

Corona Crisis and Germany

The global coronavirus (Covid-19) pandemic has far-reaching implications for business and the economy. Germany Trade & Invest is working for you during this difficult time - with regular information updates and answers to your questions about the potential effects for your project in Germany.

With major restrictions placed on movement and travel in place across the world, many planned events and trade fair visits have been cancelled or postponed. Although we are not able to meet you in person for the time being, Germany Trade & Invest will continue to provide its full portfolio of “virtual” services during the current crisis. All of our industry teams remain available to provide ongoing support – in Germany and around the world.

German Industry News

Sep 30, 2020 | Coronavirus

[Chemical Industry Provides Grounds for Optimism](#)

Sep 28, 2020 | Coronavirus

[Germany's Retail Sector Set to Grow by 1.5 Percent in 2020](#)

Sep 25, 2020 | Coronavirus

[Covid-19 Leading to Company Digitalization Push](#)

Sep 23, 2020 | Coronavirus

[Record Covid-19 Aid Package for Business](#)

Sep 16, 2020 | Coronavirus

[Germany Extends Successful Coronavirus Short-Time Work Scheme](#)

Sep 14, 2020 | Coronavirus

[Corona Proving a Catalyst for Smart Cities](#)

Sep 02, 2020 | Environmental Technologies

[Battery Recycling in Germany: Opportunities in a Dynamic Market](#)

Sep 01, 2020 | Press Release | Coronavirus

[Germany Economics Ministry Says Corona Recovery Well Underway](#)

Aug 27, 2020 | Machinery & Equipment

[German Manufacturing and Exports on the Road to Recovery](#)

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The Economic Stimulus and Crisis Management Package

The federal government's Future Package, a subset of an overall stimulus package to cope with economic restraints caused by the coronavirus pandemic, comprises measures in several areas to support investment in Germany.

The German federal government has agreed on an economic stimulus package worth EUR 130 billion. The program (Future Package) includes a number of measures to foster economic growth and investment in Germany.

Foreign investors wishing to invest in Germany can benefit in particular from funding in the areas of mobility, medical devices, CO₂ reduction, digitalization and artificial intelligence.

All measures will improve the general environment for companies, ensuring Germany remains highly attractive to foreign investors.

Overall measures

The government intends to stimulate consumption by introducing various measures.

Most important is the **reduction** of **VAT rates** from 19 percent to 16 percent and from 7 percent to 5 percent from 1 July 2020 to 31 December 2020. This means that the rate for restaurant meals will be reduced to 5 percent until the end of the year.

Social security contributions will be capped for both employers and employees until the end of 2021. The contributions will not exceed 40 percent in total for employers and employees.

Incentives for companies

The federal government intends to increase the **investment grants** from the Joint Task Economic Development Program (GRW) by EUR 500 million.

To further strengthen Germany as a location for innovation, the assessment base of the recently enacted **Research Tax Credit Act** will be increased, retroactively from January 1 2020 to December 31 2025, to EUR 4 million annually per company, leading to an increased annual credit value of **EUR 1 million**.

In addition, Germany will provide **an additional EUR 1 billion** for **R&D activities** to generate innovations (new technologies, processes and equipment) and for new innovation clusters, particularly within the automotive supply industry, for the current and coming year.

Tax-related measures

Companies will have better opportunities to **depreciate assets**. At present, assets can only be written off by straight-line depreciation, with the purchase price of the asset being distributed evenly over the coming years. The use of the declining balance method of depreciation will be introduced temporarily. This means that companies will enjoy a higher rate of depreciation in the first years of use of the assets, which will lead to higher deductible expenses. In addition, there will be exemptions for the depreciation of digital assets in order to promote the digitalization of the economy. This will also be beneficial for start-ups.

The possibilities for **tax loss carry-back** will be extended. The maximum amount of a tax loss carry-back will increase from EUR 1 million to EUR 5 million in 2020 and 2021. It will be possible to make use of this provision in the 2019 tax return, for example by establishing a "corona reserve."

