

# COVID-19 – The Swiss government’s measures to support the Swiss economy

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April 2020

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Since mid-March 2020, the Swiss government has enacted a number of measures to mitigate the effects of the coronavirus (“COVID-19”) on the Swiss economy.

The most important measure was announced on 20 March 2020 to help SMEs survive the short-term effects of COVID-19 by providing cash flow assistance. Measures include state guaranteed loans for SMEs with limited bureaucracy and no or very low interest rates.

Further, the Swiss government also enacted measures to fight an important increase in unemployment, for example, by giving flexibility to enterprises to receive compensation for partial unemployment.

Finally, the Swiss government has taken several other measures to help the Swiss economy, including measures to avoid mass bankruptcies and direct aid to sectors that are particularly affected by COVID-19.

## The state guaranteed loan programme<sup>1</sup>

The Swiss government will provide up to CHF 40 billion of guaranteed loans for small- and medium-sized enterprises (“SMEs”) that are facing financial difficulties.

The goal of the programme is to assist SMEs with loans to allow enterprises with cash flow problems to cover their current costs for approximately three months. SMEs have rapid and unbureaucratic access to bank loans and, therefore, cash to support the short-term effects of COVID-19.

Only SMEs can obtain loans under the state guarantee loan programme. Enterprises with a turnover of more than CHF 500 million in 2019 cannot request a loan under the state guaranteed loan program.

<sup>1</sup> Ordinance on the granting of credits and joint and several guarantees following the coronavirus (*ordonnance sur l’octroi de crédits et de cautionnements solidaires à la suite du coronavirus*).

## Amount of the loan and federal guarantees:

The amount of the loan is calculated on the yearly turnover of an enterprise and will not exceed 10% of the yearly turnover. For new companies and start-ups, an estimated turnover is used to calculate the amount of the loan. The limit for one loan is CHF 20 million.

The loans under the programme are granted for a period of five years.

The loans are divided in two types of loans: (1) loans up to CHF 500,000 and (2) loans between CHF 500,000 and CHF 20 million:

1. For loans up to CHF 500,000, the Swiss government covers the entire amount. The interest rate is 0%;
2. For loans between CHF 500,000 and CHF 20 million, the Swiss government covers 85% of the amount while the remaining 15% is supported by the bank itself. An interest rate of 0.5% will be applied to the amount covered by the Swiss government. For the remaining 15%, the enterprise and the bank will need to find an appropriate interest rate.

## Process for loans up to CHF 500,000:

For loans up to CHF 500,000, SMEs must only fill out the federal government's application form. No further documents are required. The requirements under the application form are the following:

1.	SME with seat in Switzerland	The SME must have been established in Switzerland before COVID-19, <i>i.e.</i> before 1 March 2020.
2.	Affected by COVID-19	The SME must have suffered considerable economic losses due to COVID-19, in particular, in terms of turnover. An SME will not have access to the programme if COVID-19 is not the reason for the loss of turnover.
3.	SME is financially sound	At the time of the loan request, the SME must not be in bankruptcy, in debt restructuring proceedings or in liquidation.  The additional cash must only be used for the survival of commercial activity.
4.	No other aid under other programmes	The SME must declare that it did not receive financial support from COVID-19 support programmes aiding the cultural and sport sectors.

## Process for loans between CHF 500,000 and CHF 20 million:

For loans above CHF 500,000, the same requirements and forms must be met and filled out as for loans for up to CHF 500,000. In addition, the bank will perform an audit in accordance with industry standards to determine whether a loan of more than CHF 500,000 should be granted.

Similar to the loans up to CHF 500,000, the requests should be processed quickly in order to allow enterprises to organise themselves.

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## Programmes against unemployment<sup>2</sup>

Following the significant impact that COVID-19 had on businesses and on the economy, the Swiss government made available CHF 8 billion for compensation for partial unemployment. The Swiss government also enacted several measures that would help enterprises to face COVID-19. The measures aim at avoiding a significant increase in unemployment in Switzerland. The programmes waived several requirements, especially regarding compensation for partial unemployment and provided increased aid for unemployed persons.

### Additional flexibility for employers:

- The statutory notice period for claiming compensation in the event of a reduction in working hours is waived;
- The period during which a reduction in working hours can be authorised is extended from three months to six months;
- Employers can request compensation for reduced working hours without having to advance it to their employees;
- The scope of beneficiaries of compensation for partial unemployment has been extended to:
  - Workers with a fixed-term contract (such as apprentices or workers for a temporary work organisation);
  - On-call workers whose monthly occupancy rate is subject to large fluctuations (more than 20%);
  - Persons who occupy a position comparable to that of an employer who works for the company against remuneration;
  - People who work for the business of their spouse or civil partner.

For the last two categories, the lump sum of CHF 3,320 is taken into account as a full-time salary for the calculation of partial unemployment;

- Employers are now allowed to use their own ordinary reserve of contributions for pension schemes to pay employees' contributions.

Procedures have also been simplified to process requests as quickly as possible.

