



Covid-19 – Additional support package from the Swedish Government

27 March 2020

In the midst of the covid-19 crisis, the Swedish Government presented an additional support package proposal on 25 March 2020.

The 25 March proposal aims to support small and medium sized companies and comprises a temporary reduction of employers' social security contributions, state support to landlords to reduce rents, and financing possibilities through government guarantees. Since the Swedish opposition parties might want to go further in their support, the next step is that the proposal will be analyzed by the Swedish Parliament. The proposal might change in terms of additional support, but we need to await the outcome of the parliament's analysis

Grant Thornton has identified three parts of the proposal that can be of importance for owners and managements of Swedish companies:

- A reduction of employers' social security contributions for up to 30 employees between 1 March and 30 June 2020.
- Landlords that reduces rent for tenants during April, May and June 2020 can get state support with up to 50 per cent of the rental reduction.
- State guarantees on bank loans for sound businesses with temporary liquidity problems

Reduced social security contributions

Employers' social security contributions for up to 30 employees are proposed to be lowered. The employers are proposed to only pay the old age pension contribution between 1 March to 30 June 2020. The reduction applies on the part of the

salary that is less than SEK 25,000, resulting in a tax saving of SEK 5,300 per employee and month.

If approved by the Parliament, the reduction would mean lowered social security contributions of up to SEK 159,000 per month during the period 1 March to 20 June 2020.

State support on rental reductions

To facilitate and speed up renegotiation of rents in sectors such as durable consumer goods, hotels, restaurants and certain other businesses, the government has proposed that it will cover 50 per cent of the rental reduction up to 50 per cent of the fixed rent.

Landlords should, if lowering their fixed rents, get up to 50 per cent of the reduced amount back. The support is limited to a maximum of 50 per cent of the total fixed rent. This state subsidy can be claimed retroactively and will be applicable for the period 1 April to 30 June 2020. To illustrate, a fixed rent of SEK 100,000 that is reduced with SEK 50,000 would result in state compensation up to SEK 25,000.

State guarantee on bank loans

To make it easier for businesses to access financing and avoid cash shortage, the government can issue a guarantee to cover the major part of the loan. For businesses that have been affected by covid-19 but are on a long-term basis robust, the government will guarantee 70% of the new loan. The guarantee is issued to the bank granting the loan. Although aimed at small and

medium sized companies, there is no formal limit on the size of the company eligible to apply for a new loan.

According to the proposal, the Swedish National Debt Office will administrate the loan guarantee, which has been proposed not to exceed SEK 75 million, though exemptions may apply.

In addition - the proposal on extension with filing of taxes are expanded

The previously presented proposal regarding the possibility to get deferred social security and VAT

payments is proposed to be expanded to also comprise VAT that is reported on a yearly basis from 27 December 2019 to 17 January 2020.

Next step

The rules are proposed to enter into force as soon as possible and will be processed quickly by the Swedish parliament. Grant Thornton is monitoring the developments daily and will return with an update once more details of the proposed package have been announced.

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