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The law on [corporate income tax](#) will be modernized. This includes the possibility of taxing partnerships under the rules applicable to corporations.

Importers will benefit from a deferral of [import turnover tax](#) until the 26th of the following month, resulting in more liquidity in the hands of companies.

E-mobility bonus

The German government will double the amount of existing purchase incentives for [electric vehicles](#) (BEVs) to support the economy after the coronavirus. This corresponds to a cash grant of EUR 6,000 for a BEV. In addition, the car manufacturers will grant a subsidy of EUR 3,000 - **adding up to a bonus of EUR 9,000**. The measure applies to vehicles worth up to EUR 40,000 excluding VAT.

In order to further promote e-mobility, an additional **EUR 2.5 billion** will be made available for existing infrastructure programs to provide additional [charging stations](#) and to support further [battery cell production](#).

Healthcare

The federal government is starting a 'Public Health Services Pact' to strengthen support for

- building and upgrading the technological and digital capacities of local health authorities,
- funding for hospital investments,
- funding for German efforts to develop a Covid-19 vaccine through contributions to the CEPI (Coalition for Epidemic Preparedness Innovations) alliance.

The objective is to ensure that a safe vaccine is available as soon as possible, is producible in Germany, and that hospitals are 'future-proofed'.

It is the goal of the German government to establish greater production capacities and achieve greater independence in the areas of medical protective equipment, active ingredients and their precursors, and vaccine production. As a result, **EUR 1 billion** will therefore be made available to enable the flexible and scalable production of drugs and medical products.

CO₂ reduction and national hydrogen strategy

The CO₂ [building refurbishment](#) program will be increased by **EUR 1 billion** for the period 2020 through 2021.

[Hydrogen technology](#) is seen as an important approach to decarbonizing the energy system. Germany is to be a leader in the field of hydrogen technology. The federal government published its "National Hydrogen Strategy" on June 9, 2020. Suitable funding programs will be derived from this strategy, which should support the establishment of a total capacity of up to 15 GW by 2040. Funding of **EUR 7 billion** will be made available for projects in Germany.


Artificial intelligence and digitalization

Further development of [artificial intelligence](#) (AI) is gaining momentum in terms of both content and funding: the federal funds for the development and application of the technology are being **increased by EUR 2 billion**.

In conjunction with the update of the federal government's AI strategy, which is to be published in the middle of the year, more investments in data platforms and computing capacities for AI real-time applications will be possible. The competence centers are also to be strengthened and networked; an improvement in the transfer structures from research to application is planned, as is better integration into European research networks.

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The 5G roll-out is to be accelerated, with **EUR 5 billion** earmarked for the promotion of future communication technologies and for a federal mobile infrastructure company. In addition, the government intends to promote the development and production of quantum technology.

For more information please refer to the [Federal Ministry of Finance](#) .

Financial Support for Business

Germany's government has moved swiftly and decisively to confront the potentially devastating effects of the coronavirus pandemic on the economy.

The country's economy is in a strong position to introduce measures supporting the economy over a prolonged period. By providing businesses with sufficient liquidity, the government measures will help ensure that enterprises emerge from the crisis intact.

The Ministry of Finance and Federal Ministry for Economic Affairs and Energy have unveiled a joint assistance program and tax policy measures totaling billions of euros. The package of measures and instruments has been put in place to protect the employment market and enterprises of all sizes in all sectors. To date, almost **EUR 70 billion has been made available** to commercial, freelance and self-employed enterprises in order to help them stay afloat during the ongoing Covid-19 pandemic.

In June 2020, this was supplemented by an **economic stimulus package** worth EUR 130 billion. The program (Future Package) includes a number of measures to foster economic growth and investment in different areas of the German economy.

Support for small and medium-sized companies


As of July 8 2020, small and medium-sized companies and freelance workers from all areas of business are entitled to non-repayable liquidity aid grants - called a bridging allowance - of up to EUR 150,000 from the German government.

