

OPPORTUNITIES IN GERMANY: DURING AND AFTER CORONA

GOVERNMENT FUNDING AND SUPPORT

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Agenda

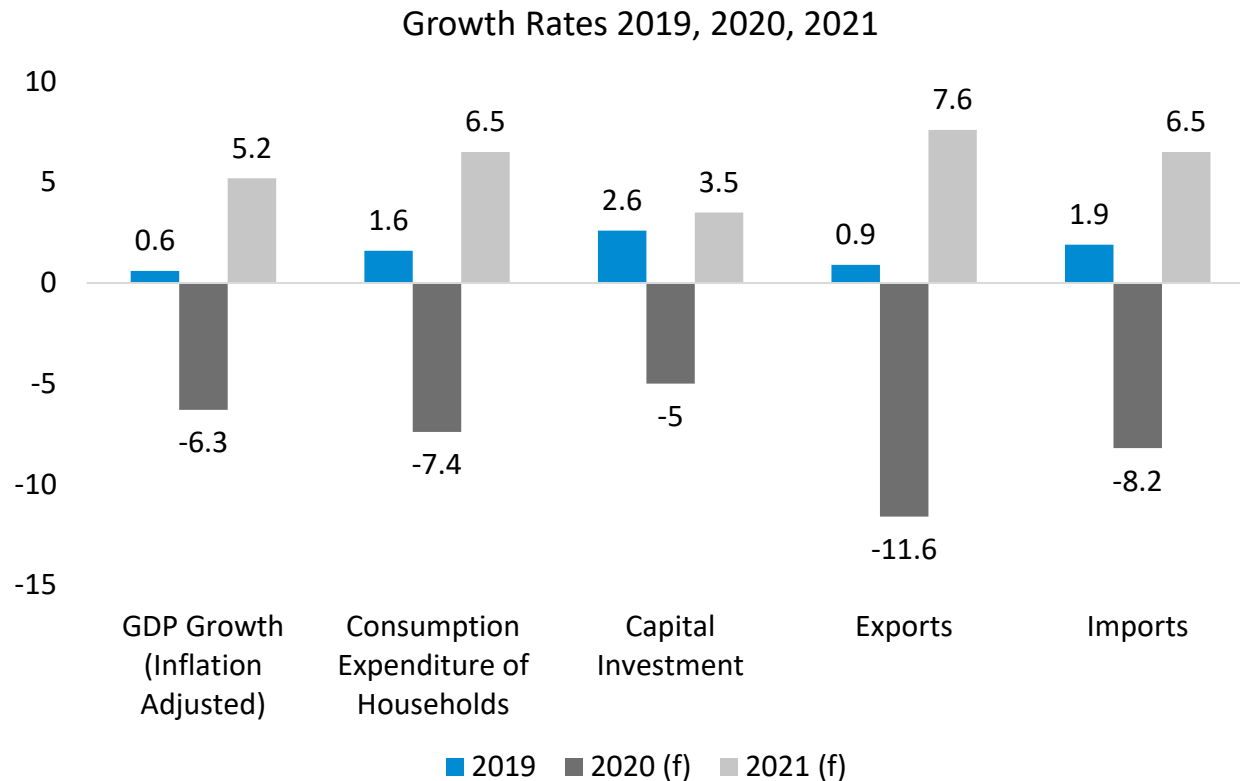
- Measures to mitigate Corona from Germany's government
- Finance and incentives in Germany





MEASURES TO MITIGATE CORONA FROM GERMANY'S GOVERNMENT

Economic Development



The 2019 pandemic is expected to cause a recession in 2020, but it is expected to be overcome in 2021.

Largest declines in 2020 in consumption and exports.

