

On 12<sup>th</sup> March, the Spanish Government enacted Royal Decree-Law 5/2021, adopting a set of extraordinary measures to support business solvency in the form of **direct aids for self-employed and companies**, approved with the aim of reducing the indebtedness caused by the COVID-19 crisis.

Firstly, the **COVID LINE** is created as direct aids for the self-employed (entrepreneurs and professionals) and companies to support solvency and reduce private sector indebtedness.

## I. DIRECT AIDS TO COMPANIES AND THE SELF-EMPLOYED

### Purpose and scope

The beneficiaries of the aids will be the non-financial companies and the self-employed most affected by the pandemic, provided that:

- Have their tax domicile in Spanish territory.
- Or are non-resident non-financial entities operating in Spain through a **permanent establishment**.
- They are up to date with their tax and Social Security obligations.
- They have not ceased activity at the time of application.
- Not be involved in bankruptcy proceedings.

These direct aids must have a **final purpose nature**, and hence shall be used exclusively to satisfy debt and make payments to suppliers and other creditors, financial and non-financial, as well as fixed costs incurred by the self-employed and companies, provided that:

- Have **accrued between 1<sup>st</sup> March 2020 and 31<sup>st</sup> May 2021**.
- And come from contracts prior to the entry into force of this Royal Decree-Law, i.e. contracts prior to 13<sup>th</sup> March 2021.

Firstly, payments to suppliers will be satisfied, in order of seniority and, if appropriate, the nominal amount of bank debt will be reduced, giving priority to the reduction of the nominal amount of debt with public guarantee.

### Commitments to be fulfilled

- Maintain the business activity until 30<sup>th</sup> June 2022.
- Not to distribute dividends during years 2021 and 2022.
- Not to approve increases in the remuneration of senior management for a period of two years.

### Beneficiaries

For the purposes of this Royal Decree-Law, the following will be considered beneficiaries:

- Entrepreneurs or professionals and attached entities in the main sectors of business activity (CNAE), especially in those in which ERTes have a high incidence; (These among others: hostelry and catering, wholesale and retail trade; tour operators, auxiliary transport sectors, sports activities and those related to culture), whose annual volume of operations declared or verified by the Administration in 2020 **has fallen by more than 30%** compared to 2019.
- Entrepreneurs or professionals applying the **objective estimation regime** in their Personal Income Tax (IRPF) assigned to the defined business sectors.
- In the case of **consolidated groups** that pay Corporate Income Tax (IS) under the **consolidated taxation system**, the beneficiary for the purposes of compliance with the eligibility and transfer requirements will be understood to be the aforementioned group as a single taxpayer, and not each of the entities that comprise it, whereby the volume of operations to be considered to determine the drop in activity will be the result of adding up all the volumes of operations of the entities that make up the group.
- Under no circumstances will those entrepreneurs or professionals, entities and consolidated groups that meet the requirements established in the previous paragraphs and that in their Personal Income Tax (IRPF) return corresponding to 2019 have declared a negative net result for the economic activities in which they have applied the **direct estimation method** for their determination or, where applicable, have been negative in the economic activities in which they have applied the direct estimation method for their determination, will be considered as beneficiaries, if applicable, the taxable income for Corporate Income Tax (IS) or Non-Resident Income Tax (IRNR) was negative in said financial year, **before the application** of the capitalisation and compensation reserve for negative taxable income.

### Amount criteria

The different Cities and Autonomous Communities will establish the criteria for aids to beneficiaries, provided that the following **maximum limits** are not exceeded:

- **EUR 3,000** for entrepreneurs or professionals who apply the **objective estimation regime** in the Personal Income Tax (IRPF).
- Maximum aid of **40%** for entrepreneurs and professionals whose annual turnover has fallen by more than 30% in 2020 compared to 2019, **with a maximum of 10 employees**.
- Or **20%**, in the case of entities and entrepreneurs or professionals and permanent establishments, whose annual turnover has fallen by more than 30% in 2020 compared to 2019 and which have **more than 10 employees**.

Without prejudice to the above, the aid may **not be less than EUR 4,000 or more than EUR 200,000**.

## **COVID LINE: Direct aid to companies and self-employed**

### **II. AID FOR THE RESTRUCTURING OF FINANCIAL DEBT COVID**

Secondly, another aid package is also created to support and make loans with public guarantees more flexible, thus allowing the ICO to reincorporate itself into the refinancing and restructuring processes agreed between banks and their clients. In other words, this type of aid is aimed at:

- Extension of loans.
  - Possibility of extending the maturity of loans for an additional period (in addition to last November's extension).
  - The date for applying for ICO financing is also extended until 31<sup>st</sup> December 2021.
- Capital inflow.
  - Possibility of converting ICO loans into equity loans.
- Write-downs.
  - Possibility, as an option of last resort, to reduce ICO loans borrowed during the pandemic.

**Summary Table II** [\(Click here\)](#)

### **III. RECAPITALISATION FUND**

Thirdly, and for cases in which the previous measures have not been sufficient, this fund has been created to recapitalise SMEs, aimed at strengthening the balance sheets of companies that were viable in December 2019 but are facing solvency problems due to the pandemic, and which will be managed by the public firm COFIDES, a company with public-private capital.

The aid will be in the form of financial instruments, such as ordinary loans, equity loans, capital or others to companies experiencing temporary difficulties that cannot access aid from the Solvency Support Fund for strategic companies, managed by SEPI, which has a minimum contribution amount of 25 million euros and a maximum term of eight years.

Some of the requirements for accessing this fund will be to keep the company alive until 30 June 2022, not to distribute dividends, not to increase payments to senior management for two years, and others, such as not being present in tax havens.

**Summary Table III** [\(Click here\)](#)