

Germany Introduces Fixed Cost Support for SMEs

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Original post [here](#).

On [June 12](#), the German government's executive cabinet provided new details on the EUR 130 billion (USD 146 billion) round of fiscal stimulus measures meant to support the economy during the COVID-19 pandemic. The measures include a EUR 25 billion fixed-cost subsidy scheme for small and medium-sized enterprises (SMEs).

The [fixed-cost subsidy scheme](#) is available to businesses that experience a sales decline of at least 60% in April and May of 2020 compared to the same period in 2019. Non-public companies across all sectors are eligible, including nonprofit organizations.

The aid is provided in the form of a grant that is available for a maximum of three months. The grants reimburse a portion of fixed costs that a company incurs between June and August. These grants will be required to be repaid if the company ceases operations before August 2020. Companies can apply for aid through August 31.

Funding can be used on a broad range of fixed costs. These include rent and lease costs, interest expense on loans, financing costs for leases, utility expenses, maintenance costs for fixed assets, property taxes, insurance, licensing fees, training expenses, tax consultant or auditor fees for aid applications, and other personnel expenses that are not covered by [short-time compensation](#), or Kurzarbeit.

The maximum funding available to a firm is EUR 150,000. Reimbursement rates are based on the percent decline in revenue:

- 80% reimbursement of eligible fixed costs for firms with a decline of 70% or more
- 50% reimbursement of eligible fixed costs for firms with a decline between 50% and 70%
- 40% reimbursement of eligible fixed costs for firms with a decline between 40% and 50%
- Companies with up to five employees can receive up to EUR 9,000 for three months, and those with up to ten employees can receive up to EUR 15,000 for three months. The maximum reimbursement for firms with up to five or ten employees can be exceeded only in exceptional cases, such as when the total eligible reimbursable fixed costs are more than two times the maximum reimbursement amount.

Companies are required to prove the revenue decline and fixed cost expenses in a two-stage process. The first stage, or the application stage, requires the company to provide a forecast or estimate of the sales decline based on the sales decline in April and May of 2020. In addition, the company is required to provide an estimate of the fixed costs over the period it is requesting aid. This first stage of the process is required to be completed by a tax advisor or consultant and submitted to the government application system. The second stage of the process is the verification process in which the actual sales decline is compared to the forecasted decline. If the sales decline is less than forecasted, and thus a company receives more in subsidies than it was eligible for, it will be required to repay the excess. If too little was paid because the forecasted decline in sales was too low, the subsidy will be increased.

The government also included other, smaller support measures in the stimulus package. For example, it committed to facilitating an electromobility fleet exchange program for electric utility vehicles for craftsmen and other SMEs.

The measures are based on the [June 3](#) Coalition Committee's comprehensive stimulus package. The measures will go through the parliamentary legislative process before becoming law. This new stimulus package follows a previous one from [March](#) worth EUR 750 billion.