Large Part of Decline to be made up in 2021

	GDP 2019 (in bn EUR)	Forecast 2020 (real change)	Forecast 2021 (real change)
Germany	3,436	-6.5%	5.9%
France	2,419	-8.2%	7.4%
Italy	1,788	-9.5%	6.5%
Spain	1,245	-9.4%	7.0%
Netherlands	812	-6.8%	5.0%
Poland	529	-4.3%	4.1%
Sweden	475	-6.1%	4.3%
EU-27	13,923	-7.4%	6.1%

Germany hit less severe than the EU-average.

Government Measures

Countering the crisis

The German government acted quickly and decisively to counter the crisis. On March 23, 2020 a **protective shield** was set up for citizens, jobs and the economy, featuring:

- **part-time hours**
- **Economic Stabilization Fund**
- **special liquidity support programs and loans**
- **health system** funding (58.5 billion Euro),
- **tax** deferrals, reconciliations, adjustments



Tax Policy Measures

Tax-related assistance to all businesses, but also to employees

**Interest free tax
payment deferrals**

**Reduction of tax
prepayments**

**Waiver of enforce-
ment measures**

**No late-payment
penalties**

**Tax free top-ups of
short time allowance**

**Reduced VAT-rate on
restaurant meals**





Financial Support

Immediate support for small businesses

Immediate Assistance Programs

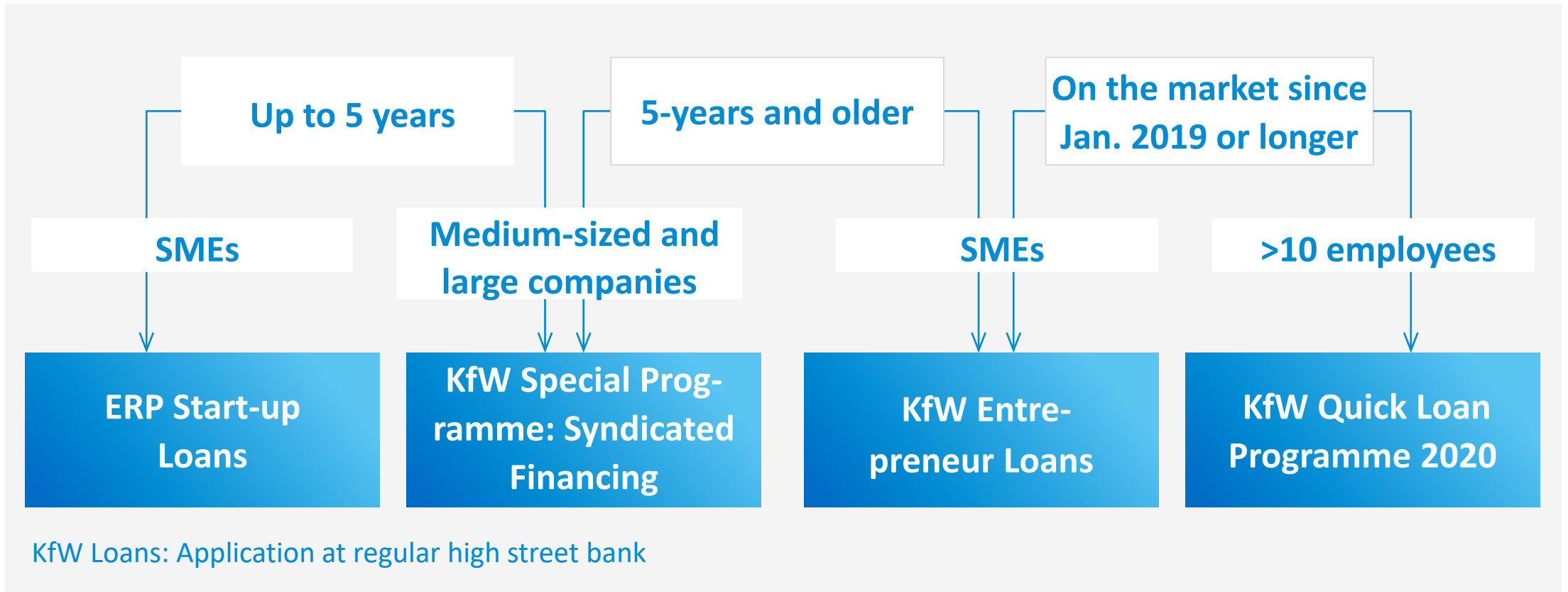
- Support businesses with up to 10 employees
- Implementation + application at federal state level
- EUR 50 bn. – funded by Government

