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Mitigating the impact of the COVID-19 crisis for the hospitality sector
Situation analysis and examples of national measures

This document aims to provide HOTREC members with a European overview of how the COVID-19 situation is affecting the hospitality sector (part one: situation overview) and provides a catalogue of examples of measures adopted in Europe to mitigate the effects of the crisis on the economy and in particular on SMEs (part two: Economic relief measures).

Part one: COVID-19 situation overview for hospitality sector

Feedback from HOTREC members unanimously shows that the COVID-19 crisis is severely hitting the hospitality sector. In most EU countries, restaurants and bars have been closed to the public and the hotels that remain open show very low occupancy rates. Below some key 'soundbites' provided by HOTREC members.

Austria: "The impact of Covid-19 on the Austrian gastronomy sector is severe. Restaurants have been shut down since April 13th and we have no indication when this shutdown is going to end. Hospitality has the highest unemployment rate in the Austrian economy."

Denmark: "Since mid-March restaurants have been closed, except for take-away. Revenue is down by approx. 70%. Close to 50% of hotel capacity is fully closed. Hotel revenue is down by approx. 80-90%."

Finland: "The demand for tourism and restaurant services has collapsed. We are currently losing about 90 percent of normal demand. At the beginning of next week about 95 percent of staff have been laid off for a fixed period or can be laid off immediately."

Germany: "50% of hotels closed. Those who are open have an occupancy of 6% on average.76% of restaurants closed, the rest "open" on take away basis only."

Iceland: "All companies are affected. All companies in tourism in Iceland are looking at at least 3 months of 100% revenue loss, perhaps longer. SAF estimates around 60% of tourism companies are in real danger of bankruptcy in the next 3-9 months."

Ireland: "Due to COVID-19 restrictions 85% of hotels are closed. Those opened are providing services to the essential services such as health care. Significant temporary loss in employment. Air Access has reduced by 92%."

Italy: Even if hotels are not required to close (unless otherwise provided from regional authorities), in April 1st 74,2% of Italian hotels were closed and in March 2020 presences decreased of 88,7% compared to March 2019. Despite the actions taken by the Italian government, this is going to have a major impact on seasonal workers. Until 13th of April, all restaurants, pubs, bars, sea resorts and nighclubs will remain closed. Restaurants are allowed to provide for delivery services.
However the 85% of this businesses are completely closed. The remaining 14.5% are trying to

reinvent their work through delivery services, of which 6.3% are working to provide this service over the Easter period. For restaurants, pubs, bars, sea resorts and nightclubs' sector, if the lockdown were to last until mid-May, the losses would amount to 21 billion year-on-year. For now, the immediate impact will be on those 240,000 workers who are employed between March and July. In a month's time, there will also be many more workers of the 940 thousand that the sector employs after the self-employed.

Malta: "The Government of Malta has introduced legislation prohibiting incoming flights to Malta. The government has also closed down restaurants nightclubs and other venues that would normally host people. This has devastated the accommodation and catering sector where this is now all closed with zero revenues. "

Spain: "Since 26 March 2020 all accommodation facilities are closed by law in Spain. Current lockdown status will last until at least 12 April. The hotel companies' situation is very critical, all of them are shut down. They face lack of liquidity, the obligation of wages and tax payments and especially the uncertainty about the future. OTA's practices do not help to improve this situation since they are giving possibility to refund the non-refundable bookings without the authorization of its partners."

Sweden: "The number of companies in the hospitality sector that either had filed for bankruptcy, corporate restructuring or were granted bankruptcy between 1 March-2 April increased by 158 percent compared to the same period last year, and can be expected to rise further."

Part two: Economic relief measures

The huge impact of the COVID-19 crisis on the economy is leading EU Member States to introduce various support schemes to prevent bankruptcies and contain rising unemployment figures. Below some example of good practices introduced by the EU Member States including measures for:

- rental relief: e.g. government subsidises rental payments or prohibits lease terminations during a given period of time;

- for compensation of loss of turnover: e.g. governments make available funds to address lack of liquidity and/or make interest-free loans available to small companies;

- wage subsidies: e.g. government subsidises wages in sectors heavily hit by COVID-19 crisis or provides income support for laid-off workers;

- loan guarantees: government guarantees loan repayments for a given period of time or introduces moratorium on loan repayments;

- tax or social contribution relief: e.g. government lifts payments of certain social contributions or postpones deadlines for payment of direct or indirect taxes.

1. Rental relief measures

Denmark: The government will cover some or all of the overhead expenses (such as rent, interests leasing fees, etc.) of businesses under certain conditions. The compensation will cover between 25-

100% of the businesses' overhead expenses, depending on the decrease of turnover of each business. The decrease of turnover has to be at least 40% for a business to be eligible.

