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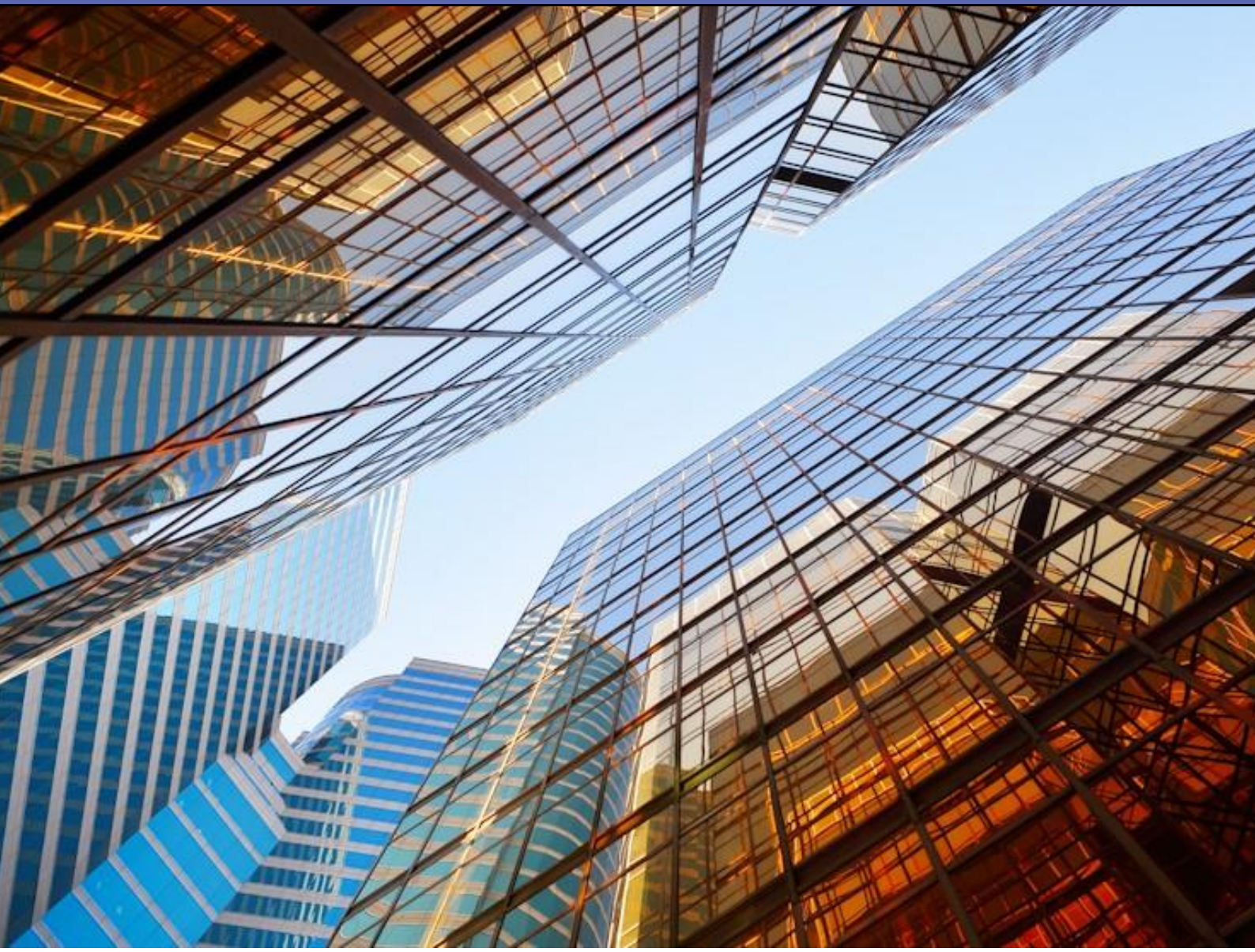
NEWSLETTER ESTONIA

