# **The government will provide at least 2 billion euros in support to Estonian employees and the economy in the emergency situation**

**In order to mitigate the impact of the coronavirus on the Estonian economy and entrepreneurs, the Government of the Republic developed a package of urgent economic measures.**

**The country must now make efforts to overcome the crisis and help companies. It is important to avoid a wave of bankruptcies and job losses and return to normal life as soon as possible. We would like to thank all the companies and people who are also working hard and offering help.**

Estonia’s first package will provide the economy with up to 2 billion euros, which is about 7 percent of our GDP. Our aim is to alleviate the most difficult initial phase of the crisis, to help entrepreneurs, and to ensure the functioning of the economy. The Minister of Finance was given the task of initiating a supplementary budget to reflect the increased costs.

The supplementary budget is needed to bring public finances into line with the changed circumstances. To do this, information is collected from governmental authorities to change costs and allocate money by law. The supplementary budget will be discussed in April.

**PARTS OF THE PACKAGE**

 **KREDEX**

Kredex will launch the following new services:

* **Loan guarantee** to alleviate the repayment schedules of bank loans already issued through Kredex in the amount of 1 billion euros;
	+ If the bank eases the repayment schedule of an existing bank loan unsecured by KredEx or is ready to issue a new loan to the company, KredEx will give its guarantee for this loan.
* **Working capital loan** through Kredex in the amount of 500 million euros;
	+ If banks are no longer financing the companies, KredEx will provide the company with an extraordinary loan for working capital to overcome the liquidity problems caused by the coronavirus outbreak.
* **Investment loan** through Kredex in the amount of 50 million euros;
	+ KredEx will give the company an investment loan, so they can flexibly take advantage of new business opportunities,

These measures are limited to 5 million euros per company. More information is provided by the Ministry of Economic Affairs and Communications and Kredex.

## **LABOUR MARKET**

**The Unemployment Insurance Fund will start offering a compensation for reduced wages in the amount of 250 million euros.**

* The compensation is aimed at companies in difficulty and their employees.
* Any qualifying company can apply for the compensation within two months from March to May (payouts will be made from 1 April to 30 June).
* The compensation will be paid up to a maximum of 1,000 euros per employee requiring compensation. As a rule, the compensation will be 70 percent of the gross wage of an employee plus at least 150 euros plus social tax and unemployment insurance premium paid by the company.
* Employers who meet two of the three criteria are eligible:
	+ if their turnover or income has fallen by at least 30% compared to the same month of the previous year;
	+ if at least 30% of their employees can no longer be employed due to the spread of the COVID-19 coronavirus;
	+ if they have reduced wages by at least 30% for at least 30% of the employees.
	+ The compensation is paid only to employees who are not employed by the company any more or whose wages have already been reduced due to a reduction in the workload.
* The purpose of the measure is to avoid redundancies and to support the continuation of the economic activities of the company.

**SICK LEAVE**. The state also compensates sick leave from the first to the third day for all certificates for sick leave during the months of March, April, and May. This will costs about 1.5–2 million euros per month.

## **RURAL LIFE**

**Support for rural businesses through the Rural Development Foundation:**

* **Guarantees by the Rural Development Foundation in the amount of 50 million euros;**
* It is important to ensure flexible financing of rural businesses in crisis situations. For this purpose, the Rural Development Foundation can extend the existing contract of suretyship or issue a new surety if the bank so requests. In addition, it can reduce the fee for the provision of surety.
* **Working capital loans offered by the Rural Development Foundation in the amount of 100 million euros;**
* It is essential to ensure that businesses in the agricultural and food sector and other rural businesses, including family businesses, which are predominantly micro-businesses and self-employed persons have access to flexible working capital loans, as the price of real estate in times of crisis is uncertain.
* **Land capital financing offered by the Rural Development Foundation in the amount of 50 million euros;**
* The Land Capital trust fund measure is the planned **purchase and resale of land** (capital lease).
* The measure allows agricultural producers, if necessary, to sell their land to the foundation, rent it from the foundation under a commercial lease contract, and buy back the land within a certain period.

## **CULTURAL AND SPORTS EVENTS**

**Partial compensation by the state of up to 3 million euros of costs incurred due to events that have been cancelled due to the emergency situation and the suspension of activities of cultural and sports organisations.**

* Primarily, these are state authorities in the area of government of the Ministry of Culture, state-owned foundations, public bodies, and persons supported by the state budget through the Ministry of Culture and the Cultural Endowment.
* The precise criteria for the measure will be developed by the Ministry of Culture in cooperation with the Ministry of Finance. This applies only to the events of March and April, i.e. the period of the emergency situation.

## **SUSPENSION OF II PILLAR PENSION PAYMENTS**

**The precise criteria and timetable will be developed by the Ministry of Finance.**

## **TAX RELIEFS**

## **A measure for the self-employed persons which alleviates the advance payment of social tax contributions for the first quarter.**

## **Suspension of tax interest by the state for two months**

## During the emergency situation, from 1 March to 1 May, no interest will be charged to the company during this period in the e-Tax Board.

## The measure concerns both the calculation and payment of interest on past tax arrears, as well as the calculation of interest on tax arrears incurred since 1 March. In addition, interest on tax arrears to be paid in instalments is also suspended.

## **Tax arrears are postponed for 18 months at a lowered interest rate**

## This is a normal postponement procedure, but the Tax and Customs Board will have an additional right to reduce interest by more than 50 percent. Today, the maximum possible reduction is up to 50 percent.

* **The ordinary interest rate may be reduced from 0.06% to 0.03% and, in the case of postponement, to 0%.**

**SUPPLEMENTARY BUDGET**

* The Minister of Finance has been given the task of coming up with supplementary budget proposals in the coming weeks, so that the Riigikogu could adopt it as soon as possible.
* Expenditure cuts are planned to be avoided as much as possible, as this would further cool the economy.
* Thus, there will be a negative supplementary budget.