



COVID-19: Government Support Package Luxembourg

9 April 2020



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COVID-19: EMEIA EY Government Support Package



In response to the threat posed by the continuing spread of COVID-19, the Luxembourg Government has established the following reliefs to help mitigate the economic impact and ensure the continuation of the Luxembourg economy:

- ▶ a set of tax and financial measures; and
- ▶ an €8.8 billion Economic Support Package (the Program) to support Luxembourg businesses.

The measures can be grouped into seven main areas as set out below.

Areas being addressed:

1. Facilitate bank financing
2. Meeting short-term liquidity needs
3. Defer tax-related payments
4. Adaptation of certain deadlines
5. Job retention
6. Sector-specific measures
7. Administration and governance

These aims are primarily being delivered through:

- ▶ The Ministry of Economy, the Ministry of Finance and the General Directorate for SMEs
- ▶ The *Société Nationale de Crédit et d'Investissement* (SNCI) together with the banking system where appropriate;
- ▶ The Direct and Indirect Tax Administrations;
- ▶ The Joint Social Security Centre and the National Employment Agency
- ▶ The *Office du Ducroire*

Luxembourg Government announced responses

1. Bank financing	4. Adaptation of certain deadlines	7. Administration and governance
State-backed guarantee for new bank loans "Special Anti-Crisis Financing"	Option for final 20% tax on interest Tax claims and complaints Statute of limitation for tax claims Privileges and guarantees	Extension with respect to filing and publication of annual accounts Suspension of deadlines with respect to judicial proceedings Shareholders' and board meetings without requiring physical presence
2. Liquidity needs	5. Job retention & teleworking	
Reimbursable cash grants Non-reimbursable cash grants Emergency compensation for self-employed persons Moratorium on loan repayments Flexibility of repayment conditions for SNCI loans Advance on extraordinary family leave, short time work paid to employers and others	Amended taxation of telework for Belgian, German and French cross-border commuters Short-time work due to force majeure Suspension of trial periods Extraordinary family leave paid to employers	
3. Defer tax-related payments	6. Sector-specific measures	
Advance VAT refund Extension of filing deadline for VAT returns and other returns Deferral of VAT payments Deferral of tax return filings Cancellation of tax advances for the first two quarters of 2020 Four-month deferral for payment of tax instalments	Strengthening of export and international development assistance measures Projects linked to the fight against the COVID-19 pandemic Support to enterprises reorienting to the production of masks and hydro-alcoholic gel Investment aid for investments in hygiene and teleworking	

1. Facilitate bank financing: State-backed guarantee for new bank loans

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Who is eligible?

- Eligibility criteria are as follows:
- Commercial, craft or industrial enterprises duly authorized to run a business in Luxembourg
- Legal entity or person exercising a determined liberal profession
- Cooperative companies in the agricultural and winemaking sector
- Are excluded enterprises with the following activities: promotion, renting, etc of real-estate, holding of participations
- Companies that were already in difficulty prior to 1 January 2020

What does it cover?

- State-backed guarantee for loans with maximum maturity of six years granted by credit institutions between 18 March 2020 and 31 December 2020 to qualifying enterprises in difficulty due to COVID-19
- State guarantees up to 85% with a cap of 25% of the 2019 enterprises' turnover

How is it accessed?

- Notification to the Government's Treasury of the provision of a loan through a dedicated system to be put in place by Government

Practicalities

- Companies will need to assess if they meet the requirements to be entitled to the aid scheme
- Companies will need to gather certain information / documentations for the application

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
 Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
 Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
 Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
 Tel: +352 42 124 7278

1. Facilitate bank financing: “Special Anti-Crisis Financing” (SACF) via companies’ banks and SNCI

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Who is eligible?

- ▶ Luxembourg SMEs and large companies which have a business permit

What does it cover?

- ▶ Indirect financing via the company’s usual bank - the SNCI finances up to 60% of the required amount, provided that the bank finances 40%
- ▶ Amount of SACF (financed by the SNCI) can vary between €12,500 and €10,000,000
- ▶ Maximum SACF duration is 5 years with an initial grace period on the repayment of capital of maximum 2 years

How is it accessed?

