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Client information: extended bridging aid (“phase 2”)

Dear client,

bridging aid for small and medium-sized enterprises which have to cease their operations in whole or in part in the course of the Corona crisis (short: ‘Bridging assistance’) is extended. The program will enter into a “2nd phase” for the months of September to December 2020, after the months of June to August (‘1st phase’) have been supported so far. If the conditions are met (see below), an operating subsidy will be granted to ensure the economic existence of the parties concerned.

Phase 1 (promotion months June to August 2020) and phase 2 (promotion months September to December 2020) of bridging aid are formally separate support programmes for which a separate application must be submitted within the respective period. It is not possible to make a joint application for the 1st and 2nd phase. It is also not possible to apply retroactively for phase 1 after 30 September 2020.

Bridging aid is granted as a voluntary payment in the form of an equitable benefit in accordance with § 53 of the Federal Budget Code (BHO) if companies, self-employed persons and members of the liberal professions (all hereinafter referred to as “companies”) suffer significant losses of turnover.

In particular, in order to achieve even better those companies where the business is still severely affected by administrative restrictions or hygiene and distance rules, some changes have been made to the programme, facilitating access and extending aid.

1 Entitled to apply

- Companies entitled to apply in the future are either companies which:
 - a. have suffered a drop in sales of at least 50 % in two consecutive months over the period April to August 2020 compared to the respective months of the previous year; or
 - b. recorded an average drop in sales of at least 30 % in the period April to August 2020 compared to the same period of the previous year.

More detailed information on the modalities of the extended bridging aid will be available shortly. However, the following application conditions should not have changed:

- Bridging aid can only be made available to companies set up before 1 November 2019. Younger companies do not meet the eligibility requirements.
- The company must carry out its activities from a domestic permanent establishment or a domestic head

office of the management and must be reported to a German tax office.

- Only companies that do not qualify for the Economic Stabilisation Fund are eligible for the application.
- The bridging aid applies across sectors and thus also for non-profit organisations, for example.
- As before, the application can only be submitted in a completely digitalized procedure via tax advisors, auditors, sworn accountants or lawyers.
- The applicant must not have been in economic difficulties within the meaning of Regulation (EU) No 651/2014 on 31 December 2019.

2 Type of support and calculation of support

Funding rates have been increased. In the future reimbursements will be made as follows

- 90 % of fixed costs with more than 70 % drop in sales (previously 80 % of fixed costs),
- 60 % of fixed costs with a drop in sales between 50 % and 70 % (previously 50 % of fixed costs); and
- 40 % of fixed costs with a drop in sales of more than 30 % (previously more than 40 % drop in sales).

Bridging aid shall be granted for a maximum period of four months of September, October, November and December 2020. The maximum amount of the grant shall be:

- EUR 50,000.00 per month.

This allows companies to receive up to EUR 200,000.00 in funding, depending on the amount of fixed costs for the four months.

The previous ceilings for companies with up to five employees (previously maximum funding for three months: EUR 9,000,00) or with up to ten employees (previously maximum funding for three months: EUR 15,000,00) have been omitted.

In future, it should be possible to make back payments and recoveries when final accounts are drawn up.

3 Fixed costs

Bridging aid may be applied for fixed costs without input tax (excluding small entrepreneurs) incurred during the funding period. The costs are incurred during the funding period if they are due for the first time during that period.

The fixed costs must be contractually agreed or fixed by the authorities and not unilaterally modified. According to current knowledge, the fixed costs must have been contractually agreed before 1 March 2020.

If you have concluded deferral agreements, e.g. for rents, and deferred fixed costs according to these agreements are not due until after 31 December 2020, it could be useful to review the agreements and, if necessary, adjust them so that the deferred costs are due for payment in 2020 after all. These costs could then also be taken into account for support.

Fixed costs include:

1. Rents and leases for buildings, land and premises directly related to the business activities of the company. Costs for private spaces are not eligible.
2. additional rental costs
3. Interest expenses on loans and loans
4. Share of financing costs for leasing rates
5. Expenses for necessary maintenance, maintenance, etc.
6. Expenditure on electricity, water, heating, cleaning and hygiene
7. Property taxes
8. Operating royalties
9. Insurance, subscriptions and other fixed expenses (e.g. telecommunications, payroll, financial accounting, accounting fees, etc.)
10. Costs for tax advisors, auditors, sworn accountants and lawyers incurred in the context of the application for bridging aid
11. Costs for apprentices
12. Staff costs (increase in the flat rate of staff costs for staff who cannot be sent into short-time work from 10 % of eligible costs to 20 %)
13. paid back commissions or margins for tour operators and certain packages.

As in the past, the extended bridging aid should not continue to support:

- Costs of private living such as rent or interest payments for the private dwelling
- Health insurance contributions
- Contributions to private pension provision

We are happy to answer any questions. With appropriate commissioning, we of course also check the application requirements in your personal case and submit the application on your behalf. Please just contact us.

Sincerely,

Your ATC team