

# Clients' Information

We are at your  
side during  
Corona crisis!

# Dear clients,

Particularly in times of crisis, reliable partners count. You place your trust in us not without reason.

For us, one thing counts above all: 'We are at your side during this time!'

In the meantime, we have **completed the adaptation of our organisation to the current circumstances** and have ensured that we are always available and able to support you with our usual full efficiency.

On our website we have prepared **information for you on topics** that are now particularly in focus. These are continuously supplemented and updated.

## These include:

- » **Short-time work & short-time compensation**
- » **Liquidity assistance aid programmes (e.g. KfW (reconstruction loan corporation))**
- » **Tax relief**
- » **Labour law issues and measures**
- » **Suspension of obligation to file for insolvency**
- » **Balance sheet provisions, notes, Management report disclosures, Audit of financial statements**
- » **Emergency case for entrepreneurs**

Our information shows to the individual topics regarding

- » **what this is all about for you,**
- » **what's new about it,**
- » **what we can do for you and**
- » **who is available to you as a specialist on the respective topic aside from your contact people.**

We will continue to develop these and new topics according to the needs that we perceive in talks with you. Therefore you may follow the inserted links to get current information status on the topics on our website. Via e-mail you will receive the latest news on a regular basis and depending on further development about changes and news. Building in all subject areas. We also offer additional question and answer sections (Q&A). These will show you which problems and questions you may have in common with our clients and which answers have been developed upon.

The following topics and offers are already available for you today.

We hope that this information is helpful for you in this difficult current situation.

Keep well!

Your team from PKF Fasselt Schlage

## CLIENTS' INFORMATION CORONA CRISIS

# Short-time work & short-time compensation

### What this is all about for you

Short-time work is the temporary reduction of regular working hours (if necessary to 'up to zero') - e.g. due to supply and production bottlenecks, cancellation of orders as a result of cancellations due to the corona virus - with simultaneous reduction of the remuneration and entitlement to payment of short-time working compensation by the Federal Employment Agency.

The instrument of short-time working is intended to avoid redundancies due to operating conditions.

### What's new about it

- » Short-time work explained step by step (employment law requirements, short-time working compensation, procedures, processing of payroll accounting) <https://www.pkf-fasselt.de/branchen-und-themen/consulting-topics-corona-crisis-1.html>
- » PKF info sheets in German and English

### What we can do for you

- » Advice on employment law, in particular on **employment contract law agreements and company agreements**
- » Formulate **notification of short-time work to employees**
- » Create **sample payrolls** for clients whose payroll accounting we prepare

- » Advice on how to **report the lack of work to the employment agency for obtaining the recognition certificate**
- » Advice on the **application for short-time work compensation (KUG)** - Application for benefits
- » Implementation of monthly **short-time work compensation accounting** in the course of payroll accounting and accounting; assistance in the process for data collection
- » Advice on the monthly refund applications for short-time compensation

### These are our specialists aside from your well-known contact people:

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# Liquidity assistance aid programmes (e.g. KfW)

### What this is all about for you

In the course of the so-called shield of the Federal Government credit programmes were concluded with **the public KfW development institutions** and the **state guarantee banks**. 'A first meeting' of coordination has taken place with different kind of banks (hereinafter referred to as banks). According to KfW commitments and disbursements of the known promotional instruments (**KfW Entrepreneur Loan, ERP Start-up Loan** and the special

measure introduced in the course of the crisis) can probably only be technically committed and disbursed from 14 April 2020.

Loan applications may be submitted under a temporary arrangement from 23 March 2020 on basis of existing application channels. Nevertheless, payment is not expected before mid to end of April. According to the information received, the application procedure is to be sped up.

The current criticism on the programme set up by the Federal Government is directed primarily against the **planned liability participation of the banks** in the amount of, e.g. 20 %. This could lead to a serious **inhibiting factor** on lending. The 'interim financing' of KfW loans has also to be ensured in case of urgent liquidity requests. Not all companies will be given four to six weeks or can wait even longer if necessary.

According to the plans of the Federal Government, this week a draft law is to be passed by the Bundestag and Bundesrat which will provide an **even larger rescue fund at the federal level**. The federal government ought to take shares - if necessary directly - in larger companies such as Lufthansa. For smaller companies subsidies and low-interest loans are planned.

We will **inform** you immediately about the special session of the NRW (North Rhine Westphalia) state parliament **on 24 March, wherein a 25 billion Euros aid programme** from a supplementary budget is to be discussed and finalized. This is aimed at small and medium-sized businesses, small entrepreneurs, the self-employed, founders and cultural workers.

A current blog post on our website provides information about the planned **support programmes in Lower Saxony**, which will be provided by the NBank and will be available from the middle of this week.