Companies must apply using a registered accountant or tax advisor and must have revenues down 60 percent relative to April and May revenues in 2019. The aid is designed to cover fixed costs of businesses which remain locked down, or remain significantly impacted despite the lockdown easing.

The bridging allowance reimburses a share of:

- 80 percent of fixed costs for companies with more than 70 percent decline in sales,
- 50 percent of the fixed costs for companies with a decline in sales between 50 percent and 70 percent,
- 40 percent of fixed costs for companies with a decline in sales between 40 percent and less than 50 percent

in the month of aid distribution compared to the corresponding month of the previous year.

Further information, including exclusion criteria, is provided by the [Federal Ministry for Economic Affairs and Energy](#)  (in German only).


Liquidity aid loan programs


The federal development bank KfW has expanded and eased access and terms on two existing loan programs:

- the ERP-Universal Start-up Loan
- the KfW-Entrepreneur Loan


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KfW has introduced a variety of special programmes to suit companies of different sizes and ages. These programmes include generous terms and conditions on consortial financing for larger projects, as well as emergency liquidity aid for SMEs, micro-enterprises and freelancers/self-employed persons experiencing financial difficulties as a result of the corona crisis.

Please refer to the KfW website for details on [loan program conditions](#) . Applications for all these can be made through high-street banks.

At the same time, both federal and state governments are setting up a variety of aid programs to support companies in Germany. The range of services is continuously being updated and expanded. The [Federal Ministry for Economic Affairs and Energy](#)  provides an overview of all state programs (so far in German only). If you have any questions, please do not hesitate to contact us.

More flexible rules for short-time allowance schemes

The Federal Employment Agency pays the [short-time allowance](#)  as partial compensation for a loss of earnings caused by a temporary cut in working hours. This reduces the costs faced by employers in the context of employing workers, and enables companies to continue to employ their workforce even in the event of a loss of orders. In other words, short-time allowances help to prevent dismissals.

Currently short-time allowances schemes can be granted on a more flexible basis for a limited period until December 31, 2021. For instance, companies are eligible to apply, if 10 percent of the employees are effected by shorter working hours. Moreover, social security contributions which have to be paid solely by employers for employees working short-time are reimbursed in full until June 2021.

Tax policy measures

Tax measures improving companies' liquidity situations have been decided. For instance, options for deferring tax payments and reducing prepayments will be enhanced. Enforcement rules will also be adapted - there will be no foreclosures or late payment fines, if the debtor of a pending tax payment is directly affected by the coronavirus.

Current Economic Developments

The coronavirus outbreak in Germany has brought an abrupt end to the positive economic start to the year. The country's economy must address unexpected challenges.

Economic Developments

The German economy has experienced its worst recession in the post-war period because of the corona pandemic. However, Germany's relative success in containing the coronavirus is paying economic dividends, with the lowest point of the recession already past in May. Since then, the monthly indicators have shown clear signs of recovery. The ifo Business Climate Index has reported a significant upward trend regarding the current economic climate as well as business expectations. According to new data from the Federal Ministry of Economics and Energy, published in early September, Germany will experience a fall in GDP of 5.8 percent in 2020. Earlier forecasts predicted a GDP slump of at least 6.3 percent.

In 2021, large catch-up and carry-over effects should buoy the German economy, with a projected GDP increase of 4.4% allowing Germany to reach its pre-crisis level at the start of 2022.

Countering the Crisis - Record Package of Financial Support Measures

Germany's government has moved swiftly to counteract the worst effects of the crisis, introducing a far-reaching **package of financial measures** to safeguard health, jobs and the economy. The record aid package includes a supplementary government budget of EUR 156 billion to absorb the immediate consequences of the crisis. The complete program of help measures – including guarantees and **subsidized KfW bank loans** – planned represents EUR 1.2 trillion in total. By moving quickly and decisively to mitigate the worst outcomes of the crisis, Germany's government is creating the conditions to ensure that businesses – of all sizes – emerge from the crisis intact.