- ▶ Loans are disbursed upon request of the client’s bank without further formalities

Practicalities?

- ▶ Companies will need to liaise with their bank to discuss possibility to benefit from SACF

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

2. Meeting short-term liquidity needs: Reimbursable cash grants

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed.

A small enterprise is defined as an enterprise which employs fewer than 50 people and whose annual turnover or total annual balance sheet does not exceed €10 million.

A medium-sized enterprise is defined as an enterprise which employs fewer than 250 people and whose annual turnover does not exceed €50 million or whose total annual balance sheet does not exceed €43 million.

Who is eligible?

Eligibility criteria are as follows:

- ▶ Commercial, craft or industrial enterprises duly authorized to run a business in Luxembourg
- ▶ Legal entity or individuals exercising a determined self-employed activity (article 91(1)n°1 L.I.R.)
- ▶ Not operating within a specifically excluded industry sector (e.g. fishery, agricultural production, undertaking in difficulty)
- ▶ Confronted with an unforeseeable event whose detrimental impact on the economy has been recognized by grand-ducal regulation (including COVID-19)
- ▶ Facing temporary financial problems
- ▶ The enterprise exercised its activity already before the unpredictable event
- ▶ There is a direct causal link between the unforeseeable event and the temporary financial problems

What does it cover?

- ▶ Reimbursable cash grant paid in one or several tranches
- ▶ The aid can amount up to 50% of the admissible expenses but cannot exceed € 500,000
- ▶ Admissible expenses cover personnel and rental expenses (up to max: EUR 10.000 per month and for the whole group) for the months falling within the period of the unforeseeable event i.e. from 15 March to 15 May 2020
- ▶ Reimbursement starts at the earliest 12 months after the cash grant has been paid

How is it accessed?

- ▶ Written application to be filed within Ministry of Economy (Demande avance remboursable COVID-19) before 15 August 2020:
<https://guichet.public.lu/dam-assets/catalogue-formulaires/coronavirus/demande-avance-remboursable/demande-avance-remboursable-fr.pdf>

Practicalities

- ▶ Companies will need to assess if they meet the requirements to be entitled to the aid scheme
- ▶ Companies will need to gather certain information / documentations for the application

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

2. Meeting short-term liquidity needs: Non-reimbursable cash grants

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Who is eligible?

- ▶ Entreprises and self-employed persons should fulfill the cumulative conditions hereafter:
 - ▶ Valid business license issued before 18 March 2020 and whose total number of staff does not exceed 9 (in full-time positions);
 - ▶ Entreprises and self-employed persons which were obliged to stop their activities in accordance with RGD of 18 March 2020
 - ▶ Minimum annual turnover of EUR 15.000
- ▶ In case of group of companies, the request can only be filed for one company to the extent that the total staff does not exceed 9 (full-time positions).

What does it cover?

- ▶ Immediate and non-refundable financial aid of €5,000.

How is it accessed?

- ▶ Specific application form to be sent to Ministry of Economy - General Directorate for SMEs:
<https://guichet.public.lu/dam-assets/catalogue-formulaires/coronavirus/fonds-urgence/fonds-urgence-tpe-independant.pdf>

Practicalities?

- ▶ Companies will need to assess if they meet the requirements to be entitled to the aid scheme
- ▶ Companies will need to gather certain information/documentations to be enclosed to the application form

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Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
 Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
 Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
 Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
 Tel: +352 42 124 7278

2. Meeting short-term liquidity needs: Emergency compensation for self-employed persons

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Who is eligible?