COVID-19 | SUPPORT MEASURES

Issue:
13 April 2020

Support measures provided by KredEx to help entrepreneurs overcome the temporary difficulties caused by the outbreak

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COVID-19 | SUPPORT
MEASURES

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Content of this issue:

- Conditions for Support Measures Provided by KredEx
 - Extraordinary proportional guarantee conditions for new loans, extraordinary proportional guarantee conditions for existing loans, extraordinary fixed guarantee conditions for existing loans
 - Conditions of the extraordinary loan

→ Conditions for Support Measures Provided by KredEx

EXTRAORDINARY PROPORTIONAL GUARANTEE CONDITIONS FOR NEW LOANS, EXTRAORDINARY PROPORTIONAL GUARANTEE CONDITIONS FOR EXISTING LOANS, EXTRAORDINARY FIXED GUARANTEE CONDITIONS FOR EXISTING LOANS

The purpose of the extraordinary proportional guarantee and fixed guarantee is to allow new working capital and investment loans to companies under simplified conditions to provide liquidity in order to overcome the temporary difficulties caused by the outbreak of COVID-19. The guarantee enables one to secure the obligations of an enterprise, arising from loan, leasing and guarantee contracts.

In order to qualify for an extraordinary proportional guarantee, the bank or the lessor

submits an application to KredEx available at the website of KredEx or provides a surety on the basis of an authorisation granted by KredEx to the bank or the lessor. The bank and the lessor ensure that upon issuing the guarantee or changing the guarantee contract on behalf of KredEx, the applicant's compliance to the terms below can be certified in reproducible form. The bank or lessor shall be obliged to keep the documents proving compliance with the terms and conditions.

	Extraordinary proportional guarantee conditions for new loans	Extraordinary proportional guarantee conditions for existing loans	Extraordinary fixed guarantee conditions for existing loans
Requirements for loan recipients	<ul style="list-style-type: none"> - The company has been entered in the commercial register of the Republic of Estonia and the necessary reports have been submitted to the register. - According to the financial projections presented, the entrepreneur is sustainable and solvent in the long term. - The company was not in difficulty as of 31.12.2019. - The company has no overdue debts (excl. the deferred ones) to the Tax and Custom Board or credit institutions, which have incurred before 01.01.2020. - No bankruptcy or liquidation proceedings have been initiated against the company. 		
Extent of a KredEx guarantee	<ul style="list-style-type: none"> - Up to 90% of the guaranteed loan or lease. In the case of an entrepreneur operating in the construction sector (Section F of EMTAK) and retail or wholesale trade enterprises, up to 60% of the guaranteed loan or lease. The extent of the guarantee to lease obligations shall be calculated from the amount without VAT. 	<ul style="list-style-type: none"> - Up to 50% of the loan and lease to be secured. The extent of the guarantee to lease obligations shall be calculated from the amount without VAT. 	<ul style="list-style-type: none"> - Up to 35% of the loan and lease to be secured, but no more than the sum of the payments of the principal amount of the loan or lease which will remain accessible to the company until 31.12.2021. The extent of the guarantee to lease obligations shall be calculated from the amount without VAT.

Applies to all types of guarantee named above

- The sum of the outstanding amounts of KredEx guarantee and the outstanding amounts of the principal amounts of the loans granted by KredEx to one entrepreneur and entrepreneurs related to it cannot exceed EUR 5 million.
- KredEx extraordinary guarantees and KredEx extraordinary loans granted in accordance with the Notification from the European Commission of 19.03.2020 entitled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" are limited to an amount not exceeding double the salary cost of the entrepreneur for 2019 with social tax according to the company's annual report for 2019 or the Tax and Customs Board. On the basis of each decision of KredEx, the maximum guaranteed obligation is exceptionally authorised to amount to up to 25% of the entrepreneur's turnover in 2019 or to a justified 18-month liquidity requirement for a small and medium-sized entrepreneur or to a justified 12-month liquidity requirement for a large entrepreneur if the company's dual 2019 salary fund is less than this.
- The guarantee amount decreases in proportion to the decrease in the loan or lease amount.