### What's new about it

- » Overview of funding programmes and requirements for the use of
  - KfW Entrepreneur Loan/ERP Start-up Loan/Special measures 2020

- Focus on NRW and Lower Saxony
- Guarantees from state-owned guarantee banks
- Further programmes for self-employed, founders and cultural workers
- » Links to concrete aid programmes

### What we can do for you

- » Support in compilation and preparation (integrated planning calculation) of the documents for your house bank,
- » in such a way that the figures can be presented 'ready for decision'.
- » We support you in the communication with the Banks.
- » Together we get the applications in a time-efficient way from application to approval because time will be essential.

### These are our specialists aside from your well-known contact people

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## Tax relief

### What this is all about for you

In order to improve the liquidity of companies, the opportunity of deferring tax payments and of reducing advance payments will significantly improved and additionally enforcement measures are limited renounced. Two letters dated 19 March 2020 of the Federal Ministry of Finance are now concretising the tax aid package of the Federal Government to avoid unfair hardness for companies 'directly and not insignificantly' affected by the corona virus.

The following is status quo:

- » A **deferral of tax payments without strict examination of the requirements** can be submitted to the responsible tax office up to 31 December 2020 for taxes due up to the end of 2020.
- » Deferral requests **regarding trade tax** are to be addressed directly to the municipality.
- » The tax office also issues requests for adjustments of **advance payments on income tax, corporate tax and basis of trade tax 2020** without strict review.
- » In the applications, the burden on the company by the corona virus is to be stated.

- » Deferral interest is not usually charged.
- » No deferral is possible (as provided by law) for **wage tax and liability debts** (e.g. building withholding tax).
- » **VAT** can be deferred (!).
- » The tax authorities in North Rhine-Westphalia ([www.finanzverwaltung.nrw.de](http://www.finanzverwaltung.nrw.de)) and in Hesse ([www.finanze.hessen.de](http://www.finanze.hessen.de)) have decided to offer companies **special advance payments made for 2020 on VAT** as a financial aid on application (the above-mentioned offer assistance on how to proceed; we are happy to support you, particularly with advice regarding compliance in the formal procedure).

It is to be expected that the authorities **will subsequently review the requirements** for direct and not insignificant burden on businesses. Anyway, at this stage, in a very hasty implemented new legal situations it is to ensure that no formal errors are made and the requirements for applications are actually met, in order to avoid later the accusation of tax evasion for example as in circumstances where managing directors of companies that were already in a crisis phase before Corona make use of these possibilities and then later become insolvent.

#### What's new about it

- » Overview on the status quo <https://www.pkf-fasselt.de/en/focus-areas/corona-crisis-first-aid-from-pkf.html>.
- » This topic is strongly in motion. We keep you informed via emails, blog posts and with our website.

#### What we can do for you

- » Legally sound applications for deferral or reduction of taxes
- » Support with the justification of applications
- » Assistance in the enforcement of applications for trade tax at the municipalities
- » Advice on the application requirements
- » Analysis of liability risks

Please ask your known contact people at PKF Fasselt Schlage or our newly formed team of experts, which analyses the development of the legal situation every day and provides you with up-to-date information.

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## Labour law issues and measures

#### What this is all about for you

A large number of questions of labour law arise directly for employers and employees:

- » Are you allowed to stay away from work because of the corona virus?
- » Does a right exist to work mobile (home office)?
- » Is the employer allowed to command mobile work (home office)?
- » May the employer command a business trip?
- » May the employer order overtime, in case a large number of employees is absent from work due to the virus and therefore an order or project is at risk?

- » Continued payment for diagnosis COVID-19
- » Is there a duty to work for employees who are in quarantine in case the employer allows mobile working?
- » Which co-determination rights exist for the works council?
- » What if authorities have to close a business due to the corona virus?

#### What's new about it

- » Question and Answer (Q&A) lists on the most urgent Questions that we constantly update.
- » Blog posts on current issues.

## What we can do for you

### Your team for Labour and Social Law

Comprehensive advice for labour law issues.

### These are our specialists aside from your well-known contact people:

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# Insolvency Risk Management

## What this is all about for you

On 16 March 2020 the Federal Government informed through the Federal Ministry of Justice and for Consumer Protection, that it is intended to suspend the obligation to file for insolvency for companies affected by the corona crisis. **Since 21 March 2020 the draft law to mitigate the consequences of the COVID 19 pandemic in civil, insolvency and criminal procedure is available.**

According to this, the application obligations for these companies should be suspended up to 30 September 2020. An Extension of the deadline up to 31 March 2021 ought to be achieved by legal decree. Creditor applications should be inadmissible during this period.