## Measures to limit bankruptcies

The Swiss government suspended all debt collection and bankruptcy proceedings from 19 March 2020 to 19 April 2020. On 8 April 2020, it decided not to extend the suspension in relation to debt collection and bankruptcies and instead to implement other measures. As a result, normal debt collection proceedings resumed on 20 April 2020.

On 16 April 2020, the Swiss government decided on additional measures to address the risk of over-indebtedness and avoid a wave of bankruptcies.<sup>3</sup> Those measures entered into force on 20 April 2020.

- <sup>2</sup> Ordinance on measures relating to unemployment insurance in relation to the coronavirus (*ordonnance sur les mesures dans le domaine de l'assurance-chômage en lien avec le coronavirus (COVID-19)*).  
Ordinance on measures concerning the obligation to announce vacancies in connection with the coronavirus (*ordonnance sur les mesures concernant l'obligation d'annoncer les postes vacants en lien avec le coronavirus*).  
Ordinance on the use by employer of statutory reserve for the payment of employee contributions to occupational pension funds in connection with the coronavirus (*ordonnance sur l'utilisation de réserves de cotisations d'employeur pour le paiement des cotisations des salariés à la prévoyance professionnelle en relation avec le coronavirus*).
- <sup>3</sup> Ordinance establishing measures in the event of insolvency to overcome the coronavirus crisis (*ordonnance instaurant des mesures en cas d'insolvabilité pour surmonter la crise du coronavirus*).

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First, the board of directors is not required to notify the judge in case the interim balance sheet of the company shows over-indebtedness (which could otherwise lead them to being declared bankrupt if there is no successful reorganisation prospect); *provided* the enterprise was financially healthy at the end of 2019 and there is a possibility that the over-indebtedness could end before 31 December 2020.

Further, an enterprise that filed for debt restructuring is not required to submit a restructuring plan. The restructuring moratorium is extended by two months, for a total of six months maximum.

Finally, the Swiss government introduced a “COVID-19 grace period” of three months for SMEs that have cash problems and that are at risk of over-indebtedness because of COVID-19. The grace period can be extended once for an additional three months. During the grace period, SMEs can continue their commercial activities without submitting a restructuring plan and collection proceedings will not be started or continued against them. Only SMEs that were not over-indebted on 31 December 2019 are eligible. Publicly traded companies and larger companies cannot request the “COVID-19 grace period”.

## Other measures taken by the Swiss government

### Tax relief<sup>4</sup>

Payment of federal tax for 2019 can be deferred and no default interest will be due until 31 December 2020.

The interest rate for default of payment of certain taxes has been lowered to 0% until 31 December 2020. This applies to payment of VAT, certain customs duties, special consumption taxes and incentive taxes.

### Social security contributions<sup>5</sup>

It will be possible for enterprises affected by COVID-19 to request to defer provisionally the payment of statutory social security contributions without accruing interest. Enterprises will also be able to adjust the total prepaid amount in the event of a significant drop in payroll.

### Direct aid by the Swiss government for the cultural and sport sectors<sup>6</sup>

The Swiss government provides direct loans to sport organisations for a total of CHF 100 million:

- CHF 50 million in loans to enable organisations which are active in Swiss leagues, mainly on a professional level, to overcome liquidity shortages;
- CHF 50 million in subsidies for organisations promoting sport in general that are threatened existentially.

The Swiss government provides assistance to nonprofits, businesses and artists. Cultural businesses can obtain interest-free, repayable loans, while artists can obtain emergency aid for immediate vital needs. Nonprofits and artists will be compensated for cancellations. Compensation will be, at most, 80% of the damages. Non-professionals will receive aid to cover the costs of cancelling and postponing events.

<sup>4</sup> Ordinance on the temporary waiver of default interest in the event of late payment of taxes, incentive taxes and customs duties and the waiver of loan repayment by the Swiss Hotel Credit Company (*ordonnance sur la renonciation temporaire aux intérêts moratoires en cas de paiement tardif d'impôts, de taxes d'incitation et de droits de douane ainsi que sur la renonciation au remboursement du prêt par la Société suisse de crédit Hôtelier*).

<sup>5</sup> Ordinance on the measures in relation to the coronavirus (COVID-19) on the indemnity in case of reduced working hours and contribution statements to the social insurances (*ordonnance sur les mesures en lien avec le coronavirus (COVID-19) concernant l'indemnité en cas de réduction de l'horaire de travail et le décompte des cotisations aux assurances sociales*).

<sup>6</sup> Ordinance on accompanying measures for the sport sector aimed at mitigating the consequences of measures taken by the Confederation to fight against the coronavirus (*ordonnance sur les mesures d'accompagnement dans le domaine du sport visant à atténuer les conséquences des mesures prises par la Confédération pour lutter contre le coronavirus*).

Ordinance on the mitigation of the coronavirus in the cultural sector (*ordonnance sur l'atténuation du coronavirus (COVID-19) dans le secteur de la culture*).

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## Conclusions

The Swiss government has implemented several measures to help the Swiss economy against the effect of COVID-19.