- The sum of the outstanding amounts of KredEx guarantee and the outstanding amounts of the principal amounts of the loans granted by KredEx to one entrepreneur and entrepreneurs related to it cannot exceed EUR 5 million.
- KredEx extraordinary loans and loans subject to KredEx extraordinary guarantee granted in accordance with the Notification from the European Commission of 19.03.2020 entitled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" are limited to an amount not exceeding double the salary cost of the entrepreneur for 2019 with social tax according to the company's annual report for 2019 or the Tax and Customs Board. On the basis of each decision of KredEx, the maximum amount is exceptionally authorised to amount to up to 25% of the entrepreneur's turnover in 2019 or to a justified 18-month liquidity requirement for a small and medium-sized entrepreneur or to a justified 12-month liquidity requirement for a large entrepreneur if the company's dual 2019 salary fund is less than this.
- The guarantee amount decreases in proportion to the decrease in the loan or lease amount.

- The sum of the outstanding amounts of KredEx guarantee and the outstanding amounts of the principal amounts of the loans granted by KredEx to one entrepreneur and entrepreneurs related to it cannot exceed EUR 5 million.
- KredEx extraordinary guarantees and KredEx extraordinary loans granted in accordance with the Notification from the European Commission of 19.03.2020 entitled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" are limited to an amount not exceeding double the salary cost of the entrepreneur for 2019 with social tax according to the company's annual report for 2019 or the Tax and Customs Board. On the basis of each decision of KredEx, the maximum guaranteed obligation is exceptionally authorised to amount to up to 25% of the entrepreneur's turnover in 2019 or to a justified 18-month liquidity requirement for a small and medium-sized entrepreneur³ or to a justified 12-month liquidity requirement for a large entrepreneur if the company's dual 2019 salary fund is less than this.
- The guarantee amount decreases in proportion to the decrease in the loan or lease amount.

<p>Obligations guaranteed</p>	<ul style="list-style-type: none"> - Loan, loan limit and overdrafts. - Leasing. - The interest rate of the guaranteed liability shall not be higher than 8% per year and the fee for the contract shall not be higher than 1% of the amount of the guaranteed liability; - KredEx will guarantee a new loan or leasing transaction. Refinancing of liabilities with the liability guaranteed by KredEx is generally not permitted. Exceptions are only allowed on the basis of any decision by KredEx. - A guarantee for a liability shorter than 3 months is only permitted on the basis of a decision by KredEx on a case-by-case basis. 	<ul style="list-style-type: none"> - Only existing liabilities, granted a total of at least 6 months of grace period from the granting of the grace period granted by the bank or a lessor as from 01.03.2020 in connection with the outbreak of COVID-19, shall be guaranteed. An extension of the maturity of an obligation without a repayment schedule shall be deemed to be a grant of grace period. - Loan, loan limit and overdrafts. - Leasing. - The guaranteed liability can only have one valid KredEx guarantee. - The interest rate of the guaranteed liability shall not be higher than 8% per year and the fee for the amendment of the contract shall not be higher than 1% of the amount of the guaranteed liability. A bank or lessor may not impose a higher interest rate than 150% of the interest rate applicable on 01.03.2020 on the liability to be guaranteed. - A guarantee for a liability shorter than 3 months is only permitted on the basis of a decision by KredEx on a case-by-case basis. 	<ul style="list-style-type: none"> - Only existing liabilities, granted a total of at least 6 months of grace period from the granting of the grace period granted by the bank or a lessor as from 01.03.2020 in connection with the outbreak of COVID-19, shall be guaranteed. An extension of the maturity of an obligation without a repayment schedule shall be deemed to be a grant of grace period. - Loan, loan limit and overdrafts. - Leasing. - The guaranteed liability can only have one valid KredEx guarantee. - The interest rate of the guaranteed liability shall not be higher than 8% per year and the fee for the amendment of the contract shall not be higher than 1% of the amount of the guaranteed liability. A bank or lessor may not impose a higher interest rate than 150% of the interest rate applicable on 01.03.2020 on the liability to be guaranteed. - A guarantee for a liability shorter than 3 months is only permitted on the basis of a decision by KredEx on a case-by-case basis.
<p>Validity of the guarantee (applies to all types of guarantee named above)</p>	<ul style="list-style-type: none"> - Guarantee is valid for up to 72 months. - The guarantee can be issued and amended until 31.12.2020. With effect from 01.01.2021, the state aid rules applicable to the amendment of the guarantee shall apply. 		
<p>Guarantee fee for small and medium-sized entrepreneurs</p>	<ul style="list-style-type: none"> - 1% of the guarantees outstanding balance per annum. 	<ul style="list-style-type: none"> - 1.5% of the guarantees outstanding balance per annum. 	

