

## CORONAVIRUS: REGIME GOVERNING AIDES TO BUSINESSES ENCOUNTERING TEMPORARY FINANCIAL DIFFICULTIES

On 3 April 2020, the Luxembourg Parliament adopted, as part of the Luxembourg Government EUR 8.8bn package of measures to support the economy in light of the Covid-19 pandemic, the law introducing a new regime of aides for businesses encountering temporary financial difficulties due to an unforeseeable event, such as the Covid-19 pandemic.

### ELIGIBLE ENTITIES

This new regime will be available to any commercial, industrial or artisanal company having a valid business licence and certain legal and natural persons exercising liberal professions. There are no restrictions in terms of company size.

Certain sectors and activities are excluded from the scope, such as for example agriculture, fishing, aquaculture, activities linked to export and distribution networks.

### CONDITIONS AND FORM OF THE AID

The granting of the aid is subject to the following cumulative conditions:

- an unforeseeable event (defined as any exceptional circumstance, or any exceptional national or international set of circumstances, such as acts of terrorism or epidemics) whose damaging impact on a certain type of economic activity during a determined period has been recognised by a Grand Ducal Regulation. The Grand Ducal Regulation of 3 April 2020 has recognised such damaging impact of Covid-19 currently for the period from 15 March to 15 May 2020;
- the company is experiencing temporary financial difficulties;
- the company was carrying out its economic activity before the occurrence of the unforeseeable event; and
- there is a direct causal link between the unforeseeable event and company's financial difficulties.

The aid will take the form of a repayable capital subsidy (in one or several tranches) and cover up to 50% of the eligible costs with respect to the eligible company, the maximum amount of which is capped at EUR 500,000 per corporate group (*entreprise unique*, as defined in the law). The Luxembourg Parliament has introduced a motion under which this amount could later be

#### Key aspects

- Repayable capital subsidy up to 50% of the eligible costs capped at EUR 500,000 per corporate group. The amount will likely be increased to EUR 800,000
- For businesses with a business license encountering temporary financial difficulties due to an unforeseeable event.
- Applies to SMEs and large enterprises viable prior to 1 January 2020.

*This briefing speaks as of 3 April 2020.*

reviewed by the Luxembourg Government and raised from EUR 500,000 to EUR 800,000, which is the maximum allowed by the European Union.

The following costs are eligible for the aid: staff expenses and rental costs relating to the months falling within the time period (currently from 15 March to 15 May 2020) to be determined by a Grand Ducal Regulation (the rental costs being capped at a monthly amount of EUR 10,000 per company). The eligible costs will be assessed based on the annual accounts of the last approved financial year (or, if not available, other available financial data or tax return).

The company wishing to benefit from the aid will have to submit its written application by 15 August 2020 at the latest together with a number of documents, including in particular a recovery plan and the evidence that the conditions of the aid are fulfilled.

The reimbursement should be made on the basis of a repayment plan taking into account company's performance over the financial year during which the aid has been granted and the following financial years. The reimbursement should start, at the earliest, twelve months after the first disbursement of the aid.

The aids under this new regime have to be granted by 1 October 2020 and cannot be cumulated, for the same eligible costs, with other Luxembourg State aids, if such aggregation would cause the maximum aid amount foreseen in the most favourable applicable regimes to be exceeded.

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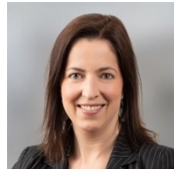
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