 40 percent until the end of 2021 Partial compensation for loss of earnings due to childcare.
- Relief contribution for single parents will be increased for a limited period of 2 years from the current 1,908 EUR to 4,000 EUR for the years 2020 and 2021.
- Bonus payments due to the Corona crisis are tax-exempt up to 1,500 EUR.
- Parental allowance months in systemically important occupations can be postponed.
- One-time child bonus of 300 EUR for each child (up to a certain income).
- The VAT rates will be reduced from 19 to 16 percent and from 7 to 5 percent. The reduced rates are to apply as early as 1st July and are limited until 31st December 2020.

### For the health system

- Central procurement and domestic production of protective equipment for hospitals and medical practices.
- Around 2 billion EUR for more intensive care beds in hospitals and the procurement of ventilation equipment.
- "Fe" to promote the necessary investments, both in terms of modern emergency capacities, as well as a better digital infrastructure of the houses for better care, process organisation, communication, telemedicine, robotics, high-tech medicine and documentation (financial requirements: 3 billion EUR).
- 2.8 billion EUR as compensation for postponed treatments.
- Another 55 billion EUR for not yet defined measures planned.
- A programme to promote flexible and, in the event of an epidemic, scalable domestic production of key pharmaceuticals and medical devices. (Financial requirements: 1 billion EUR).

### For more: selection of English and other language websites providing information about current regulations on the Corona crisis in Germany

<p><b>Federal Government</b></p>	<p>This is what the Federal government is doing to combat the spread of the coronavirus. Read in this ticker the most important facts about the current measures.</p> <p><a href="https://www.deutschland.de/en/news/german-federal-government-informs-about-the-corona-crisis">https://www.deutschland.de/en/news/german-federal-government-informs-about-the-corona-crisis</a></p>	<p>DE, EN</p>
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<b>Federal Ministry of Finance</b>	<p>The Federal government set up a protective shield for citizens, jobs and the economy in order to be prepared for all the social and economic effects of the coronavirus crisis. This dedicated page explains how the protective shield will help.</p> <p><a href="https://www.bundesfinanzministerium.de/Web/EN/Issues/Priority-Issues/Corona/corona.html">https://www.bundesfinanzministerium.de/Web/EN/Issues/Priority-Issues/Corona/corona.html</a></p>	DE, EN
<b>Federal Integration Commissioner</b>	<p>The Federal Government provides information on current regulations on the Corona virus in various languages.</p> <p><a href="https://www.integrationsbeauftragte.de/ib-de/amt-und-person/informationen-zum-coronavirus">https://www.integrationsbeauftragte.de/ib-de/amt-und-person/informationen-zum-coronavirus</a></p>	Various Languages
<b>Federal Centre for Health Education</b>	<p>Besides hygiene routines, this page also provides leaflets and information graphics for free download.</p> <p><a href="https://www.infektionsschutz.de/coronavirus/informationen-in-anderen-sprachen.html">https://www.infektionsschutz.de/coronavirus/informationen-in-anderen-sprachen.html</a></p>	Various Languages
<b>Handbook Germany</b>	<p>This page puts together all relevant information for those who are new in Germany in seven languages. One can find out what state aids have been offered for those hit with the economic impact of the pandemic.</p> <p><a href="https://handbookgermany.de/de/live/coronavirus.html">https://handbookgermany.de/de/live/coronavirus.html</a></p>	Various Languages