If a business is closed by order of the government, the compensation will be 100%. The compensation is capped at DKK 60 million per business and covers the overhead expenses from 9 March 2020 until 9 June 2020.

France: Tenants will not face from penalties, late interest, damages or termination of their leases for the non-payment of rent or service charges for all sums due to property owners as from 12 March 2020 and until the expiry of a two-month period after the end of the state of health emergency. These measures will benefit all individuals and companies that could benefit from the solidarity fund introduced by the government on the same date. The application criteria for this fund will be defined by taking into account the number of employees, turnover and decrease of the turnover of the business as a result of the crisis.

Germany: Landlords are prohibited until 30 June 2022 to terminate a lease based on the non-payment of the monthly rents due in the months from April to June 2020. Rent is still payable but may be effectively suspended by the tenants until June 2022 (interest and damages for late payment might apply).

Hungary: In sectors such as tourism, catering, gambling, film industry, performing arts, event management or sports services – lease contracts for premises cannot be unilaterally terminated until 30 June 2020 and the rental fees cannot be increased.

Sweden: Temporary discount for rental costs in vulnerable sectors. 50% of the rental reduction up to 50% of the fixed rent will be covered. This discount will apply for the period 1 April 2020 until 30 June 2020.

2. Loss of turn-over compensation

Austria: the 'Hardship Fund' is a support programme to create a safety net for hardship cases in one-person enterprises and micro-enterprises, especially small family businesses. The Austrian Federal Economic Chamber handles the federal government's support programme for the Hardship Fund. Up to 1 billion EURO are made available from the COVID-19 crisis management fund.

Czech Republic: A special interest-free loan programme has been introduced, with the aim of helping small and medium enterprises tackle the impact of COVID-19. Loans disbursed under the programme can only be used to cover operating expenses such as wages, rent, energy, supplier and customer invoices, costs of materials or stocks.

Finland: The government has implemented the following measures:

- EUR 12 billion of new financing (loans, guarantees) for SMEs through Finnvera plc (a specialised financing company owned by the State of Finland). Finnvera plc shall act as guarantor for the loans provided by the local banks;
- EUR 150 million of new financing through Business Finland's financing services to travel and tourism sectors, creative sectors and for financing of subcontractor chains;
- state support to businesses will be increased and the government will provide EUR 1 billion in direct subsidies to businesses;

- additional financing for the Finnish Industry Investment's investee companies; and
- EUR 50 million of new financing through the Finnish Centres for Economic Development, Transport and the Environment by increasing the authorisations to provide grants for business development projects.

Germany: The government will provide guarantees of around EUR 460 billion which can be increased by up to EUR 93 billion. The government development bank has also launched a special aid programme, with an additional programme for syndicated financing.

An economic stabilisation fund of EUR 400 billion (plus EUR 100 billion for re-capitalisation) has been launched, contemplating alternative liquidity funding for system-relevant companies.

Italy: On Monday, April 6th, the Italian government allocated EUR 400 billion to face Covid19 emergency

Luxembourg: Small businesses with (i) a maximum of nine employees and self-employed persons; (ii) an aggregate net turnover of at least EUR 15,000; (iii) who have a valid business permit; and (iv) have had to stop their activity due to a government decision in the context of COVID-19 can apply for immediate and non-refundable financial aid of EUR 5,000. The granting of this aid is independent of other existing and future aid instruments.

Aid will also be granted to SMEs, industries and self-employed people who experience COVID-19 related temporary financial difficulties. The costs admissible under the new aid scheme will be limited to the documented loss of income. The aid will take the form of a recoverable advance payment and will soon be approved by the Luxembourg Parliament. The maximum amount of aid could go up to EUR 500,000 per company.

Netherlands: A one-off compensation of EUR 4,000 for SMEs that are affected by the measures taken by the government in respect of COVID-19 (e.g. restaurants, bars and gyms).

Poland: Liquidity support up to PLN 120,000,000 has been made available to businesses that are threatened with insolvency or that are already insolvent. Aid may be granted in the form of a loan which may be state guaranteed (securing up to 80% of the loan amount) and restructuring aid may also be granted in other forms such as taking up shares or stocks in the increased share capital of the enterprise, taking up bonds, converting a loan into shares of the enterprise by a government agency or the non-execution of administrative fines. Non-repayable subsidies for sole traders for up to three months may be granted. Special liquidity loans are to be granted by the government for micro-enterprises for one year.

3. Wage subsidy

Denmark: Private-sector businesses registered in the Danish Central Business Register and faced with having to give notice of dismissal to at least 30% of their staff or more than 50 employees due to COVID-19 can instead layoff their employees with full salary/wage for a period of time and obtain salary/wage compensation from the Danish State.

