



Grant Thornton

An instinct for growth™

Guide for businesses affected by COVID-19

Overview of aid packages and advice on other measures to create liquidity

1 April 2020



We understand that this is a difficult time when navigating the plethora of information on the internet may be a challenge.

For this reason, we have prepared this overview for businesses affected by COVID-19.

We hope it will help you – but remember also that you are always welcome to contact your personal advisor for sparring and assistance.



Tax and VAT – deadlines and postponements

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Payment of VAT for large businesses

Applies to businesses with a turnover of more than DKK 50 million

The VAT return is deferred for one month for businesses that pay VAT on a monthly basis. The new deadlines for declaration and payment are thus: For the month of March moved to 25 May, for the month of April moved to 25 June and for the month of May moved to 27 July.

As always, VAT returns with negative VAT may be filed after the end of the VAT period and the payment will be made within three weeks. If the company owes money on its tax account, or if the Danish Tax Agency selects the return for verification, expect that it will take longer than three weeks.

Payment of VAT for medium-sized and small businesses

Applies to businesses with a turnover of less than DKK 50 million

Quarterly payments: The payment deadline for Q1 was 2 June 2020. This has been postponed to 1 September 2020.

Biannual payment: The payment deadline for the first half of 2020 was 1 September 2020. The deadline has been postponed to 1 March 2021.

The deadlines for VAT returns are unchanged - updates are automatic.

As always, VAT returns with negative VAT may be filed after the end of the tax period and the payment will be made within three weeks. If the company owes money on its tax account, or if the Danish Tax Agency decides to verify the return, expect that it will take longer than three weeks.

Labour-market contribution and income tax collected at source

Applies to all businesses

Companies' deadline for payment of tax collected at source and labour market contribution is extended by four months for the payment months April, May and June 2020.

The e-Income reporting deadline is unchanged.

If you have not paid income tax and labour market contribution for March 2020, you can look into the possibilities of whether your company meets the criteria for applying for interest- and fee exemption.

Tax not collected at source

Applies to non-corporations

The 20 April 2020 rate is postponed to 22 June 2020.

The 20 May 2020 rate is postponed to 21 December 2020.

The 20 March 2020 rate falls due for payment now. However, the preliminary assessment of income may be changed and if it turns out that there is less tax not collected at source is required to be paid, the rates may be changed. You then have to remember to reject payment via PBS automatic funds transfer.

Tax and VAT – deadlines and postponements

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Notification deadline for taxpayers

Applicable for personally owned businesses and companies

The notification deadline for businesses and companies has been prolonged for the financial year 2019. The deadline has now been prolonged until 1 September 2020 for both types of taxpayers.

For personally owned companies, the deadline has been prolonged from 1 July 2020. However, there may be advantages by observing the original deadline. For instance, the companies can be refunded possible excess tax faster whereas outstanding tax is still added an additional percentage of 4% if paid after 1 July.

The deadline is prolonged until 1 September 2020 for companies with a deadline of filing information for the financial year 2019 on 31 March 2020 and later.

Aid schemes to retain employees

Compensation for wage/salaries for temporary lay-offs

Applies to all businesses that are about to dismiss at least 30 % or more than 50 people due to COVID-19

The company may receive compensation amounting to 75 % of the salary due to each employee, however a maximum of DKK 30,000 per month per employee.

For hourly-paid workers, the compensation amounts to 90 %, however a maximum of DKK 30,000 per month per employee. So far, for a maximum period of three months (9 March – 9 June 2020).

Employees may not work during the lay-off period. The employee must be entitled to their usual salary or wage and must take five special holidays/days off in lieu of pay during the period.

The company cannot terminate employees during the compensation period. However, it is possible to dismiss staff before joining the scheme, just as it is possible to leave the scheme. We recommend that you contact us so that we can discuss the different possible combinations.

Compensation can be sought on the Danish Business Authority's ("Erhvervsstyrelsens") company portal [Virk.dk](https://virk.dk). When you have filed your request for salary compensation with the appropriate documents, then the compensation will be paid as soon as possible. Subsequent documentation that the requirements are met will be required, including an accountant's opinion.