Up to 10 employees:
EUR 15,000

Up to 5 employees:
EUR 9,000

Financial Support

KfW loan programs - set up according to company age and size



Economic Development – June 2020

A fiscal package aiming to kick-start the German economy

"It is an ambitious program" declared Angela Merkel, as she presented the second package worth EUR 130 billion.

Pep up Consumption:

- VAT cut from 19% to 16% and 7% to 5%
- Capped social security contributions
- Family allowance

Promote Investment:

- Increased tax incentives & credits (R&D)
- Liquidity grants
- Reduced electricity costs

Structural Changes:

- Digitalization
- Healthcare
- Climate technologies
- E-Mobility



FINANCE AND INCENTIVES IN GERMANY

Variety of incentives

Funding instruments:

- Grants
- Equity
- Mezzanine capital
- Loans
- Loan collaterals

Funding



Required Funding for:

- Investments
- Working Capital
- Research & Development
- Specific Purposes
- Personnel

Germany offers a broad range of funding instruments to support the capital needs of investors. A combination of funding instruments is usually possible.

General Introduction

Germany's incentive system allows for comprehensive financial support.

- Small and medium-sized enterprises (SME)¹ often have preferential terms
- Support of Germany Trade & Invest concerning incentives for investment projects:
 - Identification of adequate programs
 - Information on application process
 - Identification of suitable financial partners

Note: ¹ European Union definition of small and medium-sized enterprises: < 250 employees and ≤ EUR 50 million turnover or ≤ EUR 43 million balance sheet total (figures for company group)

Grants for Investments/Personnel

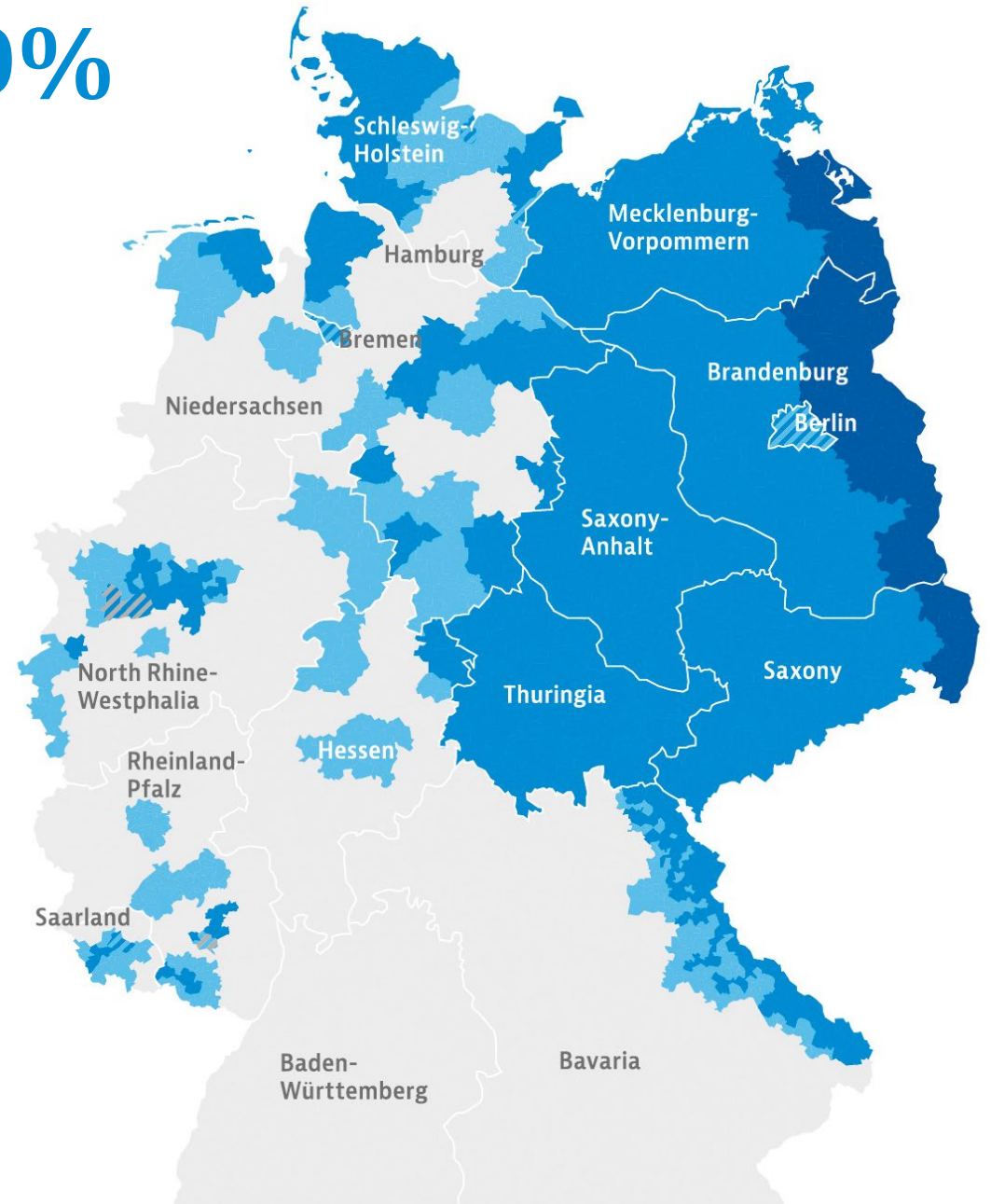
Main funding instrument is the Investment Grant (Joint Task Program – GRW).

