



**European Commission has approved
“Financial Shield” for micro, small and
medium-sized enterprises**

Key information about the solutions aimed at
preserving SME liquidity

On 27 April 2020 the European Commission has approved the "Financial Shield for micro, small and medium-sized enterprises". According to the EC's Decision, eligible entities include the European Economic Area tax residents, provided their beneficial owners are not tax haven residents.

This is yet another form of support offered for SME and accompanying the **Anti-crisis Shield**, which offers a solutions aimed at supporting entities that employ less than 250 people, with annual turnover up to EUR 50 million or annual balance sheet total of up to EUR 43 million.

In response to the pandemic crisis, changes in support instruments available for this group of businesses have been also introduced.

Below please find key information about the solutions aimed at preserving SME liquidity and allowing their operation as a going concern.

Solutions included in the Anti-crisis Shield

Micro, small and medium-sized enterprises are offered the support instruments included in the Anti-crisis Shield and available for all businesses, in particular including payroll subsidies from the Fund of Guaranteed Employee Benefits, deferral of tax and social insurance payments without a prolongation fee charged, exemption tax following a municipality council's resolution.

The shield includes several solutions dedicated solely to SME:

- Businesses with less than 50 employees registered in the Social Insurance Institution may be **exempted from social security contributions** for the period from 1 March to 31 May 2020. Total exemption is available for entities with less than 10 employees registered for social insurance, while 50 percent exemption for those with the number ranging from 10 to 49.
- **Subsidies to payroll and social insurance premiums** for entities that have experienced a turnover drop caused by COVID-19 in 2020, calculated on a year-on-year basis as turnover for 60 consecutive days.
- **The subsidies may be granted for three months** (with an option to extend) and calculated as the **product** of:

- » The number of employees and 50 percent of remuneration, not higher, though, than the minimum wage, should the turnover drop by at least 30 percent;
- » The number of employees and 70 percent of remuneration, not higher, though, than the minimum wage, should the turnover drop by at least 50 percent;
- » The number of employees and 90 percent of remuneration, not higher, though, than the minimum wage, should the turnover drop by at least 80 percent.

Employers are obliged to maintain the headcount included in the subsidy during the contract period.

Appropriate motions are to be filed with the county employment offices.

- Microenterprises operating prior to 1 March 2020 may take a **low-interest loan of up to PLN 5,000 offered by the Employment Fund** for the period of up to 12 months. Following an entity's motion, the loan with interest may be forgiven, provided that it shall remain in operation for three months of the loan granting date.

Appropriate motions are to be filed with the county employment offices.

All instruments indicated above qualify as public aid based on *Temporary state aid framework aimed to support the economy during the COVID-19 pandemic* and their total amount cannot exceed EUR 800,000 per undertaking.

Support offered by Bank Gospodarstwa Krajowego

• Changes in *De minimis* Guarantees

Under the *De minimis* Guarantees programme, the available guarantee limit has increased from **60 percent to 80 percent of the loan amount**. For working capital loans, the **guarantee period has been extended from 27 to 39 months**.

In the first year, the guarantee is **commission-free**. For those already granted, the commission for the period until 31 December 2020 has been waived.

The list of banks that offer loans under the programme is available on the BGK website.

• Changes in the Biznesmax guarantee programme

The guarantee available under the Biznesmax programme qualifying as *de minimis* aid applies not only to investment loans, but also to *revolving working capital loans supporting liquidity of innovative and ecologically effective enterprises*. In this case, the eligible investment cost list is not binding and an entity is not obliged to submit an investment project plan. Additionally, until the end of 2021 a five-percent annual rate underlying the calculation of subsidy to the interest on the loan shall apply.

The list of banks that offer loans under the programme is available on the BGK website.

• Guarantees under the Liquidity Guarantee Fund

Medium-sized enterprises affected with the pandemic can motion for a **guarantee granted for up to 27 months** (the loan period plus three months) **regarding liquidity loans of up to PLN 250 million** (security of up to 80 percent of the loan amount).

The list of banks that offer loans under the programme is available on the BGK website.

Additionally, BGK is preparing a system of interest subsidies on working capital loans granted to enterprises affected by the COVID-19 pandemic.