The state guaranteed loan programme is providing important assistance for the Swiss economy and is providing the necessary support in cash flow for many SMEs.

In general, the Swiss government has enacted and is still enacting many measures to mitigate as much as possible the consequences of COVID-19. Enterprises need to be aware of all the resources that could be accessible to them in those difficult times. We therefore encourage our clients to consider the opportunities presented by the different measures and to consult us if any assistance is needed.

In addition, White & Case has carried out an analysis of global governmental responses to the COVID-19 crisis. These vary considerably from country to country and are being updated and amended regularly.

We have prepared an in-depth and nuanced analysis for various major jurisdictions and pulled together a global response team.

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For useful information on COVID-19, please consult the [Coronavirus section of \[www.whitecase.com\]\(http://www.whitecase.com\)](#).

## Annex I

The Swiss government enacted several measures to support the Swiss economy. The most important measures are described and summarised below.

Applicable Measures	Beneficiaries	Description of the measures
<b>State guaranteed loan programme</b>	Only SMEs	<ul style="list-style-type: none"> <li>– SMEs can obtain loans that correspond to 10% of their yearly turnover. The limit for one loan is CHF 20.</li> <li>– Two types of loans: (1) loans up to CHF 500,000 and (2) loans between CHF 500,000 and CHF 20 million: <ul style="list-style-type: none"> <li>○ For loans up to CHF 500,000, the Swiss government covers the entire amount. The interest rate is 0%;</li> <li>○ For loans between CHF 500,000 and CHF 20 million, the Swiss government covers 85% of the amount while the remaining 15% are supported by the bank itself. An interest rate of 0.5% will be applied to the amount covered by the Swiss government. For the remaining 15%, the enterprise and the bank will need to find an appropriate interest rate.</li> </ul> </li> </ul> <p><u>Conditions:</u></p> <ul style="list-style-type: none"> <li>– The SME must have been established in Switzerland before 1 March 2020;</li> <li>– The SME must have suffered considerable economic loss due to COVID-19;</li> <li>– At the time of the loan request, the SME must not be in bankruptcy, in debt restructuring proceedings or in liquidation;</li> <li>– The SME must declare that it did not receive financial support from COVID-19 support programmes aiding the cultural and sport sectors.</li> </ul> <p>For loans between CHF 500,000 and CHF 20 million, the same conditions apply, but an additional audit will be performed to determine whether the loan should be granted.</p>
<b>Programmes against unemployment</b>	All employers	<ul style="list-style-type: none"> <li>– The statutory notice period for claiming compensation in the event of a reduction in working hours is waived;</li> <li>– The period during which a reduction in working hours can be authorised is extended from three months to six months;</li> <li>– Employers can request compensation for reduced working hours without having to advance it to their employees;</li> <li>– The scope of beneficiaries of compensation for partial unemployment has been extended;</li> <li>– Employers are now allowed to use their own ordinary reserve of contributions for pension schemes to pay employees' contributions.</li> </ul>
<b>Measures to limit bankruptcies</b>	All corporations	<ul style="list-style-type: none"> <li>– The board of directors is not required to notify the judge if the interim balance sheet of the corporation shows over-indebtedness;</li> <li>– A corporation that filed for debt restructuring is not required to submit a restructuring plan;</li> <li>– The restructuring moratorium is now six months.</li> </ul>

Applicable Measures	Beneficiaries	Description of the measures
	SMEs	<ul style="list-style-type: none"> <li>– Introduction of a COVID-19 grace period of three months, which gives SMEs the following advantages:               <ul style="list-style-type: none"> <li>○ Continuation of their commercial activities without submitting a restructuring plan;</li> <li>○ No collection proceedings will be started against them.</li> </ul> </li> </ul>
<b>Tax relief measures</b>	All corporations	<ul style="list-style-type: none"> <li>– Payment of federal tax for 2019 can be deferred and no default interest will be due until 31 December 2020.</li> <li>– The interest rate for default of payment of certain taxes has been lowered to 0% until 31 December 2020. This applies to payment of VAT, certain customs duties, special consumption taxes and incentive taxes.</li> </ul>
<b>Social security contributions</b>	All corporations	<ul style="list-style-type: none"> <li>– Provisional deference of the payment of statutory social security contributions without accruing interest.</li> <li>– Adjustment of the total prepaid amount in case of a significant drop in payroll.</li> </ul>
<b>Aid to the sport sector</b>	Sport organisations	<ul style="list-style-type: none"> <li>– CHF 50 million in loans to enable organisations which are active in Swiss leagues, mainly on a professional level, to overcome liquidity shortages.</li> <li>– CHF 50 million in subsidies for organisations promoting sport in general that are threatened existentially.</li> </ul>
<b>Aid to the cultural sector</b>	Organisations and people active in the cultural sector	<ul style="list-style-type: none"> <li>– Cultural organisations can obtain interest-free repayable loans.</li> <li>– Artists can obtain emergency aid for immediate vital needs.</li> <li>– Nonprofits and artists will be compensated for cancellations (at most, 80% of the damages).</li> </ul>

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