- ▶ Self-employed persons, i.e., any person who mainly:
 - ▶ Exercises for his own account a commercial, craft or intellectual activity (certain activities and professions are excluded);
 - ▶ Holds more than 25% of the interest in partnership or a private limited liability company with commercial, craft or intellectual activity and who holds a business license;
 - ▶ Is director, general partner or executive of a public limited liability company, a partnership limited by shares or a cooperative company with commercial, craft or intellectual activity and who holds a business license
- ▶ The self-employed person must be affiliated as such on 15 March 2020
- ▶ He must hold the required authorizations for the activity carried out as self-employed person
- ▶ The professional income used for calculating social security contributions may not exceed 2.5 times the minimum salary
- ▶ Total number of employees does not exceed 10
- ▶ Direct causal link between the COVID-19 and the temporary financial problems

What does it cover?

- ▶ One-time lump-sum and tax-exempt grant of €2,500
- ▶ This aid cannot be cumulated with the non-reimbursable cash grants

How is it accessed?

- ▶ Specific application form to be sent to Ministry of Economy - General Directorate for Middle Classes using a specific form:
<https://guichet.public.lu/en/support/coronavirus/corona-virus-independants.html>
- ▶ **Practicalities?**
- ▶ Self-employed persons will need to assess if they meet the requirements to be entitled to the aid scheme
- ▶ Self-employed persons will need to gather certain information/documentations to be enclosed to the application form

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickeraath
Elmar.Schwickeraath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

2. Meeting short-term liquidity needs: Other measures

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

The Cities of Luxembourg and Esch-sur-Alzette, and other municipalities have announced that they will waive the rents of premises used for retail or gastronomy

Moratorium on loan repayments for existing loans

Who is eligible?

- ▶ Self-employed, SMEs, large enterprises

What does it cover?

- ▶ Postponement of the repayment of loans to better cope with cash-flow difficulties

How is it accessed?

- ▶ No details available yet.
- ▶ Existing loans from retail banks: BCEE, BGL BNP Paribas, Bil, Raiffeisen, Banque de Luxembourg and ING

Practicalities?

- ▶ To be determined.

Flexibility of repayment conditions for SNCI loans

Who is eligible?

- ▶ All companies benefitting from a direct or indirect loan granted by the SNCI

What does it cover?

- ▶ Suspension of principal repayment at 31 March 2020 and 30 June 2020 maturities for direct and indirect loans granted by SNCI
- ▶ The duration of all loans benefitting from said moratorium is automatically prolonged for 6 months.

How is it accessed?

- ▶ Automatic grant, no action required
- ▶ **Beneficiaries:** SMEs, large companies

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Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

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Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Advance on extraordinary family leave paid to employers

Who is eligible?

- Very small enterprises (including employers in a personal capacity for their employees), SMEs, large enterprises

What does it cover?

- Advance on the financial compensation for the extraordinary leave for family reasons.

How is it accessed?

- CCSS contacted the employers to provide them with the necessary information to request such an advance

Short time work due to force majeure

Who is eligible?

- Very small enterprises, SMEs, large enterprises

What does it cover?

- Advance on the allowance employer has to pay to the employees on short time work.

How is it accessed?

- Employers need to lodge their request through Guichet.lu, which if accepted (when subject to approval), allows early reimbursement to the employer

For more information

Sylvie Leick

Sylvie.Leick@lu.ey.com

Tel: +352 42 124 7242

Laurence Chatenier

Laurence.chatenier@lu.ey.com

Tel: +352 42 124 7181

2. Meeting short-term liquidity needs: Other measures

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Direct payment of salary of employees on sick leave by the social security authorities

Who is eligible?

- ▶ Very small enterprises, SMEs, large enterprises

What does it cover?

- ▶ As from 1 April 2020 until end of June, employees on sick leave will immediately be paid by the social security authorities, removing the need to pre-finance by the employer and removing the remaining 20% cost liability

How is it accessed?

- ▶ Automatic, based on sickness certificates provided by employees/employers to the social security authorities

Practicalities ?

- ▶ No action required

Benefit of administrative tolerance for social security contributions

Who is eligible?

- ▶ Self-employed, micro enterprises, SMEs and large companies

What does it cover?