Objective	<ul style="list-style-type: none">• Job creation by setting up new manufacturing or service facilities
Offered in	<ul style="list-style-type: none">• Specific regions throughout Germany
Offered as	<ul style="list-style-type: none">• Non-repayable cash grant, covering up to 40%¹ of the eligible costs
Eligible costs	<ul style="list-style-type: none">• Purchase or production costs of new buildings, machinery, and equipment and purchase costs of new intangible assets <u>or</u> salary costs for 2 years
Requirements	<ul style="list-style-type: none">• Creation of long-term “quality” jobs• Subsidized equipment and positions must remain on-site for at least 5 years

Note: ¹ depending on investment location, company size, investment volume, and respective Federal State Investment Grant regulation

Germany offers up to 40% cash grants

	Small enterprises	Medium-sized enterprises	Large enterprises
Border area to Poland	max 40%	max 30%	max 20%
C Region	max 30%	max 20%	max 10%
D Region	max 20%	max 10%	max EUR 200k



Public Guarantees

Can be used both for commercial and public loans.

Objective

- Easing of loans in case of insufficient collateral

Requirements

- Reasonable project from a macroeconomic point of view
- Sound business concept

Aid amount

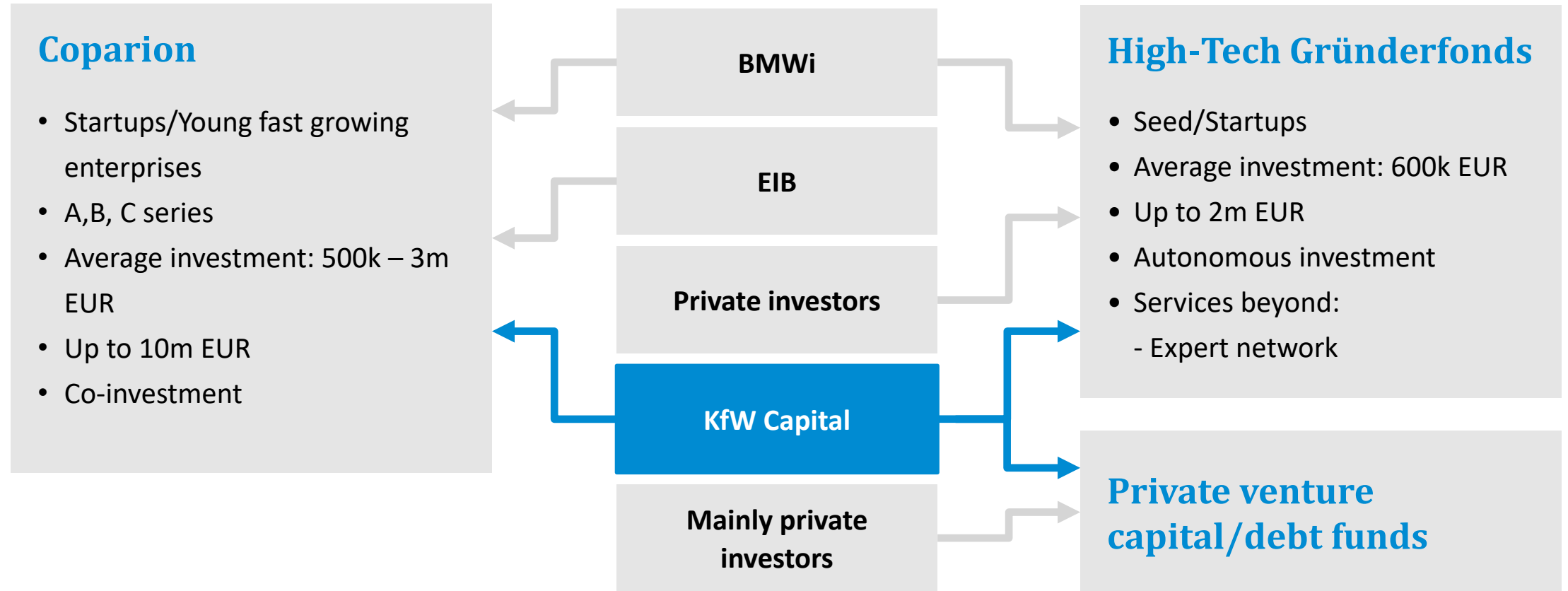
- Guarantee covers up to 80% of the respective amount lent
-

Public guarantees are available through different programs/institutions and dependent upon the loan amount and the respective investment location.

Public loan programs

125k EUR	500k EUR	1m EUR