Support granted by the Industrial Development Agency

• Working capital loan for payroll purposes

Businesses experiencing current liquidity problems may apply for a loan to maintain headcount (the net payroll value) granted for up to two years with the grace period of up to 12 months.

• Working capital loan to fund working capital shortage

The loan is available for SME **whose turnover exceeds PLN 4 million and that generated a net profit and a positive EBITDA at the end of 2019**.

The loan must fit in the range from PLN 800,000 to PLN 5 million **granted for a period of up to six years (with the grace period of up to 15 months)**.



• Operating leases

The instrument is available for SME **whose turnover exceeds PLN 4 million and that generated a net profit and a positive EBITDA and the end of 2019**. It is to be used for refunding of leases for vehicles and semi-trailers over 3.5 tons and not older than three years. The maximum lease amount is PLN 5 million with the financing period of up to six years (including the grace period of up to 12 months).

Financial Shield from the Polish Development Fund

The aid granting principles under the Financial Shield of Polish Development Fund have been approved by the European Commission. Below we present key information available as at the date of this publication, which may change upon EC's acceptance.

The support is offered to businesses operating as at 31 December 2019, whose **turnover dropped by at least 25 percent year-on-year in any month following 1 February 2020** due to the COVID-19 pandemic.

The aid is not available for entities whose **beneficial owners** are tax haven residents. To qualify for the support, company has to be an EEA tax resident or commit to become one within nine months from the support receipt date.

Under the programme, the support may take the form of the **assuming or purchasing of shares, subscription warrants, bonds, receivables, joining partnerships**, as well as **granting loans, guarantees and sureties**.

The programme allows **subsidies** as a financial instrument to be used for:

- » Funding the costs of business operations (except for business acquisitions);
- » Early repayment of loans (up to 25 percent of the subsidy amount).

The funds cannot be used for payments to related parties (owners or their related parties).

• Financial Shield for Microenterprises

The maximum aid amount is based on the headcount and on the base subsidy amount that depends on the revenue drop level (at present ranging from PLN 12,000 to PLN 36,000). Thus, the maximum aid amount available is **PLN 324,000**.

25 percent of the subsidy is repayable.

The other 75 percent can be forgiven if a business headcount remains the same as at 31 December 2019.

Should a business close up within 12 months of the subsidy date, the entire amount must be repaid.

• Financial Shield for small and medium enterprises

The support amount shall constitute **4 percent, 6 percent or 8 percent of the 2019 revenue**, depending on how much it has decreased year-on-year as a result of the pandemic (by 25 percent, 50 percent or 75 percent, accordingly). The estimated maximum aid amount available is **PLN 3.5 million**.

Up to 75 percent of the amount granted may be forgiven depending on the cash loss on sales and the maintained headcount.

Support from EU funds

• Liquidity Support Fund

Loans to cover current expenses and support liquidity shall be available for SME experiencing difficulties as a result of the pandemic. They will be financed from the Intelligent Development Operating Programme.

The support may be used to fund working capital, tangible and intangible assets.

The maximum amount available will be PLN 15,000,000 and interest-free (only the principal to be repaid), with the repayment period of up to six years and a six-month grace period and an option to suspend the repayment for four months.

The Liquidity Support Fund shall be operated by Bank Gospodarstwa Krajowego.

• Loans for innovations in technology

SME that implement technology innovations can apply for subsidies of up to 70 percent of the project value (depending on the business size and investment location).

Eligible activities are those allowing production of new or significantly improved products or services compared to the status quo.

Due to the pandemic, the related deadlines have been postponed (for applications until 24 June 2020; for loan agreement signing by up to 60 days; for delivery of documents

necessary to sign the agreement by up to 67 days; for delivery of environmental documentation by up to 12 months).

The countrywide innovation effect is not required and the limit of the technology bonus granted is removed.

Calls under Regional Operational Programmes

- Under the **Regional Operational Programme for Świętokrzyskie Province** a call for proposals for projects preventing from and fighting the COVID-19 pandemic has been opened.
- **Śląskie Centrum Przedsiębiorczości** has opened a call for proposals for co-financing of the maintained jobs and competitiveness improvement. Applications can be submitted until 23 June 2020.
- Money available under the European Social Fund shall be used to subsidise payroll in businesses that have experienced a drop in turnover.

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