"Financial Shield" to support companies in crisis

During a press conference held on 8 April 2020, Polish Prime Minister, Mateusz Morawiecki, presented the main assumptions of the "Financial Shield", a new support package intended for entrepreneurs affected by the COVID-19 crisis.

The aid Program will be implemented by the Polish Development Fund (Polski Fundusz Rozwoju) as part of the government-established "Anti-Crisis Shield". The "Financial Shield" is worth PLN 100 billion. Its aim is to protect labor market and to ensure companies' financial liquidity in the periods of severe economic disruption. The Program is intended for around 670 thousand Polish enterprises, including micro, small, medium-sized and large businesses.

Support for micro, small and medium-sized enterprises

For micro, small and medium-sized enterprises, the basic instrument of financial aid will be returnable subsidies, with the possibility of redemption of up to 75 percent after 12 months, provided that throughout this period business activity and employment are maintained (and, for small and medium-sized enterprises, a loss on sales is recorded).

In order to become eligible for support under the Program, an enterprise must meet the following conditions:

- having the required number of employees (1-9 employees for micro and 10-249 employees for small and medium-sized entities);
- experiencing a decline in economic turnover (revenue on sales) by at least 25 percent in any month after 1 February 2020 compared to the previous month or corresponding month of the previous year due to disruptions in the economy induced by COVID-19;
- as a rule, the beneficial owner must be a Polish tax resident (see "Program Beneficiaries").

"Employees" mean not only persons employed under an employment contract, but also associates who as at 31 December 2019 were registered for social insurance by entrepreneurs. Thus, self-employed do not meet the definition of "Employees".

Support for large enterprises

The "Financial Shield" assumes that financing will be granted to large enterprises on the basis of individual financial analysis and may take the form of:

- loans or bonds supporting financial liquidity for a period of 2 years with an option of 1-year extension, up to PLN 1 billion;
- preferential financing paid out as preferential loans for a period of 3 years, partially non-returnable, dependent on a financial loss and maintaining the same level of employment, up to PLN 750 million per entity;
- investment in the form of equity instruments (shares or stocks) acquired on market terms or as part of State aid - with a value of up to PLN 1 billion per entity.

Additionally, large enterprises will have to meet a number of requirements, including those relating to employment level and to the beneficial owner's tax residence.

Detailed conditions of granting financial aid and obligations of the Program Beneficiary will be set out in the agreement.

Procedure

As announced, the procedure for granting subsidies by the Polish Development Fund will be as simple and automated as possible and shall be implemented via electronic channels (e.g. banks) using declarations submitted by the Program Beneficiary.

Large entrepreneurs have already been granted the possibility to submit applications for financial assistance via the Polish Development Fund's website: Financial Shield

For micro, small and medium-sized enterprises, the funds under the "Financial Shield" will be distributed by means of electronic banking by selected banks and shall become available already in April.

State aid

The "Financial Shield", excluding financing from the Polish Development Fund granted on market terms, will constitute a form of State aid. As such, it will be assessed and approved in terms of compatibility with the internal market by the European Commission, as per Article 107(3)(b) of the TFEU (Journal of Laws 2004,90.864/2, Consolidated version of the Treaty on the Functioning of the European Union, as amended by the
Treaty of Lisbon). In relation to support under the "Financial Shield" intended for micro, small and medium-sized enterprises, the notification was sent to the European Commission last week. Similar notification will also be required for support for large enterprises granted on preferential terms.

Program Beneficiaries

Importantly, the terms of the Program provide that in order to be granted financial aid under the Program, the beneficial owner benefiting from financial support must be a Polish tax resident and settle taxes for the last 2 financial years (if applicable) on the territory of the Republic of Poland. However, this requirement may be waived if the Beneficiary undertakes to transfer their tax residency to Poland within 9 months from being granted financial aid under the Program or, in case of foreign enterprises, to assume additional obligations, such as investment commitments, subject to individual approval of the Polish Development Fund.

According to the information available on the Fund's website, "Beneficial Owner" shall be understood in line with the Act of 1 March 2018 on Counteracting Money Laundering and Financing Terrorism (Journal of Laws of 2019, item 1115, the AML Act), i.e. as the Ultimate Beneficial Owner.

In the light of the above, despite the postponement of the deadline for entering information on beneficial owners into the relevant register introduced under the "Anti-Crisis Shield", Polish companies will be required to identify beneficial owners and determine their tax residence if they want to benefit from the financial support provided by the Polish Development Fund.

How can KPMG assist you?

KPMG supports companies in the process of correct identification of beneficial owners. Based on the up-to-date information, the correct identification of the Ultimate Beneficial Owner will be crucial for companies to determine the possibility of obtaining support.

If you would like to learn more about the issue discussed, please do not hesitate to contact us at mampytanie@kpmg.pl