

March 2020

## Other forms of support for SMEs under the Anti-Crisis Act

**On 28 March 2020, the lower house of the Polish parliament adopted the bill amending the Act on Special Arrangements for the Prevention, Control and Management of COVID-19, Other Infectious Diseases and the Resulting Emergencies, and Certain Other Acts (hereinafter: "the Act").**

**Below we present the proposed forms of financial support for the Polish SME sector.**

### **Subsidization of employees' salaries and corresponding parts of social security contributions**

In addition to granting benefits paid out under the Guaranteed Employee Benefits Fund (GEBF), the Act also provides for subsidizing salaries of employees based on **an agreement concluded with the District Governor (starosta).**

#### **Entitled entities**

This kind of support may be applied by:

- **micro, small and medium-sized businesses;**
- non-governmental organizations and certain other entities listed in the Public Benefit and Volunteer Work Act (including social cooperatives and associations of local government units).

The condition to be met is a decline in economic turnover due to the COVID-19 epidemic, i.e. **a decrease in sales of goods or services, in terms of quantity or value, calculated as the ratio of the total turnover in any two consecutive calendar months falling between**

1 January 2020 and the day preceding the day of submitting the subsidy application, compared to the total turnover in the corresponding two consecutive months of the previous year.

#### **Scope of support**

For micro, small and medium-sized businesses, the subsidy in the event of a decrease in turnover by at least:

- **30 percent** may be granted **in the amount of up to 50 percent of salaries of individual employees** covered by the application for subsidy along with social security contributions in the respective part, **however no more than 50 percent of the minimum wage** plus social security contributions due by the employer for each employee;
- **50 percent** may be granted **in the amount of up to 70 percent of salaries of individual employees** along with social security contributions in the respective part, **however no more than 70 percent of the minimum wage** plus social security contributions paid for each employee;
- **80 percent** may be granted **in the amount of up to 90 percent of salaries of individual employees** covered by the application for subsidy along with social security contributions in the respective part, **however no more than 90 percent of the minimum wage** plus social security contributions paid for each employee.

The subsidy may be granted starting from the day of submitting the application **for a period not exceeding 3 months** (although the Act provides for the possibility of extension by way of a Cabinet Regulation). It is to be paid **on a monthly basis**, after the entrepreneur submits a statement of employment in a given month and the cost of salary of each employee plus the social security contributions due.

#### **How to apply for the subsidy?**

In order to be covered with the support, entrepreneurs will be required to submit an appropriate **application** containing a number of data along with various entrepreneur's declarations.

What is more, the entrepreneur is obliged to **maintain in employment the employees for whom the subsidy is granted** for the period of financing and, after the end of financing, for a period equal to that period (otherwise, the entrepreneur shall return the subsidy, proportionally to the period of failure to maintain the employee in employment).

#### **A grant co-financing business activity**

The grant may be obtained under **an agreement concluded with the District Governor.**

#### **Entitled entities**

This type of support may be applied for by entrepreneurs being natural persons not employing any staff.

The prerequisite is a decline in economic turnover due to the COVID-19 epidemic.

### Scope of support

The grant may be obtained in the event of a decline in turnover by at least 30 percent. Depending on the scale of the decline, the grant may range from 50 percent of the minimum wage up to 90 percent of the minimum wage per month.

The support may be granted for a period **not exceeding 3 months** (although the Act provides for the possibility of extension by way of a Cabinet Regulation) and shall be paid on a monthly basis upon submitting a statement on conducting business activities in the month for which it is due.

### How to apply for the subsidy?

In order to receive the grant co-financing business activity, the **entrepreneur must submit an application** including relevant declarations.

It must be kept in mind that the entrepreneur is obliged to keep their business running for the period of financing and, after the end of financing, for a period equal to the support period.

### A one-off loan under the Labor Fund

The loan may be obtained under an agreement concluded with the District Governor. The loan is granted under the Labor Fund and its aim is to cover the current costs of running business.