<p>Guarantee fee for large entrepreneurs</p>	<ul style="list-style-type: none"> - For guarantees up to 36 months, 1% of the guarantees outstanding balance per year. - For guarantees longer than 36 months, 2% of the guarantees outstanding balance per year. 	<ul style="list-style-type: none"> - For guarantees up to 36 months, 1.5% of the guarantees outstanding balance per year. - For guarantees longer than 36 months, 3% of the guarantees outstanding balance per year.
<p>Fee for terminating the contract prematurely (applies to all types of guarantee named above)</p>	<ul style="list-style-type: none"> - There is no fee for terminating the guarantee prematurely. 	
<p>Calculation of fees (applies to all types of guarantee named above)</p>	<ul style="list-style-type: none"> - In the case of an overdraft, revolving credit or bank guarantee limit, the fees are calculated on the portion of the limit secured with a guarantee. 	
<p>The guarantee shall not be issued for financing the following activities and companies:</p>	<ul style="list-style-type: none"> - Primary production of agricultural products, fishery and aquaculture, or forest management; - Financial and insurance companies (Section K of EMTAK); - The companies operating in the construction sector (Section F of EMTAK); - Production, processing or marketing of tobacco (or related products); - Acquisition of transport vehicles or equipment used for road freight transport; - The acquisition of passenger cars; - The acquisition of commercial vehicles and mobile machinery is generally not permitted. Exceptions are only allowed on the basis of any decision by KredEx; - Financing of working capital for retail or wholesale trade enterprises; - Real estate development projects aimed at sale or lease. If real estate development is for an activity not related to own real estate development, including that of subsidiaries or associated companies, a portion of the premises may be leased out provided that rent receipts, except for subsidiaries or associated companies, do not exceed 30% of the loan applicant's annual turnover; - Export-related activities directly connected to the current expenditures of exported quantities, the establishment or functioning of a distribution network, or other operating costs arising from export, if de minimis aid is being granted with the issuance of a guarantee; - The direct or indirect owners of the applicant include entrepreneurs registered in low tax rate countries; - The purpose of financing is the use of domestic products instead of imported products; - Fields related to pornography, gambling, illegal data downloads or the provision of illegal access to data networks; - Research and development in healthcare aiming to clone humans or develop genetically modified organisms for research or treatment purposes. 	