The conditions are that (i) the relevant individual employee must take five days of holiday or leave in lieu during the compensation period; (ii) the business does not opt for any existing scheme for lay-offs without salary/ wage; (iii) the business does not obtain cover for the same costs under any other relief package; and (iv) the employer must pay the employee's agreed salary/wage during the lay-off period.

The salary compensation for a full-time salaried employee will amount to 75% of the employee's monthly gross salary (up to a maximum of DKK 23,000 per month). For non-salaried employees, the compensation may amount to up to 90% (up to a maximum of DKK 26,000 per month).

Note from Horesta (DK): HORESTA has been critical towards the initial wage compensation scheme as it only provided the compensation for companies able not to dismiss employees. But for companies in the hospitality sector who have lost all sources of income even 25% of employees' salaries is too much. We have already experience 15.000 dismissals in our sector alone. It was therefore a great victory when the government gave concessions increasing the government compensation to 90% in the hospitality sector as well as making the scheme more flexible.

France: More flexibility has been given to employers to temporarily suspend employment contracts or reduce the working time or compel employees to take leave with an increase of subsidies paid by the government (paying up to 70% of employees' wages (of up to EUR 350 a week). Working hours for sectors assisting in the COVID-19 crisis can be increased.

Germany: The following changes have been introduced:

- Expansion of short-time working: "Short-time" workers will receive 60-67% of their net income from the state. Protections for short-time workers covers social security.
- 67% of ordinary remuneration is guaranteed for parents taking care of children or quarantined workers.

Ireland: A temporary (12 weeks) income support scheme will be available to employers who have suffered a 25% decline in turnover and are unable to pay normal wages / outgoings and retain employees. The main feature of this scheme is a refund of an employee's weekly take home pay (up to EUR 410) until the end of March 2020, subject to a cap of EUR 350 for incomes between EUR 38,000 and EUR 76,000.

When a worker is told to self-isolate or has been diagnosed with COVID-19 by a medical professional, they can apply for an enhanced COVID-19 Illness Benefit payment of EUR 350 per week which will be paid for a maximum of two weeks where a person is self-isolating and for a maximum of ten weeks if a person has been diagnosed with COVID-19.

From April 2020, this will move to a subsidy of 70% of the weekly take home pay up to EUR 410. No subsidy will be payable for employees earning in excess of EUR 76,000.

Italy: Tourism's companies that have to stop or reduce their activities due to Coronavirus, can apply to the wage subsidies fund: ordinary redundancy payment for companies with more than 5 employees, extraordinary redundancy payment for companies up to 5 employees. In both cases, wage integration amounts to 80% of salary within a maximum imposed by INPS (National Institute for Social Security). Seniority is not required, but beneficiaries must be employed before February 23rd, 2020.

Netherlands: Employers expecting a loss in turnover of at least 20% can apply for grants provided they do not make any employees redundant with the Employee Insurance Administration (UWV) from 1 March 2020 for three months, with the possibility to extend this for another three months.

The Compensation is based on following threshold for turnover loss:

(i) 22.5% of wages if loss is up to 25% of turnover;
(ii) 45% of wages if loss is up to 50% of turnover; and
(iii) 90% of wages if loss is 100% of turnover.

Sweden: The government has introduced a number of changes to the Swedish employment legislation regarding short-term work. The proposed changes imply that employers affected by temporary and serious financial difficulties that could not reasonably have been foreseen or avoided may be eligible to receive financial support for a limited period so that the employers may keep the employees employed with temporarily reduced working hours and temporarily reduced salaries, instead of dismissing them. According to the proposal, the employee's working time can be reduced by up to 60% while the employee still receives more than 90% of their salary. The state will cover three-quarters of the cost, then the employee and the employer will share the remaining quarter.

4. Loans and bank guarantees

Belgium: The federal government will activate a EUR 50 billion guarantee scheme for all new loans and credit facilities with a maximum duration of 12 months to be provided by banks to viable non-financial companies, SMEs, not for profit organisations and self-employed workers.

France: The French government will guarantee loans to businesses (excluding real estate companies) for a total amount of EUR 300 billion (amount in principal, interests and incidental costs) subject to certain circumstances. The guarantee may cover between 70% and 90% of the full amount of the loan depending on the size of the business.

Hungary : A payment moratorium until 31 December 2020 will apply with respect to all credit facilities, loans and financial leases provided in a business context during which the borrower (who may be a natural or legal person with any exceptions specified by law) is not be obliged to pay any principal, interest or fees. The moratorium period may be extended or reduced by the Government. The interest and fees accrued during the moratorium will not increase the principal but will be repayable in equal instalments after the moratorium. After the moratorium the term shall be extended so that the amount of the repayment instalments and the amount of interest payable in instalments accrued during the moratorium together shall not exceed the amount of the original repayment instalments. The payment moratorium applies to loans already drawn under contracts existing at midnight on 18 March 2020.