### Entitled entities

The loan may be applied for by **micro-enterprises**, which conducted business activity before 1 March 2020.

### Scope of support

Micro-entrepreneurs may be granted **a one-off loan of up to PLN 5,000.**

The loan interest rate is fixed and amounts to 0.05 of the rediscount rate of the National Bank of Poland per annum.

### How to apply for the loan?

The application for loan along with the statement of employment as of 29 February 2020 converted into full-time units should be submitted to the **competent district labor office.**

The loan repayment period is up to 12 months with a grace period for repayment of principal and payment of interest of 3 months from the date of loan granting (although there is a possibility of extension of the repayment period by way of a Cabinet Regulation).

The loan, together with interest, can be discharged upon the micro-entrepreneur's application and provided that they keep the number of staff employed as at 29 February 2020, for a period of 3 months from its granting.

### Exemption from the obligation to pay ZUS contributions

The Act also provides for exemptions from the obligation to pay social security contributions due for the period from 1 March 2020 to 31 May 2020.

### Entitled entities

The exemption may be applied by:

- remitters of social security contributions who on 29 February 2020 employed no more than 10 persons subject to social security contributions;
- contribution remitters being persons conducting non-agricultural business activities and paying contributions only for own social insurance or health insurance.

The condition for taking advantage of the exemption is to be reported as a remitter before 1 February 2020.

Additionally, for remitters paying social security contributions only for themselves the condition for the application of the exemption is that their income from business activity within the meaning of the PIT Act obtained in the first month for which the application for exemption from contribution is submitted is not higher than 300 percent of the prognosed average wage for 2020.

### How to apply for the exemption?

To use the mechanism, the remitter shall submit to the Polish Social Security Administration (ZUS) an application for exemption from the obligation to pay social security contributions, no longer than until 30 June 2020.

### Downtime benefit for self-employed

Downtime benefit is a one-off grant for self-employed and persons employed under civil law contracts.

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It is due when, as a result of the COVID-19 outbreak, **there has been a downtime in the business run** by a person conducting non-agricultural business activity or by the principal or contracting party with whom a civil law contract has been concluded.

#### Entitled entities

The benefit may be granted to:

- self-employed; and
- persons employed under a civil law contract

who meet additional criteria set out by the Act (including, among other the maximum income amounting to 300 percent of the average wage).

#### Scope of benefit

The basic amount of the benefit is 80 percent of the minimum wage in 2020 (i.e. PLN 2,080 gross).

Due to its social character, the benefit will be exempted from tax and social security contributions. The downtime benefit obtained or placed at the disposal of the taxpayer will be exempted from income tax. The benefit will be directed to the entities specified above if they do not have another social security title.

#### How to apply for the downtime benefit?

The benefit will be paid out by the Polish Social Security Administration (ZUS) on the basis of the application of the person concerned, except that in the case of a person who performs a civil law contract, the application shall be submitted via the principal or the contracting party respectively.

Applications for downtime benefits must be submitted to ZUS no later than within 3 months from the month in which the state of epidemic was recalled.

ZUS pays the downtime benefit immediately after being provided with the last explanation necessary to grant it. The payment of the downtime benefit is made in a non-cash form and is exempted from deductions and enforcement.

#### Stage of legislative works

The Act still has not become legally effective. It was amended by the upper house of the Polish parliament and now awaits re-assessment by the Sejm.

The discussed regulations shall enter into force on the day of the Act's announcement.

#### How can KPMG assist you?

If you are interested in discussing the impact of the measures presented above on your company's situation, please contact us.

We will provide you with comprehensive support in terms of:

- analysis of the conditions provided for in the Act and the possibility to use the support by your company;
- analysis of other possible forms of support under the Act and other available schemes;
- selecting the most favorable form of subsidizing or preference;
- submitting the application for subsidies along with the required declarations and annexes.

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