Germany was one of the safest investment locations worldwide before the global coronavirus pandemic. The country's strong and stable economy now puts it on a strong footing to deal with the current crisis. The record financial aid package announced – with further measures foreseen as and when required – is a sign of the German government's commitment to ensuring that the country maintains its proud position.

Global Recession




A global recession now seems certain, with economic recovery only possible when the virus can be effectively contained. According to the **OECD**, a sharp slowdown in world growth is expected in the first half of the year as supply chains and commodities are affected, tourism falls away and business confidence falters.

Global FDI Perspectives

UNCTAD reports that the outbreak and spread of Covid-19 will negatively affect global foreign direct investment (FDI) flows in the period 2020-2021. Downward pressure on FDI will be in the range of -30 to -40 percent according to new forecasts. Developed countries in particular will feel the effect of this downturn as a result of their dependence on global supply chains.

Sectors expected to experience the greatest decline in FDI levels include aviation, tourism, entertainment, retail trade, and luxury goods. The automotive, consumer goods and IT sectors should experience minimal decline, with biotechnology, e-commerce, digital technologies, and healthcare potentially recording FDI increases according to some forecasts.


More Info:

- [Federal Ministry of Finance: Package of financial measures](#) 
- [OECD: Global economy faces gravest threat since the crisis as coronavirus spreads](#) 
- [UNCTAD: Impact of the Coronavirus Outbreak on Global FDI \[pdf\]](#) 

Entry Regulations, Travel Restrictions, National Guidelines

Germany has lifted border controls to and from all EU countries. From July 2, 2020, business trips to Germany from selected third countries with low infection rates will be possible again.

Entry Regulations, Border Controls, Travel Restrictions

Germany's [Federal Foreign Office](#)  has prepared important information relating to entry and travel restrictions, behavior when in Germany, and transit through other countries.

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In order to prevent the further spread of the coronavirus, Germany implemented travel restrictions for entries from outside the Schengen area in mid-March.

On July 1, 2020, the [European Council](#) adopted a recommendation on the gradual lifting of the temporary restrictions on non-essential travel into the EU. Germany implemented the recommendation on July 2, 2020, allowing unrestricted entry to Germany from specific third countries with low infection rates. For up-to-date information and a list of all relevant countries, please refer to the [dedicated website of the German Federal Foreign Office](#). Travel to Germany from other third countries is also permitted in specific cases including for example:

- nationals from EU countries and associated Schengen countries and the UK,
- third country nationals with a valid residence permit for Germany,
- foreign experts and highly qualified personnel whose work is necessary from an economic point of view and which cannot be postponed or carried out abroad,
- third country nationals with specific essential functions or needs.

The possibility to enter Germany depends on the place of departure and not the person's nationality.

Regardless of the possibility to enter the country, Germany still has a quarantine requirement in place in all federal states for those returning to and entering Germany from regions designated by the Robert Koch Institute as being [international risk areas](#).

As of June 21, 2020, Germany has lifted all border controls to and from all EU countries. To support a safe relaunch of travel across the 27 EU member states, the EU has launched the ["Re-open EU"](#) web platform. It provides up-to-date information on borders, practical information on travel restrictions, and public health and safety measures.

National Guidelines to Slow the Spread of Coronavirus

To protect individuals from infection, a minimum distance requirement of 1.5 meters and the use of masks in public spaces – especially in shops and on public transport - will remain in place until further notice. Big events have been banned until at least the end of December 2020.

Details of the reopening phase will be set at the federal state level. However, the federal states and the federal government have agreed upon an emergency mechanism. Should new infections rise to above 50 people cumulatively per 100,000 in a district within seven days, the responsible federal state has to reimpose restrictions. For detailed information, please refer to the [FAQs](#) provided by the Federal Ministry of Interior.

The official [Corona "Warning" App](#) of the federal government has been made available as of June 16. The free app has been designed to enable contact tracing of infected persons in order to shorten the potential chain of infection. Use of the app is entirely voluntary, with the government promoting its broad use and promising a high level of data protection.

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