- ▶ The objective is to provide **flexibility** in cash management and payment of social security contributions
- ▶ From 1 April 2020 and until further notice, the CCSS is putting in place the following temporary measures:
 - ▶ suspension of the calculation of interest on arrears for late payments;
 - ▶ suspension of the procedure for the enforced collection of contributions;
 - ▶ suspension of the enforcement of constraints by judicial officers;
 - ▶ suspension of the fines to be pronounced against employers who are late with the submission of their declarations to the CCSS

Practicalities ?

- ▶ No action required

For more information

Sylvie Leick
Sylvie.Leick@lu.ey.com
 Tel: +352 42 124 7242

Laurence Chatenier
Laurence.chatenier@lu.ey.com
 Tel: +352 42 124 7181

3. Defer tax-related payments

The Government's announcements are not the only ways to manage cash tax. There are other tax related measures, which are not specific to COVID-19, to manage liquidity.

Advance VAT refund

Who is eligible?

- Self-employed, SMEs

What does it cover?

- Repayment of VAT credit balances below €10,000

How is it accessed?

- Automatic grant, no action required

Practicalities ?

- No action required

Extension of the filing deadline for VAT returns and other returns

Who is eligible?

- Self-employed, SMEs, large enterprises, investment funds

What does it cover?

- Waiver of administrative penalties if the deadline for filing VAT returns, subscription tax, inheritance declarations and notarial and bailiff's deeds is exceeded

Practicalities?

- No action required,

Deferral of VAT payments

Who is eligible?

- Taxable persons liable to VAT (legal persons and individuals) and to non-taxable legal persons identified for VAT purposes

What does it cover?

- Grant, upon request, delays for the payment of VAT to persons facing financial difficulties due to the COVID-19 crisis

Practicalities?

- Online request through MyGuichet.lu

For more information

Yannick Zeippen (VAT)
Yannick.Zeippen@lu.ey.com
 Tel: +352 42 124 7362

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Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
 Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
 Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
 Tel: +352 42 124 7408

Giuseppe Tuzze
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 Tel: +352 42 124 7278

Cancellation of tax advances for the first two quarters of 2020

Who is eligible?

- Self-employed, SMEs, large enterprises

What does it cover?

- Cancellation of tax advances for the first 2 quarters of 2020 without interest payment. This concerns (corporate) income tax and municipal business tax

How is it accessed?

- Online form to be filed through the webpage of the Direct Tax Administration

Four-month deferral for the payment of tax instalments

Who is eligible?

- Self-employed, SMEs, large enterprises

What does it cover?

- Automatically grant a deferral of payment (without interest) of (corporate) income tax, municipal business tax and net wealth tax

How is it accessed?

- Online form to be filed through the webpage of the Direct Tax Administration

Deferral of income tax return filing

Who is eligible?

- Self-employed, SMEs, large enterprises, private persons

What does it cover?

- Set the deadline for the submission of income tax returns for legal and natural persons at 30 June 2020 (without penalties)

How is it accessed?

- No action required, automatic extension of deadline

Draft legislation has been adopted by the Luxembourg Government with respect to certain deadlines applicable in tax matters

Option for final 20% tax on interest

Who is eligible?

- ▶ Resident individuals

What does it cover?

- ▶ Extension of the deadline to opt for final 20% tax on eligible interest paid by a paying agent established in the EEA for tax year 2019 to 30 June 2020

How is it accessed?

- ▶ Automatic grant, no action required

Tax claims and complaints

Who is eligible?

- ▶ All taxpayers

What does it cover?

- ▶ Suspension of the deadlines for the filing of a claim (§228 AO) or a complaint (§237 AO) in front of the Tax Directorate until 30 June 2020

How is it accessed?

- ▶ Automatic grant, no action required

Statute of limitation for tax claims

What does it cover?

- ▶ Extension until 31 December 2021 of the statute of limitation for claims of the Treasury and for any claims which collection is delegated to the Collector (*Receveur*) of the Direct Tax Administration that would expire until 31 December 2020.
- ▶ The same applies with respect to claims delegated to Luxembourg as requested State on the basis of the EU Directive on Mutual Assistance in Tax Matters or based on a bilateral or multilateral agreement foreseeing an assistance for the collection

Privileges and guarantees

What does it cover?