Division of work as an alternative to dismissal

Applies to all businesses

The rules have been made more flexible and may therefore be implemented more quickly, so that employees may receive supplementary unemployment benefits.

Earlier, the division of work had to be reported to the job centre one week before start. Now, it can be started once the job centre has been notified.

Sickness benefit

Applies to all businesses

The employer's payment of the first day of sickness is waived for employees who suffer from COVID-19 or have been quarantined.

For employees who are absent due to sickness for reasons other than COVID-19, the general rules apply.

Compensation for operating loss

1/2

Compensation for company overheads

Applies to all businesses regardless of industry, business format, etc.

To receive compensation, the company must meet the following requirements:

You should expect that your business will experience a decrease in turnover of 40 % or more due to corona virus/COVID-19.

In the period from 9 March to 9 June 2020, your overheads must amount to at least DKK 25,000.

You may be compensated for a proportion of your overheads, including e.g. rent, interest expenditure and contractual expenses (e.g. leasing). The proportion of overheads depends on your expected decline in turnover:

Decrease of 40 – 60 %: Compensation of 25 %

Decrease of 60 – 80 %: Compensation of 50 %

Decrease of 80 – 100 %: Compensation of 80 %

Moreover, if your application is accepted, you may receive support for 80 % of your expense of obtaining an accountant's opinion.

Companies affected by closure and being forced to close down may be compensated for 100 % of their overheads.

An application with a statutory declaration must be submitted. It will be required that, subsequently, it is documented with an accountant's opinion, amongst others, that the expenses are eligible for reimbursement and that the requirements are otherwise met. An application form is being prepared along the lines of the now opened application for compensation for cancelled events.

Compensation for cancelled events

Applies to organisers that are legal entities registered in the Danish Central Business Register before 6 March 2020 and mainly responsible for the planning of an event. Organisers that are public sector bodies are not covered by the compensation scheme. However, municipal venues with a capacity of more than 1000 persons are covered by the compensation scheme.

Loss of income from a variety of sources may be compensated, such as revenue from ticket sales, artist's fees, food/beverage and merchandise sales, advertising income, etc. It is a condition that the compensation does not result in a profit.

The Danish Business Authority receives applications now. If more than DKK 0.5 million is applied for, an accountant's opinion must be submitted.

At the time of writing, the scheme does not apply to events with more than 100 participants which, as you are aware, were subsequently covered by the ban.

Compensation for operating loss

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Compensation for loss of turnover for self-employed and freelancers

Applies to smaller businesses with a maximum of ten full-time employees. To be covered by the scheme, the average monthly turnover must be at least DKK 10,000.

The compensation will amount to 75 % of your company's average monthly loss of turnover.

However, the compensation to the business owner may amount to a maximum of DKK 23,000 per month and, thus, a total of just under DKK 70,000 for a three-month period.

Where the spouse is assisting, the maximum amount is doubled.

To receive compensation, you must substantiate that the loss of turnover is a consequence of corona virus/ COVID-19. Moreover, the reporting of an expected loss of turnover must be supported by a statutory declaration. An application form is being prepared along the lines of the now opened application for compensation for cancelled events.

Everything else you can do ^{1/4}

Payment of tax not collected at source

Applies to non-corporations

Reduce or avoid tax payments on reduced income or loss.

Do so by changing the preliminary assessment of income in the Danish Tax Agency's self-service system.

Increased payment threshold on the tax account

Applies to businesses and persons

Companies may have up to DKK 10 million in their tax account for a limited period of time if, on or after 25 March 2020, the companies adjust their threshold. Deposits with the bank which are subject to negative interest rates may advantageously be transferred to the tax account, within the DKK 10 million threshold. At the time of writing, the interest rate is 0%.

Change the payment threshold for the company in the self-service system of the Danish Tax Administration, SKAT. There are no conditions that must be met. If the amount is to be paid out later, the payment threshold is to be adjusted downwards, and the excess amount is then paid out.

Take out a loan against your equity

Applies to businesses and persons

Your liquidity may be improved by taking out a loan against your equity.

