

Plan for exceptional economic measures to mitigate the impact of COVID 19 in companies

The Spanish Government has adopted a programme of exceptional economic measures to mitigate the impact of COVID-19. This note summarises the main measures aimed at companies.

ICO credit line guarantees

Through the ICO (Official Credit Institute), the State will grant guarantees worth 100 billion euros to facilitate the provision of loans for companies and self-employed workers who require funds to cover their working capital, payment of invoices or other items, thus also enabling them to continue operating and protecting economic activity and employment.

This state-funded line of guarantees for companies and the self-employed from the Ministry of Economic Affairs and Digital Transformation will be managed by the ICO through the financial institutions that grant funding for companies and self-employed workers; this aid can be tapped into by requesting new credit lines or renewing existing ones.

On 24 March, the first tranche of this credit line was released for the amount of 20 billion euros (10 billion euros for renewals and new loans for self-employed workers and SMEs, and another 10 billion euros for renewals and new loans for companies that do not fall into the category of SME).

The second tranche was activated on 10 April, and consisted of another 20 billion euros for renewals and new loans for self-employed workers and SMEs.

Line of finance for companies and self-employed workers in the tourism industry and related activities affected by COVID-19

To cover the liquidity needs of companies and self-employed workers in the tourism industry and related activities, on 12 March ICO's line of finance (ICO Line for Companies and Entrepreneurs), which was created for companies and self-employed workers in the tourism industry affected by the collapse of the Thomas Cook company group, was increased to 400 million euros. Its scope of application was also expanded to cover companies in all of Spain (it was initially available for the Canary Islands and the Balearic Islands) and a wider range of economic activities connected to tourism.

Additional credit coverage through CESCE

An additional line of State-backed credit coverage is created through CESCE and funded with up to 2 billion euros for financial institutions that grant new credit lines for working capital.

The beneficiaries will be SMEs and other larger companies, provided they are not listed, internationalised, or in the process of internationalisation.

Deferral of tax obligations

Self-employed workers or companies with a turnover not exceeding 6,010,121.04 euros in 2019 are eligible for deferrals or payment in instalments of any tax obligations due between 13 March 2020 and 30 May 2020, if the amount owed is equal to or less than 30,000 euros. These deferrals will be granted without the need to provide guarantees and through an automated resolution process. The deferral will be granted for six months, and no late payment interests will be accrued during the first three months of the deferral.

Extended deadlines for certain tax procedures

The deadline is extended for responding to injunctions, garnishment procedures, information requests with tax implications and other procedures involving Spain's Tax Agency (for the time being it is extended until 30 April 2020, if the deadline was set before 14 March, or until 20 May for deadlines set afterwards).

However, the deadlines for the submission and payment of tax self-assessments and informative declarations are not affected by the suspension and extension of deadlines regulated in Royal Decree–Law 8/2020. However, taxpayers that invoice up to 600,000 euros (3.4 million taxpayers, representing 95% of companies and self-employed workers) will have until 20 May to submit their tax returns due in April. That is, they may defer the submission of their quarterly VAT declaration, payment of their Corporate Income Tax instalments and Personal Income Tax. In the case of direct debited returns, the deadline is also extended by one month, from 15 April to 15 May.

Social Security subsidies for workers with permanent discontinuous contracts

Additionally, to support workers and companies in the tourism industry, as well as retailers and food-service businesses related to this industry, the subsidies of 50% of the Social Security payments due for permanent-discontinuous contracts are extended from February to June 2020 (under normal circumstances the subsidy covers only February and March). This therefore extends the period of activity of workers with permanent-discontinuous contracts as necessary to cover the causative factor of COVID-19.