<ul style="list-style-type: none">• Startup loans (Gründerkredite)• For founders and SME• Up to three years principal-free• Interest rates starting at 1.5%	<ul style="list-style-type: none">• ERP-Capital for Foundation (ERP-Kapital für Gründung)• 10% Equity required• 40% of the investment• Up to 15 years, 7 principal free	<ul style="list-style-type: none">• Standard public loans• For SME and large enterprises >5y• Interest rates starting at 1.0%• Up to 10 years, 2 principal free

Public sources for young innovative enterprises by KfW-Group




Grants for Research & Development

Depending on the scope of the planned R&D project, grants are available at the European, national and or regional level.

European Level

National Level

Regional Level

- 
- Aid intensity depends on: company size, research, degree of partnership cooperation
 - Multiple applications in any R&D funding program possible
 - R&D project results: to be commercialized in the region of the program's source

Grants for Research & Development

European Level:


- Horizon 2020 – The EU Framework Program for Research and Innovation (Horizon Europe from 2021)

National Level:

- Technology-specific programs: High-Tech Strategy 2025:
- Technology-open programs: Central Innovation Program for SME (ZIM)
- Research Tax Credit Act 2020

Regional Level:

- Programs available in all German Federal States



Although we are not able to meet you in person for the time being, Germany Trade & Invest will continue to provide its full portfolio of “virtual” services during the current crisis.

Contact Us

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