Consult your financial institution, etc.

Remortgaging

Applies to businesses and persons

Remortgaging to a longer-term mortgage or, alternatively, with an interest-only profile to achieve a long-term improvement in cash-flow.

Consult your financial institution, mortgage provider, etc.

Corporation tax

Applies to all businesses

Reduce or avoid tax payments on reduced income or loss.

Companies are able to immediately reduce payments themselves. The Danish Tax Agency may subsequently ask for the required documentation.

Restructuring of banking credits, etc.

Applies to businesses and persons

Restructure bank credit facilities, etc. to longer-term loans or, alternatively, with an interest-only profile.

Consult your bank, etc.

Everything else you can do ^{2/4}

On-account invoicing

Applies to all businesses

Optimise your working capital by bringing invoicing forward. Carry out general invoicing immediately after delivery and, if possible, use on-account invoicing.

Frequently review cases for faster/more frequent invoicing.

Debtor management

Applies to all businesses

Optimise your working capital by increasing focus on debtor management.

An effective reminder procedure is extremely important during this period. Contact debtors as soon as invoices are due. An agreement for partial payment may be entered into. In case of non-payment, decide whether continued deliveries should be made to the customer.

Factoring

Applies to all businesses

When factoring, you take out credit against, say, 80 % of the value of your invoices and the credit is, thus, financed by the loan-to-value ratio.

The factoring company will carry out professional debtor management, including sending reminders to debtors.

Consult with your financial institution, etc.

Energy dues

Applies to businesses that usually receive annual reimbursements exceeding DKK 30,000

Companies may apply to be reimbursed on a monthly basis.

Apply using form 23.008, which must be submitted to the Danish Tax Agency. Expect that the processing time will be extended - expect a processing time of approx. one to two months.

Search virk.dk.

Financing through leasing

Applies to all businesses

By using e.g. the sale and lease back of assets, a better liquidity situation is achieved in relation to short-term credits and an improvement in liquidity in the medium term.

Consult with your leasing company, financial institution and any mortgagees.

Consider investments and expenditure

Applies to all businesses and persons

Consider whether investments and expenditure are "nice to have" or "need to have" to optimise your working capital. Consider whether unnecessary investments and expenditure should be cancelled or deferred. Any fees, fines, etc. should be considered in connection with any cancellation or deferral.

Everything else you can do ^{3/4}

Guarantee scheme for the bank loans of large businesses

Applies to large businesses that employ more than 250 people or have an annual turnover exceeding EUR 50 million (approx. DKK 373 million) and an annual total balance of or exceeding EUR 43 million (approx. DKK 320 million)

Establishes an opportunity to obtain additional loans and credits to cover expected losses in turnover of minimum 30 % compared to a reference period constituting the same period of 2019 (the period is 1 March to 30 September 2020). The period must cover at least 14 days. Applications for guarantees for loans may be made several times during the period 1 March to 30 September 2020, however not more than once for the same period. The term of the guarantee is a maximum of six years and is depreciated on a straight-line basis throughout the term. A guarantee of 70 % of the loan principal can be achieved.

In the case of applications for guarantees where there are no accounting figures for the company's turnover during the relevant period of 2019, the financial institution, leasing company, etc. will estimate the company's loss of turnover based on the company's budgeted turnover.

The application for a guarantee must be submitted by the lending financial institution, leasing company, etc. to Vaekstfonden no later than 15 October 2020. Before submitting the application, the financial institution, leasing company, etc. must have made a credit assessment of the company according to the general rules of the financial institution, leasing company, etc. The cost is an establishment fee of 0.25 % and an annual commission of the security deposit.

The commission may be deducted from the taxable income.

Guarantee scheme for the bank loans of small and medium-sized businesses

Applies to businesses that are not covered by the definition of a large business

A similar guarantee scheme has been established for companies that are not covered by the scheme for large companies. However, the term of the guarantee is up to seven years and is depreciated on a straight-line basis throughout the term.