Measures for creating flexibility in the procedures for suspending contracts and reducing working hours (ERTEs¹) for reasons of force majeure

- Measures for relaxing and streamlining temporary lay-off procedures:

- a) The loss of activity as a result of COVID-19 will have the consideration of temporary force majeure for the effects of the suspension of contracts or the reduction of the

¹ *Concept of ERTE, or temporary lay-off plans:* In the current Spanish legislation, due either to causes of temporary force majeure or for economic, technical, organisational or production-related reasons, business owners may decide to suspend employment contracts or reduce the workday through the mechanism known as ERTE, or temporary lay-off plans. The wages of the furloughed workers, or the shortfall between their regular wages and their wages after the workday reduction will be paid by National Insurance. However, the company will still be obliged to pay 100% of its contribution to the employee's National Insurance payment.

workday; however, the duration of temporary lay-off plans (ERTEs) for reasons of force majeure deriving from COVID-19 cannot be extended beyond the state of emergency. The processes for these procedures are streamlined: among other things, tacit administrative acceptance is implicitly recognised for the resolution of ERTEs).

- b) Also streamlined are the procedures for temporary lay-offs for economic, technical, organisational or production-related reasons.
 - c) To streamline the processing of benefit entitlements, a company may submit a single application for all affected workers, thus avoiding having to process individual applications.
- Measures to improve the coverage for all workers affected by temporary lay-off procedures related to COVID-19, and for business owners:
- a) The right to contributory unemployment benefit is enabled, even when the minimum period for contributions required in the general regulation has not been met.
 - b) The period of unemployment benefit consumed during these temporary lay-offs will not be taken into account for the purpose of calculating future unemployment benefits. That is, the period for which unemployment benefits are received at this time does not limit the length of time for which benefits can be received in the future in the case of becoming unemployed again.
 - c) Companies affected by temporary lay-off procedures due to causes of force majeure related to COVID-19 are entitled to an exemption from the payment of Social Security contributions for the workers included in the procedure and for the duration of the period of suspension of contracts or reduction of the workday authorised for the aforementioned cause. This exemption is linked to the company's commitment to maintain employment for a period of six months from the date the activity resumes.

Limitation on the dismissal of workers

It is established that the same causes of force majeure or business-related (economic, organisational or production-related) causes deriving from COVID-19 that are a justification for lay-offs cannot be used to justify dismissals.

Measures to promote the digitisation of SMEs

Various measures are available to support SMEs and promote their adaptation to the digital environment through the Acelera programme, which is endowed with 250 million euros and designed to provide subsidies for R&D&I, and to finance investment in the acquisition of equipment or remote work solutions.

Streamlining of customs procedures

Customs procedures in the industrial sector are streamlined: to this end it is permitted that the head of the Department for Customs and Special Taxes at Spain's Tax Agency can agree that customs clearance can be carried out by any entity or official within this department.

Public contracts

Provisions have been made for the suspension of contracts for public services and recurrent furnishing of supplies affected by COVID-19. In these cases, the awarding entity must pay the contractors for the damages they have incurred during the suspension of the contract.

Deferral of repayments on loans granted by the General Secretariat for Industry and Small and Medium Companies

Companies who have received financial support for manufacturing investments through loans from the General Secretariat for Industry and Small and Medium Companies can apply to defer the payment of the principal and/or interest for the year in course, when the health crisis caused by the outbreak of COVID-19 has resulted in the aforementioned beneficiaries suffering periods of inactivity, a reduction in the volume of sales or disruption in its supply chain which hinders or prevents them from making the loan repayments. This request will imply, in the case of approval, the corresponding adjustment of the repayment schedule.

More flexibility in the procedures for granting subsidies from the General Secretariat for Industry and SMEs

In order to facilitate access for companies, and particularly SMEs, the procedures for applying for loans or subsidies from the General Secretariat for Industry and SMEs are now more flexible.

Reimbursement of fees and award of subsidies due to the cancellation of activities promoting international trade and other international events

ICEX is authorised to return the fees paid by companies for their participation in fairs or other activities for the promotion of international trade when these are cancelled, highly affected or postponed by the organiser as a result of COVID-19. If the activity has been rescheduled, the company must duly justify the reasons for not attending the rescheduled event. ICEX may also grant subsidies for companies that participate in the international events arranged through its collaborating entities and for the collaborating entities themselves, depending on the unrecoverable expenses incurred.

Moratorium on payments of loans granted by the State Secretariat for Tourism

In general terms, the payment of interest and repayment of loans granted by the State Secretariat for Tourism (EMPRENDETUR) is suspended without having to apply for this treatment and for a period of one year.

