

Rödl & Partner

NEWSLETTER FINLAND

SUCCESSFUL TOGETHER

Issue:
29.4.2020

Covid-19: Grants, aids and payment arrangements for companies

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The worldwide Coronavirus pandemic has created challenges for companies, with all the necessary restrictions and the changes in the market. All these changes have had serious effects on the prerequisites for operation of companies. In order to relieve the prevailing situation, several different grants and aids are available. In addition to grants, there are also possibilities for late payments and other payment arrangements for taxes and other significant payments.

We have compiled things to take note of and practical advice into this newsletter in order to help you get a better grasp of the situation.

Grants on Offer for Companies

The Tax Administration has announced that grants and aids from public corporations and offices granted due to the Coronavirus are taxable income for the recipient of the grant, a company or an entrepreneur.

- According to the bulletin released by the Tax Administration, the grant or aid received will be reported in the 2020 tax return.
- The grants and aids will not be included in the base amount of the VAT, because they are not directly linked to the prices of goods and services.

In addition to receiving a loan from their bank, depending on the size of the company, a grant can be received from the following institutions:

- Private/Sole trader: Municipalities
- Small company (1-5 employees): Finnvera, ELY Centers
- SME (6-250 employees): Finnvera, Business Finland
- Mid-cap company (annual max turnover 300M euros): Finnvera, Business Finland
- Large Company: Finnvera

BUSINESS FINLAND

Business Finland offers funding for Mid-cap companies and SMEs (oy, oyj, ay,ky, osk)

operating in Finland. The funding is available for companies with 6-250 employees and mid-cap companies, whose business is suffering due to the Coronavirus epidemic. There are two different forms of funding available: preliminary and development funding. Both forms of funding cannot be applied for at the same time.

- The funding can help businesses develop new products and working methods.
- It cannot be used to compensate for lost sales.

Preliminary funding for companies during business disruptions

- Maximum of 10 000 euros.
- The grant is 80 % of the project's approved total costs.
- Companies can use this funding to investigate and plan new business, alternative subcontracting chains and ways to organize production during and after the disruption caused by the coronavirus.
- Acceptable costs include:
 1. The salaries of employees investigating and planning new business.
 2. Employer's contributions: 30 % of the paid salaries approved for the project.
 3. Investigative and planning work acquired as outsourced work.
 4. Other costs can be approved with an amount that is 20 % of the combined costs of salaries and approved work.

Development funding for companies during business disruptions

- Maximum of 100 000 euros.
- The amount of funding is 80 % of the approved total costs of the project.
- The funding can be used to carry out development plans in order to improve their potential for success during and after the disruption caused by the coronavirus. The measures are solely intended for companies to create new product- or production-related solutions.

Funding Criteria

- Operating has temporarily become more difficult due to the coronavirus.
- The company has to have sufficient prerequisites for profitable business. The

funding will not be granted, if the company has already been in financial difficulty.

- If the company is in tax debt, there has to be a payment plan approved by the Tax Administration.

Both forms of funding fall under the de minimis exemption. The maximum amount of de minimis aid is 200 000 euros for the current and previous two tax years.

What is de minimis aid?

- Public funding granted to companies, governed by a Commission regulation.
- De minimis means "non-significant". De minimis funding consists of such grants and aids that are considered not to have an impact on competition or trade in EU.
- In Finland, de minimis funding is granted by Business Finland, municipalities, regional councils, ministries, Finnvera and ELY Centres.
- The company itself must monitor the amount if the de minimis funding it receives and report it when applying for new aid, so that the total amount of de minimis aid granted does not exceed the maximum permissible sum of aid during the current and two previous years.
- The maximum amount is 200 000 euros.
- The maximum amount is 100 000 euros for a company operating in the field of road transport.

ELY CENTRES

ELY Centres grant business development aid to companies (Oy, Ky, Ay, Osk, Tmi) with up to five employees. Solo entrepreneurs are not eligible for the grants provided by ELY Centres. The grant is available for sole proprietors employing at least one person.

- Development aid for companies negatively impacted by the market and production disturbances caused by the coronavirus.
- Companies in all other sectors, except for agriculture, forestry, fisheries and agricultural products processing industry.
- The aid can be granted for conducting a situation analysis or carrying out development measures. You cannot apply for funding for both services at the same time. Funding for each service can only be granted once.
 - It is recommended to apply for the aid for conducting a situation analysis first.

Conducting a situation analysis

- A company can analyse and plan operations and business activities.
- Maximum amount 10 000 euros. The aid can amount to a maximum of 80 % of the imputed eligible costs.