According to this draft, the following requirements have to be met for the use of the facilitations:

1. The insolvency/overindebtedness is due to the consequences of the corona crisis.
2. This is presumed if the insolvency/overindebtedness has occurred after 31 December 2019.
3. Serious restructuring efforts have to be made.
4. On the basis of the implemented measures, reasonable perspectives for a restructuring have to exist.

This means that in order to benefit from the suspension of the application obligations, the management must be able to provide at least the following evidence:

1. No insolvency maturity before the reference date
2. Taking restructuring measures, in particular efforts to obtain additional financial means (e.g. KfW subsidies)
3. The restructuring perspectives have to be positive

To avoid that the legal representatives get into a personal liability for payments in the transitional period up to 30 September 2020, the draft further provides that payments made in the ordinary course of business, in particular such payments which serve for maintenance or resumption of business operations or the implementation of a restructuring concept and thus are compatible with the diligence of a prudent and conscientious managing director, therefore a personal liability is excluded.

Furthermore, the liability risks are reduced for the banks and shareholders in connection with the new granting of loans in the crisis. According to the draft, so-called restructuring loans and therefore provided collaterals may not be contestable.

Thus, the legal representatives should consider in their further action the following rules:

1. Recording the incidence of insolvency maturity after the key date (by updated financial planning for the years 2020 and 2021).
2. Developing a restructuring concept, including integrated financial planning, which helps to overcome the liquidity crisis and documents this.
3. Implementing a short-term liquidity planning (daily/weekly) if not available.
4. Establish communication with all parties involved (banks, works council, shareholders, suppliers, customers, etc.).
5. Particular care is required in cases wherein already symptoms of crisis were present before the key date.
6. Periodically review of the assumption that restructuring perspectives remain positive.

- 7. Ask for professional advice if necessary.
- 8. Stay calm.

### What's new about it

- » We keep you informed about this significant change in law on our website, in blog posts and up to date by email.

### What we can do for you

We give advice on all aspects of reorganisation, restructuring and insolvency.

### These are our specialists aside from your well-known contact people

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# Balance sheet provisions, Notes, Management report disclosures, Audit of financial statements

### What this is all about for you

The Institute of Public Auditors in Germany has published an expert note on possible **consequences for the annual financial statements (e.g. the requirements for unscheduled depreciations** or for the formation of provisions) already relevant in (consolidated) **annual financial statements and management reports according to HGB and IFRS on the 31 December 2019** and expressed as well the effects on the audit of the financial statements. We here present the resulting aspects and also will provide you on our website with the full text of the position paper ([https://www.pkf-fasselt.de/fileadmin/user\\_upload/PKF-Fasselt.de/03\\_Branches-and-Themes/Corona/Corona\\_technical\\_note\\_IDW.pdf](https://www.pkf-fasselt.de/fileadmin/user_upload/PKF-Fasselt.de/03_Branches-and-Themes/Corona/Corona_technical_note_IDW.pdf)).

### What's new about it

Presentation of the effects on the balancing, the effects on information within the notes and management reports as well as the audit of annual financial statements itself.

### What we can do for you

- » Advice on the above-mentioned **effects and their implementation.**
- » We have already adapted our **audit processes** to the

new situation and updated our employees comprehensively.

- » Our **audit teams** are technically equipped with working and communication tools so that the audit may also take place **off-site** and to a large extent in a **home office** situation. In this way we avoid time delays for you.

**Please contact your well-known contact people at PKF Fasselt Schlage** or in special cases our team of experts, who will prepare the specialist questions that arise centrally for you and for us and ensure that our auditing processes are consistently adjusted.

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# Emergency case for entrepreneurs – Arrangements for business protection

## What this is all about for you

As an entrepreneur you are responsible for successful management of your company. Particularly in these times, this also includes precautions in the event that you might not be available for your company.

## What we can do for you

- » Support in the preparation of an **operative emergency plan**.

- » Advice on **powers of attorney for precaution**.
- » Advice on **last wills**.
- » Advice on **safeguarding of important business documents** (company contracts, insurance policies) as well as addresses (relatives, consultants, cooperation partners etc.) and passwords and keys (bank safe deposit box, safes, computer access).

**You are welcome to contact your well-known contacts at PKF Fasselt Schlage.**

## PKF Fasselt Schlage Partnerschaft mbB

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The contents of the PKF\* Newsletter do not purport to be a full statement on any given problem nor should they be relied upon as a substitute for seeking tax and other professional advice on the particularities of individual cases. Moreover, while every care is taken to ensure that the contents of the PKF Newsletter reflect the current legal status, please note, however, that changes to the law, to case law or administration opinions can always occur at short notice. Thus it is always recommended that you should seek personal advice before you undertake or refrain from any measures.

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