Incentivising credit flow through mutual guarantee entities

The endowment for CERSA (Spanish Refinancing Company) is increased by 60 million euros in order to guarantee a larger number of transactions.

Deferral of payments for loans granted by autonomous regions or local entities

Companies and self-employed workers affected by the COVID-19 crisis who have been granted financial credit or loans by an autonomous region or local entity may request the extraordinary deferral of the payment of the principal and/or interest due for the remainder of 2020.

Flexibility in electricity and natural gas supply contracts for self-employed workers and companies

As long as the state of emergency continues in force, companies can temporarily suspend or modify their electricity and natural gas supply contracts in order to adapt said contracts to their new consumption patterns without incurring in penalties. Within a period of three months of the state of emergency, consumers who have requested the suspension or modification of their utility contract may request its reactivation or reversal of the modification without being billed for those charges. Payment for these utilities may also be deferred for six months starting from the date that the state of emergency is officially over.

Credits will be enabled in the national budget to compensate electricity and gas companies for the reduction in their income as a result of these measures.

Flexibility in the regulation of the energy sector

Due to the decrease in consumption and the slower-than-expected turnover in storage tanks, the conditions for fuel commercialisation are made more flexible: the start date for the sale of summer-specified petrol can be delayed, meaning that petrol with a steam pressure and distillation between the minimum summer and maximum winter limits can be sold until 30 June 2020.

Additionally, the electricity networks' access and connection permits established in Law 24/2013 on the Electricity Sector are extended by two months from the end of the state of emergency, in order to ensure the legal security for promoters of electricity generation projects, since a large number of them that are essential for meeting the penetration targets for new renewable energies.

Temporary offset of certain expenses incurred in the compulsory deployment of national digital television service

Subsidies are approved for the amount of 15 million euros to compensate part of the costs incurred by digital television service providers who are obligated to widen the reach of the audiovisual communication service to a larger percentage of the population

Measures involving Corporate Affairs

- a) Due to the impediments to hold board meetings in person, RDL 8/2020 allows, throughout the duration of the state of emergency, the meeting of administrative bodies of a company can be held via videoconference, or alternatively, without the need for statutory provisions, that agreements be adopted in writing without holding a meeting.
- b) Furthermore, RDL 8/2020 establishes that the period of three months from the close of the social exercise for the government or administrative body of a legal person obliged to formulate the annual, ordinary or abbreviated accounts, whether individual or consolidated, and, if legally required, the management report, and to formulate any other documents that are obligatory by law according to the company's legislation, is suspended until the end of the state of emergency, and will be resumed for another three months counting from that date.

Furthermore, RDL 8/2020 temporarily halts the deadline of 3 months from the close of a company's fiscal year within which the company's representatives must submit the financial statements, whether in full or abbreviated, individual or consolidated, as well as the management report if thus required by law, and also any documents required by Commercial Law. The obligation to submit any of these is deferred until the end of the state of emergency and allows 3 months to comply starting from that date.

This regime for the suspension of the period for the formulation, auditing and approval of annual accounts is also applicable to collective investment vehicles (IIC, ECR and EICC), both funds and companies, and to SGIIC and SGEIC.

These stipulations for halting the deadlines to formulate, audit and approve financial statements also apply to collective investment vehicles (CIIs, VC entities –ECRs– and close-ended collective investment entities –EICCs–), whether they are funds or companies, and also to asset managers (managers of collective investment institutions –SGIICs– and managers of close-ended collective investment entities –SGEICs–).

- c) For the duration of the state of emergency, any debtors that are in a situation of insolvency will not be required to apply for insolvency proceedings.
- d) Extraordinary measures are also established for application to the operation of the government organs of listed public limited companies.

The following link contains these and other measures approved by the Spanish government in response to the COVID-19 emergency, particularly those aimed at self-employed workers and other citizens.

<http://www.mineco.gob.es/portal/site/mineco/menuitem.2efe1f7b4e40d4856c8a0f35026041a0/?vqnextoid=de1969e8c9b11710VqnVCM1000001d04140aRCRD>