- ▶ Extension to 31 December 2021 of privileges and guarantees foreseen by the amended law of 27 November 1933 on the collection of direct taxes whose effects cease before 31 December 2020

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
 Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
 Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
 Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
 Tel: +352 42 124 7278

Sylvie Leick
Sylvie.Leick@lu.ey.com
 Tel: +352 42 124 7242

Laurence Chatenier
Laurence.chatenier@lu.ey.com
 Tel: +352 42 124 7181

Job retention and teleworking are also considered to be key priorities. Given the large number of cross-border commuters, specific arrangements have been reached with the neighboring countries to avoid adverse tax and social security consequences for employees working from home during the crisis

Amended taxation of telework for Belgian, French and German cross-border commuters

- ▶ Objective: Allow cross-border commuters to work from home during the crisis without being taxed in their country of origin
- ▶ An arrangement with respect to the computation of days with respect to teleworking has been reached with Belgium, France and Germany: it has been agreed that homeworking in Belgium and in France as of 14 March 2020 will not be counted towards the 24-day, respective 29-day limit; as of 11 March 2020 towards the 19-day limit with respect to Germany
- ▶ **Practicalities:** No action required

Short time work due to force majeure

- ▶ Luxembourg businesses are entitled to rely on various types of short-time work in the event of force majeure under certain conditions
- ▶ It applies in principle to all sectors of the economy if the causes invoked are directly related to COVID-19
- ▶ 80% of salaries are refunded to the employers by the State (up to 2.5 times the minimum salary)
- ▶ The compensation paid by the employer to the employee who is covered by the short-time working scheme cannot be less than the minimum social salary for unskilled employees.

For more information

Sylvie Leick
Sylvie.Leick@lu.ey.com
Tel: +352 42 124 7242

Laurence Chatenier
Laurence.chatenier@lu.ey.com
Tel: +352 42 124 7181

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Extraordinary family leave paid to employers

Who is eligible?

- ▶ Very small enterprises (including employers in a personal capacity for their employees), SMEs, large enterprises

What does it cover?

- ▶ Reimbursement of 100% salary (up to social security ceiling), for employees who are parents of children affected by the temporary closures of basic and secondary education establishments, vocational training and childcare facilities, etc. and have to take care of their children

How is it accessed?

- ▶ CCSS contacted the employers to collect the information required to proceed with the calculation of the refund

Suspension of trial period for employees on short time work due to force majeure

- ▶ Trial period of employees on short time work arrangements is suspended during the state of crisis

For more information

Sylvie Leick
Sylvie.Leick@lu.ey.com
Tel: +352 42 124 7242

Laurence Chatenier
Laurence.chatenier@lu.ey.com
Tel: +352 42 124 7181

6. Sector-specific measures: Export and international development aid measures (ODL)

Various measures are available to meet short-term liquidity needs. Some of them are available to all enterprises, others specifically target smaller enterprises or self-employed

Strengthening of export and international development assistance measures

Who is eligible?

- ▶ Luxembourg micro-enterprises, SMEs, large companies and certain self-employed activities

What does it cover?

- ▶ Support for companies that export and reach clients internationally, including to markets affected by the coronavirus:
 - ▶ increase in the guaranteed percentage of the limits and contracts issued during the state of crisis within the framework of export insurance;
 - ▶ collaboration with the Mutual Insurance Scheme ("Mutualité de Cautionnement") by setting up an insurance of the guarantees issued by the Mutualité thereby allowing them to increase their capacity;

- ▶ making the "Bank Credit Insurance" product more flexible, thus enabling banks to partially reduce the risk of non-repayment of the loans granted to Luxembourg exporters in order to develop their international activities. In this context, the ODL will also make the conditions applicable to this product more flexible, in particular by increasing the percentage of possible insurance and by broadening the definition of eligible bank loans;
- ▶ increase of the insurance percentage under its bank guarantee insurance product, which is aimed at the banks of Luxembourg exporters to insure the guarantee line granted by the bank, and inclusion of import guarantees within the scope of the insurance;
- ▶ reduction of the time limit for processing the claim, which will enable companies to be compensated more quickly in the event of a claim;
- ▶ reduction of the time limit for the reimbursement of invoices paid within the framework of the financial aid activity.

