

# **What Assistance Is Available To French Businesses To Help Survive COVID-19 Challenges?**

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French businesses face significant business disruption, as does any country faced with restrictions in place to curb movement of people because of Covid-19.

In this blog we consider what the restrictions are in France and what help is on offer.

## **What restrictions are in place and why is this impacting businesses?**

The current restrictions, announced on March 16, 2020 by the President of the Republic are designed to minimize contact and travel and will be in place from Tuesday, March 17 at 12:00 p.m., for a minimum of fifteen days.

Travel is now prohibited except in certain cases and only then if people have:

- an individual certificate: which must be completed for each non-business trip; or
- an employer's certificate: which is valid for the duration of the containment measures and therefore does not have to be renewed every day.

Violations of these rules will be punished with a fine of 135 euros.

Such restrictions create operational issues for all businesses in all sectors, causing business distress and potential cash flow issues. A number of measures have been announced by President Macron to help ease the pressure that Covid-19 has placed on the French economy.

## **What help/aid is available?**

To date, the following support has been arranged:

1. Payment deadlines for social and / or tax payments (URSSAF, direct taxes);
2. Direct tax rebates;

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3. Deferral of rental payments, water, gas and electricity bills for the smallest businesses in difficulty;
  4. Aid of 1,500 euros for the smallest enterprises, the self-employed and micro-enterprises in the most affected sectors;
  5. Mobilization of the State to the tune of 300 billion euros to guarantee the bank cash lines that companies may need because of the epidemic;
  6. Support from the State and the Banque de France (credit mediation) to negotiate with his bank a rescheduling of bank credits;
  7. Maintaining employment in companies through the simplified and reinforced partial unemployment system;
  8. Support for the treatment of a conflict with customers or suppliers by the Business Ombudsman; and
  9. Public contracts: late penalties will not be applied.

The government has set up a website (<https://www.gouvernement.fr/info-coronavirus>) which is updated daily, and a toll-free number (33 0800 130 000) for all information.

### **How are the measures designed to help?**

The amending finance bill (see below) aims to deal with the coronavirus crisis, the direct aftermath and hopes to support a rapid return to economic stability and the social life of the country.

It provides for the establishment of an **exceptional loan guarantee scheme** for businesses as well as large-scale budgetary measures in favor of activity and employment.

These emergency measures reach € 45 billion, to which are added almost € 300 billion in guarantees which will be implemented in France, in line with the initiatives of the euro area countries which have acted in recent days budget support of 1% of GDP and cash support for companies with 10% of GDP representing € 1,000 billion in guarantees.

*PRESS RELEASE FOLLOWING THE COUNCIL OF MINISTERS ON THE DRAFT AMENDING FINANCIAL LAW (19 March 2020 Ministry of economy) (unofficial/free translation)*

[Communiqué de presse à la suite du conseil des ministres sur le projet de loi de finance rectificative – 19/03/2020 \[PDF ; 572 Ko\]](#)

### **What plans are in place to support employment?**

Faced with the unprecedented health crisis hitting the country, the Government is committing a massive emergency plan to support activity and employment to preserve business activity and household income.

The amending finance bill (PLFR) implements emergency measures to support. In particular:

- It provides for an **exceptional guarantee system** to support corporate financing, up to € 300 billion. This will allow banks to **grant cash loans to companies of all sizes**, enabling them to have the cash necessary to continue their activity and preserve employment. This is temporary, since it will only cover than loans made from March 1 to December 31 of this year;
- to support unemployment more than € 8 billion will be made available to cover partial unemployment (€ 5.5 billion of which will be available from the state budget). In addition childminders and home workers will now be able to claim.; and
- a **solidarity fund** will provide to support small, independent and micro-enterprises affected by regulatory activity restrictions or particularly affected by the crisis and experiencing a significant drop in turnover. This solidarity fund will operate at 2 levels. On the one hand, eligible companies will benefit from fast, simple and unitary support of € 1,500. It will also offer a safety net for artisans, traders and small entrepreneurs particularly affected by the current situation. In addition, further support may be granted on a case-by-case basis, to avoid bankruptcy.

Faced with the health crisis and its economic consequences, there are thus a total of approximately € 45bn in direct measures and € 300bn in guarantees that will be implemented.

## What might happen to growth in the French economy as a consequence of COVID-19?

Of course, it is difficult to predict accurately, given that no-one knows how long restrictions will actually be in place but the French Government has forecast negative growth of -1% this year. Compared to a 1.3% increase in 2019 and initial forecasts for 2020 of 1.3% Covid-19 will have a direct impact on growth.

The negative growth forecast results from expected slowdowns in production, due primarily to commercial difficulties and the blocking of certain international production chains, notably with China; as well as a slowdown in domestic production linked to measures to restrict activity and mobility.

It is also based on a marked decrease in demand caused by

- a marked drop in consumption by households of -2% due to restrictions on access to certain businesses and services (including accommodation, catering, leisure, culture and transport); and
- a decline in investment. Although this might be mitigated by the measures taken by the Government to facilitate access to credit for businesses and limit the impact of the crisis on their cash flow.

The emergency measures have therefore been put in place to mitigate the impact of the epidemic and to support growth in activity in the second half of this year.

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