CONDITIONS OF THE EXTRAORDINARY LOAN

Conditions of the extraordinary loan are the following:	
Requirements for loan applicant	<ul style="list-style-type: none"> - The company has been registered in the commercial register of the Republic of Estonia and the required reports have been submitted to the register. - According to the financial forecasts presented, the entrepreneur is sustainable and solvent in the long term. - The company was not in difficulty as of 1 31.12.2019. - The company has no overdue debts (excl. the deferred ones) to the Tax and Custom Board or credit institutions, which have incurred before 01.01.2020. - No bankruptcy or liquidation proceedings have been initiated against the company. - The company has received a negative response or decision from the bank or lessor on unreasonable terms to the loan application.
Intended use of loan	<ul style="list-style-type: none"> - The purpose of the loan is enabling new working capital or investment loans to companies for overcoming the temporary difficulties caused by the outbreak of COVID-19. - Refinancing of existing loans is generally not allowed. Servicing of existing liabilities (except for owner loans) is permitted.
Loan amount	<ul style="list-style-type: none"> - Up to EUR 5 million. - The sum of the outstanding amounts of KredEx guarantee and the outstanding amounts of the principal amounts of the loans granted by KredEx to one entrepreneur and entrepreneurs related to it cannot exceed EUR 5 million. - KredEx extraordinary guarantees and KredEx extraordinary loans granted in accordance with the Notification from the European Commission of 19.03.2020 entitled "Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak" are limited to an amount not exceeding double the salary cost of the entrepreneur for 2019 with social tax according to the company's annual report for 2019 or the Tax and Customs Board. Exceptionally, the maximum amount allowed is up to 25% of the company's 2019 turnover or a reasonable 18-month liquidity requirement for a small and medium-sized company or a justified 12-month liquidity requirement for a large company if the company's dual 2019 salary fund is less than this.
Loan term	<ul style="list-style-type: none"> - Loan period is 6 to 72 months. - The loan can be issued and modified until 31.12.2020. With effect from 01.01.2021, the state aid rules applicable to the modification of the loan shall apply.
Grace period	<ul style="list-style-type: none"> - As needed.
Main obligations of the borrower	<ul style="list-style-type: none"> - The borrower undertakes inter alia to: <ul style="list-style-type: none"> o submit quarterly activity and financial statements to KredEx; o coordinate with KredEx, any assumption of additional liabilities, making of investments, and disposal of assets exceeding the limit fixed in the agreement.
Contract fee	<ul style="list-style-type: none"> - 1% of the loan amount.
Contract amendment fee	<ul style="list-style-type: none"> - 0.2% of the loan balance, not less than EUR 30.
Interest rate	<ul style="list-style-type: none"> - Interest rate depends on the risk level of the company, the project, and the provided loan collateral. - At least 50% of collateralised loans from 4% per annum. - Only in the case of owner-guaranteed loans, starting at 6% per annum.
Loan collateral	<ul style="list-style-type: none"> - The need for loan collateral depends on the risk level of the project. - In the absence of any other collateral, the personal guarantee of the owners of at least 50% of the amount of the loan, generally not more than EUR 50,000 per guarantor.
Validity of the loan decision	<ul style="list-style-type: none"> - The loan decision is valid for 30 calendar days.

Premature termination of the loan agreement	<ul style="list-style-type: none">- The borrower shall notify KredEx at least 1 month in advance of its request to prepay the loan.
The guarantee shall not be issued for financing the following activities and companies:	<ul style="list-style-type: none">- Primary production of agricultural products, fishery and aquaculture, or forest management;- Financial and insurance companies (Section K of EMTAK);- The companies operating in the construction sector (Section F of EMTAK);- Production, processing or marketing of tobacco (or related products);- Acquisition of transport vehicles or equipment used for road freight transport;- The acquisition of passenger cars;- The acquisition of commercial vehicles and mobile machinery is generally not permitted. Exceptions are only allowed on the basis of any decision by KredEx;- Financing of working capital for retail or wholesale trade enterprises;- Real estate development projects aimed at sale or lease. If real estate development is for an activity not related to own real estate development, including that of subsidiaries or associated companies, a portion of the premises may be leased out provided that rent receipts, except for subsidiaries or associated companies, do not exceed 30% of the loan applicant's annual turnover;- Export-related activities directly connected to the current expenditures of exported quantities, the establishment or functioning of a distribution network, or other operating costs arising from export, if de minimis aid is being granted with the issuance of a guarantee;- The direct or indirect owners of the applicant include entrepreneurs registered in low tax rate countries;- The purpose of financing is the use of domestic products instead of imported products;- Fields related to pornography, gambling, illegal data downloads or the provision of illegal access to data networks;- Research and development in healthcare aiming to clone humans or develop genetically modified organisms for research or treatment purposes.

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