Ireland: The Irish Government will guarantee 80% of loans (up to EUR 1 million) made by banks to viable small and medium sized enterprise ("SMEs"). This applies to term loans, demand loans and performance bonds.

The Irish Government has also introduced a EUR 200 million working capital scheme. Loans of between EUR 25,000 and EUR 1.5 million with a maximum interest rate of 4% can be applied for. Security is only required for loans in excess of EUR 500,000.

Italy: Small and medium enterprises don't have to reimburse loans until 30 September 2020. The deferred payments will have no penalty.

5. **Tax/social contribution relief**

Austria: The following tax relief measures have been granted:

- reduction in advance payments of income or corporation tax for 2020;
- deferment of the tax payment date or payment in instalments (with a focus on income and corporate taxes);
- refraining from setting deferral interest (with a focus on income and corporate taxes); and
- reduction or not setting a late payment penalty (with a focus on income and corporate taxes).
- The deadline for annual tax returns for VAT, income tax and corporation tax is extended generally to 31 August 2020.
- Writings and official acts that take place directly or indirectly in connection with complying with the COVID-19 crisis situation are exempt from legal transaction fees/stamp duty.

Czech Republic: The following measures have been introduced:

- the collective remission of fines for late tax filings;
- a waiver of the compulsory pension insurance payments and the contribution to employment policies to all self-employed entrepreneurs for the duration of crisis period;
- the late filing of 2019 income tax returns will not be penalised;
- a waiver of fines for late filing of VAT control reports;
- an income tax waiver;
- the exemption of fines in the field of real estate tax;
- the obligation on self-employed persons to report on income and expenditure for 2019 postponed until 3 August 2020; and
- the Czech Social Security Administration will allow late filings of mandatory submissions until 3 August 2020 and will not impose any sanctions or penalties for such late submission.

Hungary: In certain sectors severely affected by COVID-19 (tourism, hospitality services, artistic and entertainment services, gambling, sport and cultural services, film production, newspapers, services improving physical health, passenger transport services i.e. taxis, etc.) the employers' obligation to pay contributions are suspended until 30 June 2020.

Italy: All taxpayers will be entitled to benefit from the following:

- tax obligations are frozen (different from the tax payments) within the period of 8 March 2020 to 30 June 2020 (without penalties);
- terms (by which the tax authorities shall make assessment) falling within the period of 8 March 2020 and 31 May 2020 relating to the assessment and controls activities by the tax authorities are suspended until 31 May;
- payments due to the collecting agent in the period of 8 March 2020 to 31 May 2020 deriving from tax notice of assessment or other executive deeds are suspended until 30 June 2020; and
- procedural (by which the tax authorities shall make assessment) terms related to tax litigations are suspended in the period of 9 March to 15 April 2020.
- Taxpayers in the food and catering services, sports, education, art, transportation and travel agencies sectors will have their payments for the period of 8 March 2020 and 31 March 2020

(or 30 April in case of sports and travel agencies) of (i) withholding tax returns on employment income and regional and municipal surcharges; (ii) social contribution and mandatory insurance premium; and (iii) VAT postponed to 31 May 2020 (or 30 June in case of sports and travel agencies).

- For taxpayers with revenue lower than EUR 2 million in the previous year (regardless of their business activities) any of their payments due within the period of 8 March and 31 March 2020 of (i) withholding tax returns on employment income and regional and municipal surcharges; (ii) social contribution and mandatory.

Netherlands: Requests for deferral of payment of tax (e.g. Dutch corporate income tax, personal income tax, wage tax and value added tax) are to be automatically granted for a period of three months by the Dutch tax authorities, review of the merits of the request will take place at a later stage and fines for late payment of tax has been suspended. The interest on tax and the interest on overdue tax has been reduced to 0.01%.

Spain: Companies are able to apply to the Spanish Social Security Treasury in order to be released from their obligation to pay social security quotas during the period that the temporary layoffs are set in place due to force majeure.

Sweden: The government has proposed a temporary reduction of social security contributions during the period 1 March 2020 to30 June 2020. Hence, only pension contributions will be made by the employer on top of any compensation that is paid out during the aforementioned period. The reduction is applicable for up to thirty employees and up to a salary amount of SEK 25,000 per month, which means that the employer will receive a reduction of a maximum of SEK 5,300 per employee and month. The purpose of the proposed measure is to support employers hit by a sudden loss of income while wage costs remain.