

Compensation to the Danish industry as a result of COVID-19

20 March 2020

The Danish government has previously launched initiatives to ease the liquidity pressure on Danish businesses in an attempt to mitigate the risk of layoffs by granting compensation for salary and wages. And today was no exception when the government presented real possibilities for the Danish industry to apply for compensation, including self-employed people and owner-managed businesses.

Compensation for fixed costs

Exposed businesses may get financial support allowing them to continue their operation as the Danish government has decided to cover up to 100% of their fixed costs.

The compensation may be granted to all businesses across the industry but is particularly aimed at exposed businesses defined as businesses having experienced a fall in their turnover of more than 40% during the period 9 March to 9 June 2020.

Fixed costs may comprise rent, interest expenses, and other contractual expenses (e.g. leasing agreements, etc.) during a period when businesses may experience a large decline in turnover.

The temporary compensation covers a period of up to three months. However, compensation will not be granted if the fixed costs amount to less than DKK 25,000 for the period in question.

Application and documentation requirements

If you wish to apply for fixed-cost compensation, please submit your application to the Danish Business Authority via their portal "virksomhedsguide.dk" as of the week commencing on 23 March 2020. Your business may apply for compensation by forwarding a statement of fixed costs for the past three months furnished with an auditor's report. The expected decline in turnover as a result of the

Fixed-cost compensation is granted according to the following intervals:

- 80% if the fall in turnover accounted for 80-100%
- 50% if the fall in turnover accounted for 60-80%
- 25% if the fall in turnover accounted for 40-60%
- Businesses which due to the executive order had to close down completely will be fully compensated in terms of their fixed costs.

COVID-19 pandemic disease is to be calculated for the full period or parts hereof and covers the period 9 March to 8 June 2020 with reference to the same period in 2019.

Your business must confirm by a solemn declaration that its turnover has fallen, and the Danish Business Authority will then pay out the compensation. Please note that you can get a refund of 80% of the fee charged for the auditor's report if your application results in the payment of compensation.

On expiry of the period in question, your business will be subject to a review based on your submitted VAT returns which may result in a subsequent correction corresponding to the actual loss sustained.

Compensation to self-employed people and owner-managed businesses with up to 10 full-time employees

Self-employed people and owner-managed businesses (at least 25% ownership) experiencing a fall in turnover of more than 30% during the period 9 March to 9 June 2020 are entitled to receive compensation from the Danish state. The compensation covers 75% of the loss sustained, yet no more than DKK 23,000 a month.

The calculation of the fall in turnover is to be based on the average turnover of the most recent financial year.

As opposed to compensation for wages and salaries, the self-employed may be able to or should be able to carry on his business.

The compensation amounts to max DKK 46,000 a month if the self-employed has a co-working spouse.

Application and documentation requirements

In order to receive compensation, you must submit a solemn declaration indicating the expected loss in turnover. As business owner you must also explain why the loss in turnover is due to the COVID-19 pandemic disease.

As a business owner you will subsequently be required to document that you sustained a loss of more than 30% during the compensation period as compared with the average turnover realised for the most recent financial year. The Danish Business Authority may require that all businesses avail themselves of auditing assistance.

If a business owner does not prepare financial statements, the calculation of the loss sustained must be based on the VAT returns submitted to the Danish tax authorities. If your business has existed for less than 6 months, you must otherwise document that the loss is due to the COVID-19 pandemic disease. Should the fall in turnover prove not to account for more than 30% with respect to the compensation period in question, the business owner will be required to make a refund to the Danish state of any excess compensation.

Self-employed people and freelancers without a CVR number and with a secondary income (B income) of at least DKK 180,000 in 2019 and who during the period 9 March to 9 June 2020 experience a fall in that income of 30% or more will also be able to get a

Who may apply for compensation?

- Self-employed people
- Business owners with an ownership stake of at least 25% and who also work for the business
- Freelancers

Requirements to be met

- The business must have been registered with a CVR number before 1 February 2020
- The business must have no more than 10 employees
- The business must have sustained a loss in turnover of at least 30% from 9 March to 9 June 2020 as compared with the turnover of the most recent financial year
- The business must have realised an average turnover of at least DKK 15,000 a month during the period up to the fall in turnover
- The business owner's personal income for 2020 may not exceed DKK 800,000

Size of compensation

- 75% of the loss in turnover
- yet no more than DKK 23,000 a month
 - In case of multiple owners, compensation will be paid to each CVR number
 - DKK 46,000 if the self-employed has a co-working spouse
- compensation will be paid for max three months

refund of 75% of their loss in secondary income. Yet no more than DKK 23,000 a month. A further requirement is for the self-employed not to have any personal income of more than DKK 0.8 million in 2020. If you wish to apply for compensation, please submit your application to the Danish Business Authority via their portal "virksomhedsguide.dk" as of the week commencing on 23 March 2020.

Further initiatives

The parties of the Danish Folketing have also agreed on

- helping small and medium-sized Danish export businesses by establishing a new liquidity guarantee with EKF Denmark's Export Credit Agency
- increasing the limit for state-guaranteed loan arrangements covering large as well as small and medium-sized businesses
- making public purchases to support the businesses
- increasing the possibility of receiving benefits and sickness benefits
- increasing the possibility of taking up loans as far as trainees and students are concerned



For the hairdresser mentioned in the example, this implies that his or her costs incurred during the period 18 March to 30 March will be fully compensated. In other words, the hairdresser will therefore be receiving DKK 6,933 for the period 18 March to 30 March 2020 and 25% of the remaining costs corresponding to DKK 2,266 (25% x DKK 9,066). The total compensation in March therefore amounts to DKK 9,199.

How will this affect you and your business?

An example: Hairdresser

A self-employed hairdresser expects to sustain a loss in turnover of DKK 30,000 a month during the period 18 March to 20 May 2020 due to the COVID-19 pandemic disease. The average monthly turnover of the hairdresser was DKK 75,000 in the financial year 2019. Consequently, the loss sustained accounts for 40%.

Fixed monthly costs:

- Rent: DKK 12,000
- Irrevocable IT leasing agreement: DKK 1,000
- Interest expenses on debt related to furniture and equipment: DKK 3,000
- Totalling DKK 16,000

Compensation: DKK 4,000 (corresponding to 25% of DKK 16,000).

With the compensation scheme the hairdresser may therefore be paid a compensation from the Danish state amounting to DKK 22,500 a month until 20 May 2020. In addition, the hairdresser may apply for compensation with respect to his or her fixed costs.

Ordered close-down

Please note that all businesses subject to the Danish government's executive order on the close-down of businesses to prevent the spread of the COVID-19 virus will be compensated. The compensation will correspond to 100% of the fixed costs as long as the order is in force.

Example: Restaurant

As a result of the temporary executive order, an owner of a restaurant does not have any guests eating in his restaurant but can maintain a sale of 15% of his normal turnover by means of takeaway.

Fixed monthly costs:

- Rent: DKK 18,000
- Irrevocable leasing agreement covering delivery van: DKK 5,000
- Interest expenses/leasing agreement covering debt related to kitchen equipment: DKK 4,000
- Total: DKK 27,000

Compensation: DKK 21,600 (corresponding to 80% of DKK 27,000).

As the restaurant experiences a decline in turnover of 85%, it may receive a compensation corresponding to 80% of its fixed costs.

The owner of a restaurant who works as a chef on a daily basis will also be able to receive a refund

Contact

Please do not hesitate to contact us if you have any questions or need our assistance with the calculation of your turnover and fixed costs thus providing you with a good overview of your situation and options in terms of compensation.

Now, for tomorrow

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