Development measures

- Aid can be granted for larger development measure that improve the company's capabilities during and after the coronavirus crisis. The measures can include: redirection of business, developing subcontracting chains, new ways to organize production and product and service development.
- Maximum amount 100 000 euros. The aid can amount to a maximum of 80 % of the imputed eligible costs.

Funding Criteria

- The company is experiencing or will experience temporary setbacks due to the coronavirus, but the company makes efforts to renew itself and improve its expertise.
- The company is estimated to have the prerequisites for profitable operations in the future.
- The funding is a form of the de minimis aid and can be granted if the company has not exceeded its de minimis quota of 200 000 euros.

MUNICIPALITIES

Sole proprietors can be granted funding to cover costs of business in order to secure the continuation of operation

- Funding can be granted for costs arising 16.3.2020 - 31.8.2020.
- The amount of the grant is 2000 euros and it can be only received once.
- The grant cannot be used to pay the entrepreneur's salaries.
- The aid is granted by the municipality where the business located.

Funding criteria

- The profits and receivables have decreased over 30 % due to the coronavirus situation, while the costs of the business have remained nearly unchanged.
- The company is estimated to have the prerequisites for profitable operations in the future. The aid will not be granted in case the business was in jeopardy prior to the outbreak.

- In case the business has tax liabilities, there must be a payment plan approved by the Tax Administration.
- The aid is a part of the de minimis funding.

Helsinki

- The grant is applied for via asiointi.hel.fi-website.
- More information: [City of Helsinki](#)
- Application period is until 30.9.2020.

Espoo

- The grant is applied for via [espoo.fi](http:// espoo.fi) -website
- More information: [City of Espoo](#)
- Application period is until 30.9.2020.

FINNVERA

Finnvera can support companies regardless of their size.

- Finnvera can guarantee a loan.
- The guarantee is not a direct aid, and there is a fee.
- The start Guarantee and the SME Guarantee, which the bank applies for on behalf of the company. For the Finnvera Guarantee, the company must negotiate with their bank about the loan and only after that apply for the guarantee.

Payment waivers

PENSION INSURANCE COMPANIES

There will be a temporary reduction of 2,6 % on the employers' TyEL insurance contributions as of 1.5.2020. The reduction concerns TyEL insurance contributions linked to salaries paid between 1.5.2020 – 31.12.2020. The reductions will be compensated by increasing the employer's contributions during the years 2022 – 2025.

An exception has been confirmed to the terms of TyEL and YEL insurance. Invoices with a due date between 20.3.2020 – 30.6.2020 can be granted an extended payment period, which is three months longer than usually.

Companies have the possibility to re-borrow a part the employer's TyEL contributions it has paid. Finnvera will guarantee the loan re-borrowed. Finnvera's guarantee is 80 % of the loan.

- The reference rate of interest is the TyEL interest.
- The TyEL interest rate can be found at the website of the Insurance company [Garantia](#) (in Finnish only).
- A marginal determined by the guarantee and the term of the loan is added to the interest rate.

TAX ADMINISTRATION

Payment arrangement

A payment arrangement can be requested for temporary financial difficulties. The Tax Administration will ease the terms of payment arrangements for the time being. The new terms are applied to payment arrangements that have been applied for 25.3.2020 – 31.8.2020.

- The first payment of the arrangement is in three months of the approval of the payment arrangement.
- The Tax Administration will add all new taxes that have a due date before the end of May and have not been paid before that time, to the arrangement automatically.
- The taxes included in the arrangement will have an interest of 4 % for a late payment, instead of the regular 7 %.

Terms of the payment arrangement

- You do not have taxes in recovery by enforcement.
- You have filed all the required tax returns and reports to the Incomes Register.
- You may be unqualified to get a payment arrangement if your previous arrangement has lapsed.

A tax related to the debt restructuring does not prohibit a tax arrangement, if it has been applied for 25.3.2020 – 31.8.2020

The payment arrangement will lapse in the following situations

- The payments are not made according to the arrangement.
- You accumulate new tax debt outside not included in the arrangement.
- You neglect the obligation to declare your taxes.

In case the payment arrangement lapses due to a late payment, you can apply for a new arrangement, if the delay is caused by a special reason.

Other easements

- A payment arrangement cannot be applied for car tax or excise duties, but you can apply for extension.
- The filing deadline for corporate tax returns has been extended by one month.

A TEMPORARY CHANGE TO THE BANKRUPTCY ACT

The parliament enacted a temporary change to the Bankruptcy Act based on the government's proposal HE 46/2020.

- The declaration of bankruptcy by the creditor's application is limited.
- The debtor is not assumed insolvent based on the fact that they have not paid their indisputable and overdue debt within a week of the creditor's payment request.
- The change is valid until 31.10.2020.

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