The application procedure is similar to that of large companies. The cost is an establishment fee of DKK 2,500 and an annual commission of 1% of the sum guaranteed. The commission may be deducted from the taxable income.

Commercial leases subject to an order for closure

Applies to businesses with commercial leases which have been ordered closed by the government

Any reduction or waiver of lease payments must be assessed on an individual basis and we recommend seeking legal advice.

Extending the reinsurance of private credit insurers

Applies to businesses and persons

Now also covers exports to OECD nations. Meant to ensure that the corona crisis does not discourage private credit insurers from insuring the export orders of Danish exporters. The Danish export credit association, EKF, covers up to 90 % of the risk of credit insurers on new export orders.

Contact your credit insurance company or EKF.

Everything else you can do 4/4

Advance of investments, payments, and flexibility from state institutions, municipalities, and regions

Applies to businesses and persons

Through 31 October 2020, state institutions can make exemptions from a number of license rules that may affect state purchases. The exemptions will be withdrawn earlier if the extraordinary situation is improved before. For municipalities and regions the agreed capital investment ceiling is lifted. The easing is used for the following initiatives:

1. Up to 1 July 2020, government institutions may make prepayments for deliveries of a maximum value of DKK 1 million.
2. State institutions may exercise flexibility and elect to not rely on default clauses, including the refraining from levying fines.
3. State institutions will bring forward payments for goods already delivered as well as the processing of received and approved invoices, regardless of the payment terms.

Further, it has been agreed that the municipalities have a possibility of postponing the companies' payment of the second installment of contribution rate in 2020 to 2021. Legal documents have been forwarded to the Danish Finance Committee for approval of the initiatives. To obtain the benefits you must contact the public institutions to which you have supplies or to which you pay contribution rate.

Alternative financing

Applies to all businesses

There are alternatives to the traditional bank loans which are aimed at small and medium-sized companies, e.g.: smverhvervslån.dk, lendino.dk, flexfunding.dk.

We are ready to guide you on any alternative forms of financing.

Early dialogue with the bank

Applies to businesses and persons

If you are experiencing, or expect to experience, liquidity problems, it is important to enter into an early dialogue with your financial institution.

Some of the options available may be increasing credits or negotiating an interest-only period on debts.

Prepare liquidity statements. These may be both short- and long-term statements, depending on your situation.

Liquidity guarantee for small and medium-sized export companies

Applies to businesses that employ less than 250 people and have an annual turnover of less than EUR 50 million (approx. DKK 373 million) and/or an annual total balance of less than EUR 43 million (approx. DKK 320 million)

EKF can provide a guarantee to a lending financial institution, leasing company, etc. for new loans and business credits which the financial institution, leasing company, etc. provides to an export company that has suffered or expects to suffer a loss of turnover of at least 30 %. Generally, the loss of turnover is calculated as the difference between the company's turnover/expected turnover in the period, for which an application for a guarantee is based, and a reference period. The guarantee scheme means that, in 2020, the state can guarantee up to 80 % of the loans given by financial institutions, leasing companies, etc. to otherwise creditworthy export companies.

A document on the plan has been sent to the Finance Committee for approval. To obtain the benefits, contact your financial institution or EKF.

Also, be aware of...

Postponed deadline for submitting annual reports to the Danish Business Authority

Applies to businesses that meet all of the following conditions:

- 1. have not already held their general meeting**
- 2. have more than ten owners, and**
- 3. due to making no provision in the articles of association for the holding of electronic meetings without access to physical attendance, cannot hold a complete electronic general meeting**

Companies that make use of the postponed deadline may wait to submit their annual report to the Danish Business Authority until no later than eight weeks after the ban on assembly has expired. However, it must be submitted without undue delay after the general meeting.

As the Danish Business Authority is not aware of the number of owners, all companies that report later than the ordinary deadline will receive a reminder from the Danish Business Authority.

The reminder will state that companies that have more than ten owners and which are, therefore, subject to the longer submission deadline must notify the Danish Business Authority of this within a specified period of time.

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We reserve our position on any errors and deficiencies in our summary of the legislation, et al, and assume no consultancy liability without prior consultation on the topics discussed herein.

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