How is it accessed?

- ▶ For any request, the ODL team should be contacted:
Email: odl@odl.lu

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

6. Sector-specific measures: Projects linked to the fight against the COVID-19 pandemic

There is a wide range of financial aid schemes available to SMEs and some of them appear to be suitable for enterprises suffering from the repercussions of COVID-19

Who is eligible?

- ▶ Enterprises with a valid business license and determined liberal professions

What does it cover?

- ▶ R&D projects linked to the fight against the COVID-19 pandemic can benefit of an aid of up to 100% of eligible costs for fundamental research projects and 80% of eligible costs for industrial research or experimental development projects
- ▶ Eligible costs comprise among other things staff costs, equipment costs, etc.
- ▶ Enterprises realizing an investment project linked to the production of products relevant for the fight against the COVID-19 pandemic (e.g., medical devices, medical and hospital equipment,...) can benefit of an aid of up to 80% of eligible costs, increased by further 15% if the project is entirely realized within two months
- ▶ Eligible costs are those in relation with the production of COVID-19 related products

- ▶ In the framework of this investment aid, enterprises may also request a coverage of potential losses stemming from this investment. The amount of the coverage depends on the duration of the continuation of the production, it is however limited to 30% of the loss and a maximum amount of €500,000.

How is it accessed?

- ▶ Specific application form to be sent to Ministry of Economy:
<https://guichet.public.lu/fr/entreprises/financement-aides/coronavirus/aide-investissement-covid.html>

Practicalities ?

- ▶ Companies will need to assess if they meet the requirements to be entitled to the aid scheme
- ▶ Companies will need to gather certain information / documentations for the application

For more information

Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
Tel: +352 42 124 7352

Elmar Schwickerath
Elmar.Schwickerath@lu.ey.com
Tel: +352 42 124 7408

Giuseppe Tuzze
Giuseppe.Tuzze@lu.ey.com
Tel: +352 42 124 7278

6. Sector-specific measures: Other measures

There is a wide range of financial aid schemes available to SMEs and some of them appear to be suitable for enterprises suffering from the repercussions of COVID-19

Support to enterprises reorienting to the production of masks and hydro-alcoholic gel

- ▶ Objective: to meet the increasing need of protection masks and hydro-alcoholic gel, the General Directorate for Middle Classes has decided to support enterprises that reorient their productions lines to produce these essential elements during the health crisis.
- ▶ 100% of the investment costs linked to the reorientation will be taken over by the General Directorate for Middle Classes through the "de minimis" aid.
- ▶ Contact: General Directorate for Middle Classes

Investment aid for investments in hygiene and teleworking

- ▶ As part of financial aid schemes specifically dedicated to SMEs, the investment aid aims to support SMEs having an investment project whose objective is to promote the creation, the development, the diversification and the fundamental change of the production process
- ▶ Enterprises investing in infrastructures aimed to set up a teleworking system can submit a request for financial aid in the context of the general investment aid scheme available to SMEs
- ▶ Investments in hygiene can also be added to applications for benefitting from this investment aid, using the appropriate form

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Bart Van Droogenbroek
Bart.Van.Droogenbroek@lu.ey.com
 Tel: +352 42 124 7456

Marc Schmitz
Marc.Schmitz@lu.ey.com
 Tel: +352 42 124 7352

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Giuseppe.Tuzze@lu.ey.com
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Businesses will have to consider the practicality of holding board, shareholder and annual general meetings along with issues raised by isolation of key officers.

Various measures have been taken to ease the compliance with law requirements during the period of the crisis.

