

March 2020

Support for business under the Anti-Crisis Act – salary subsidies

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").

The various forms of financial support provided for entrepreneurs under the Act will be discussed in subsequent Tax Alerts prepared by KPMG. Below we present the first of the support instruments, available to all entrepreneurs (both large businesses and SMEs) meeting the relevant criteria.

Subsidies under the Guaranteed Employee Benefits Fund

The Act provides for a possibility to apply for benefits under the Guaranteed Employee Benefits Fund (GEBF) in form of **subsidies covering part of employee salary and corresponding part of social security contributions (paid by the employer).**

Entitled entities

As a rule, this kind of support may be applied by **all entrepreneurs**, regardless of the turnover volume or the number of employees.

The prerequisite 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:**

- **of at least 15 percent** – calculated as the ratio of the total turnover in any two consecutive months of 2020, compared to the total turnover in the corresponding two consecutive months of the previous year; or
- **of at least 25 percent** – calculated as the ratio of the total turnover in any given calendar month of 2020, until the day preceding the day of submission of the application, compared with the turnover in the previous month.

Nevertheless, the subsidies may be used only by entrepreneurs:

- who were not in arrears with respect to tax liabilities, social security contributions, health insurance, Guaranteed Employee Benefits Fund, Labor Fund or Solidarity Fund **at the end of the third quarter of 2019** (or apply the extensions of the repayment periods provided for by law);
- for whom there are no prerequisites to declare bankruptcy.

Scope of support

Subsidies paid out under GEBF will cover employees affected by:

- **economic downtime** (period of non-performance of duties for reasons not related to employees who remain on standby).

Under the discussed support measure, the salary of an employee affected by economic downtime cannot be reduced by the employer **by more than 50 percent** and

cannot be lower than the minimum salary (considering the applicable working hours). In 2020, the minimum salary amounted to PLN 2,600 per full-time.

The employee's salary may be subsidized from **GEBF in the amount of 50 percent of the minimum salary**, considering the applicable working hours, **i.e. up to a maximum of PLN 1,300 gross.**

- **reduced working hours**

The newly introduced provisions provide for reduction of the working time of the employee by at least 20 percent, but not more than to half of the full time. However, the employee's salary may not be lower than the minimum salary (considering the applicable working hours, i.e. PLN 2,080 gross for 8/10 of the full time).

The employee's salary may be subsidized from GEBF **up to the half of the reduced salary, but not more than 40 percent of the average monthly salary** announced by the Statistical Office for the previous quarter. Based on the forecast for the first quarter of 2020, the amount of the subsidy limit per remuneration will be PLN 2,090.80 gross.

Both measures do not apply to the employees whose salary obtained in the month preceding the month, in which the application was submitted, was higher than 300 percent of the average monthly salary announced by the Statistical Office for the previous quarter (i.e. around PLN 15,6k gross).

The support covers equally individuals employed under contracts of employment, as well as individuals performing work under an outwork contract, a contract of mandate or other service contracts.

How to apply for subsidies?

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 declarations.

Before submitting the application, the employer must **enter into an agreement with trade unions or employee representatives selected in accordance with the procedure adopted at the given employer** (in the event of difficulties in holding elections, this agreement may be concluded with employee representatives previously selected for other purposes provided for in the Labor Law). The employer must provide the copy of the agreement to the competent district labor inspector **within 5 working days** from concluding the agreement.

Importantly, **in line with the assumptions, the discussed GEBF subsidies will not be included in de minimis aid and other aid limits.**

The support is to be granted for a total period of **3 months** falling from the date of submission of the application. However, the Act provides for the possibility of extension by way of a government Regulation.

Stage of legislative works

The Act still has not become legally effective. It has been introduced to the upper chamber of the Polish parliament.

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 their fulfilment by your company;
- analysis of other possible forms of support under the Act and other available schemes;
- choosing the most favorable form of subsidizing;
- introducing changes in the conditions and mode of work during periods of economic downtime or reduced working time;
- concluding and announcing an agreement with employee representatives;
- submitting the application for subsidies along with the required annexes.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future.

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