

Luxembourg announces economic stabilization and stimulus package in response to COVID-19

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Executive summary

In addition to various tax and financial measures already announced last week,¹ the Luxembourg Government presented on 25 March 2020 a €8.8 billion worth economic stabilization program (the "Program") to support Luxembourg businesses.

The "Program" is centered on identified priorities such as meeting the immediate liquidity needs of enterprises and facilitating bank financing. It comprises around 20 measures, including those previously announced. It is expected that those measures will be formalized, where required, through legislative acts in the very near future.

This Alert summarizes the key elements of the "Program".

Detailed discussion

The "Program" addresses the various priorities identified by the Government through a set of specific measures.

Meeting immediate liquidity needs

Next to the already announced reimbursement of value-added tax (VAT) credit balances below €10,000 and the possibility for enterprises to be granted up to €500,000 in the form of a recoverable advance, the following measures have been announced:

- ▶ Enterprises with nine employees or less that were obliged to stop their activities due to COVID-19 measures are entitled to a non-reimbursable cash grant of €5,000.
- ▶ In order to allow better cash-flow management, self-employed persons, small- and medium-sized enterprises (SMEs) and large enterprises may be granted a moratorium on the reimbursement of existing loans by certain banks.
- ▶ SMEs and large enterprises benefit from a suspension of the reimbursement of capital for the quarterly terms of 31 March and 30 June of all their outstanding direct and indirect loans granted by the *Société Nationale de Crédit et d'Investissement* (SNCI). The duration of all loans benefitting from said moratorium is automatically extended for six months.
- ▶ As already announced prior to the "Program", the Social Security Center will pay an advance on monetary compensation to employers for the special leave for family reasons, granted to parents of children staying at home due to the closure of schools or childcare structures. In addition, the "Program" announces "flexibility" in relation to payment of social security contributions.

Facilitating bank financing

The following measures are provided under the "Program":

- ▶ SMEs and large enterprises may benefit from a state guarantee for up to 85% of the amount of new bank loans over a maximum period of six years.
- ▶ SMEs and large companies with financing needs due to the current crisis can benefit from the "Special Anti-Crisis Financing" (*Financement Spécial Anti Crise - FSAC*), which consists of indirect loans (amounts ranging from €12,500 to €16 million) granted by the banks of the enterprise concerned together with the SNCI.
- ▶ Increased intervention of the SNCI to support the mutual insurance schemes of professional organizations and to offer guarantees to SMEs for obtaining working capital lines from banks.

Additional measures outside the "Program"

The following measures, not included as such in the "Program", have also been announced:

- ▶ Similar to the arrangement with Belgium that was previously announced, an arrangement regarding the computation of days with respect to teleworking has been reached with France. It has been agreed that homeworking in France as of 14 March 2020 will not be counted towards the 29-day limit.
- ▶ The Indirect Tax Administration announced that due to COVID-19, the failure to file VAT returns within the normally applicable deadlines will not be fined. This measure will apply until further notice.
- ▶ The deadline for filing the subscription tax returns for the first quarter 2020 expires on 20 April 2020. The Indirect Tax Administration announced that if the deadline is not met, there will be no application of fines if the delay is due to the exceptional circumstances of COVID-19.
- ▶ The Council of Government adopted, on 25 March 2020, a grand-ducal regulation providing for a suspension of deadlines with respect to judicial proceedings. With respect to proceedings in front of the administrative Tribunal and the administrative Court, the deadlines set forth by the laws organizing and regulating the procedures in front of the administrative courts providing for determined deadlines within which the parties to the dispute have to file a complaint or an appeal, or have to exchange their statements and files, are suspended (except for litigations with respect to administrative detention).
- ▶ The Luxembourg Government has established a series of measures to adapt specific Luxembourg company law requirements to the current situation with the aim of allowing the governing bodies of any company or legal entity to hold their meetings, in particular shareholders' meetings, without requiring the physical presence of their members.²
- ▶ Draft legislation has been transmitted to Parliament proposing an extension during the state of crisis period of certain deadlines with respect to the filing and publication of annual and consolidated accounts for companies in general and the publication of determined periodical reports for companies operating in the financial services sector in particular.

Endnotes

1. See EY Global Tax Alert, [Luxembourg announces tax and financial measures in response to COVID-19](#), dated 18 March 2020.
2. See EY Global Tax Alert, [Luxembourg announces new provisions for shareholders and board meetings in response to COVID-19](#), dated 25 March 2020.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Tax Advisory Services Sàrl, Luxembourg City

- | | |
|--|---------------------------------|
| ▶ Bart Van Droogenbroek, <i>Tax Leader</i> | bart.van.droogenbroek@lu.ey.com |
| ▶ Marc Schmitz, <i>Tax Policy & Controversy Leader</i> | marc.schmitz@lu.ey.com |
| ▶ Olivier Bertrand, <i>Private Equity Tax Leader</i> | olivier.bertrand@lu.ey.com |
| ▶ Dietmar Klos, <i>Real Estate Tax Leader</i> | dietmar.klos@lu.ey.com |
| ▶ Fernando Longares, <i>TMT & Life Science Tax Leader</i> | fernando.longares@lu.ey.com |
| ▶ Christian Schlessler, <i>Commercial & Public Sector Tax Leader</i> | christian.schlessler@lu.ey.com |
| ▶ Jacques Linon, <i>Banking & Insurance Tax Leader</i> | jacques.linon@lu.ey.com |
| ▶ Vincent Rémy, <i>Wealth & Asset Management Tax Leader</i> | vincent.remy@lu.ey.com |
| ▶ Nicolas Gillet, <i>Transfer Pricing Leader</i> | nicolas.gillet@lu.ey.com |
| ▶ Elmar Schwickerath, <i>Global Compliance & Reporting Leader</i> | elmar.schwickerath@lu.ey.com |

Ernst & Young LLP (United States), Financial Services International Tax Desks - Luxembourg, New York

- | | |
|------------------------|----------------------------|
| ▶ Jurjan Wouda Kuipers | jurjan.woudakuipers@ey.com |
|------------------------|----------------------------|

Ernst & Young LLP (United States), Luxembourg Tax Desk, New York

- | | |
|------------------|-----------------------|
| ▶ Serge Huysmans | serge.huysmans@ey.com |
| ▶ Xavier Picha | xavier.picha@ey.com |

Ernst & Young LLP (United States), Luxembourg Tax Desk, Chicago

- | | |
|-------------------------|---------------------------|
| ▶ Alexandre J. Pouchard | alexandre.pouchard@ey.com |
|-------------------------|---------------------------|

Ernst & Young LLP (United States), Luxembourg Tax Desk, San Jose

- | | |
|-------------------------|-----------------------------|
| ▶ Andres Ramirez-Gaston | andres.ramirezgaston@ey.com |
|-------------------------|-----------------------------|

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