Provisions for shareholders' and board meetings

- ▶ The Luxembourg Government has established a series of measures to adapt specific Luxembourg company law requirements to the current situation with the aim to allow the governing bodies of any company or legal entity to hold their meetings, in particular shareholders' and board meetings, without requiring the physical presence of their members
- ▶ As far as the annual ordinary general shareholders' meetings are concerned, those companies for which accounts should have been approved before 30 June 2020 (for instance, those with a financial year closing on 30 October or those whose articles of association state that the meeting should be held, e.g., on the last Tuesday of June), can now extend the deadline of approval of accounts up to 30 June 2020
- ▶ These measures apply automatically, regardless any contrary provision of the articles of incorporation of a company

Extension with respect to filing and publication of annual accounts

- ▶ Draft legislation has been transmitted to Parliament foreseeing an extension during the state of crisis period of certain deadlines with respect to the filing and publication of annual and consolidated accounts for companies in general and the publication of determined periodical reports for companies operating in the financial services sector in particular.

Suspension of deadlines with respect to judicial proceedings

- The Council of Government has adopted a grand-ducal regulation providing for a suspension of deadlines with respect to judicial proceedings
- With respect to proceedings in front of the administrative Tribunal and the administrative Court, the deadlines set forth by the laws organizing and regulating the procedures in front of the administrative courts providing for determined deadlines within which the parties to the dispute have to lodge a complaint or an appeal, or have to exchange their statements and files, are suspended (except for litigations with respect to administrative detention)

For more information

Stephen d'Errico

Stephen.dErrico@lu.ey.com

Tel: +352 42 124 7188

Our tracker provides a snapshot of the policy changes that have been announced in jurisdictions around the world in response to the COVID-19 crisis.

Policy changes across the globe are being proposed and implemented on a daily basis.

The document will be updated on an ongoing basis but not all entries will necessarily be up to date as the process moves forward.

Key jurisdictions covered by the Response Tracker include:

- | | | | |
|------------------|--------------|-------------------|------------------|
| ▸ Australia | ▸ Denmark | ▸ Malaysia | ▸ Sweden |
| ▸ Austria | ▸ France | ▸ New Zealand | ▸ Switzerland |
| ▸ Belgium | ▸ Germany | ▸ Norway | ▸ Taiwan |
| ▸ Brazil | ▸ Greece | ▸ Puerto Rico | ▸ Thailand |
| ▸ Canada | ▸ Hong Kong | ▸ Singapore | ▸ Ukraine |
| ▸ China | ▸ Indonesia | ▸ Slovak Republic | ▸ United Kingdom |
| ▸ Colombia | ▸ Italy | ▸ Slovenia | ▸ United States |
| ▸ Cyprus | ▸ Japan | ▸ South Korea | |
| ▸ Czech Republic | ▸ Luxembourg | ▸ Spain | |



To download the latest Response Tracker visit:

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Contact



Bart Van Droogenbroek

Tax Leader

Bart.Van.Droogenbroek@lu.ey.com

+352 42 124 7456



Elmar Schwickerath

Global Compliance and
Reporting Leader

Elmar.Schwickerath@lu.ey.com

+352 42 124 7408



Giuseppe Tuzze

Global Compliance &
Reporting

Giuseppe.Tuzze@lu.ey.com

Tel: +352 42 124 7278



Yannick Zeippen

Indirect Tax Leader

Yannick.Zeippen@lu.ey.com

Tel: +352 42 124 7362



Stephen d'Errico

Corporate & Regulatory

Stephen.dErrico@lu.ey.com

+352 42 124 7188



Marc Schmitz

Luxembourg Tax Policy &
Controversy Leader

Marc.Schmitz@lu.ey.com

Tel: +352 42 124 7352



Sylvie Leick

People Advisory Services

Sylvie.Leick@lu.ey.com

Tel: +352 42 124 7242



Laurence Chatenier

Corporate and Regulatory

Laurence.chatenier@lu.ey.com

+352 42 124 7181

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