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HOTREC suggestions on long-term measures to be taken both at EU and national level to help the hospitality sector recover from the outbreak of COVID-19

Context

The Hospitality sector has been severely hit by the crisis and will take a long time to recover. Businesses face major liquidity shortages, impacting investment and employment, and consumers need to be reassured.

On 19 March 2020 the European Commission deployed the temporary State Aid mechanism, which allows Member States to address written procedures to the European Commission, in order for State Aid to be provided at national level. The ceiling of 800.000€ applies for aids granted until end 2020, per company. This applies to direct grants, repayable advances, tax or payments advantages.

Nevertheless, even countries that have substantially helped companies so far will see financing come to an end soon.

In order to be inspired and possibly **lobby your governments in the same direction** please see below:

- I - Examples of the **best practices** of support measures applicable to hospitality businesses
- II - **Examples of measures** that some national associations have proposed or might propose their national governments in order to help the hospitality sector overcome the crisis **in the long run**
- III – Measures that **HOTREC is advocating at EU level**
- ANNEX I - Table comparing the interest rates of loans granted at national level

I – Best practices of support applicable to hospitality sector

Measures	*Description*
Reduction of VAT	**Reduction of VAT for the hospitality sector** *Examples:* Austria – For the period from 1.7.2020 to 31.12.2020 a reduction of VAT from 10% to 5% is applied in the areas of gastronomy and for hotels. Belgium – VAT has been reduced from 12% to 6% for restaurant and catering services between 8 June and 31 December 2020. (Alcoholic drinks are excluded). Cyprus – The basic VAT for the hospitality sector is reduced from 9% to 5% from 1 July to 10 January 2021. Germany – VAT is being reduced from 1 July to 31 December 2020 from 19% to 16% (standard rate) and from 7% to 5% (reduced rate). The reduced VAT rate of 5% will apply to catering establishments until 1 July 2021.

	Greece – while VAT reduction for taxis, transport and ferries ends on 31 October, the VAT remains reduced from 13% to 5% for accommodations, hotels, restaurants, cafes and catering until the 9 January 2021 (exceptions: alcoholic beverages and entertainment centres like night clubs). *More information:* Temporary VAT rate reductions for hospitality sector HOTERC VAT table 2020 HOTREC VAT study on the benefits of low VAT rate
Tax relaxations	**Government lifts payments of certain social contributions or postpones deadlines for payment of direct or indirect taxes** *Examples:* Austria – In the event of economic hardship due to the Covid-19 crisis, the Ministry of Finance offers the possibility of deferral or payment in instalments. The institution for social insurance of self-employed persons offers the possibility of deferral or payment in instalments. Czech Republic – Remission of fines for late tax filings. Compulsory pension insurance payments and the employment policies to all self-entrepreneurs, as well as income tax, is waived for the duration of the crisis. Slovakia – The payment of the income tax advance payments will be deferred for companies with revenue losses of over 40%. Sweden – Temporary reduction of employers' social security contributions have been permitted. This applies to companies with up to 30 employees and for sums up to SEK 5 300/EUR 500 per employee.
Rental reliefs	**Possible measures are governmental subsidies for rental payments or prohibitions of lease terminations** *Examples:* Czech Republic – The Czech government pays 50% of the rent of the establishment, the other 50% is shared equally by the landlord and the hotelier. France – Tenants will not face penalties, late interest, damages or termination of their leases for the non-payment of rent or service charges for all sums due to property owners. Germany – Landlords are prohibited to terminate a lease because of rental arrears in April, May and June. The outstanding payments need to be repaid until 30 June 2022. Tenants are encouraged to pay as much rents as possible, as the general obligation to pay the monthly rents has not been waived. As of 1 July, rents need to be paid fully again.

Direct state handouts	**The government creates a fund from which companies receive direct monetary support when they complete certain criteria (ex.: self-employment, small or medium businesses)** *Examples:* Belgium – In Brussels, each company or self-employed person that had to completely close due to government measures taken related to COVID-19 received 4000 EUR; for partial closures, 2000 EUR were distributed. Luxembourg - Small businesses with (i) a maximum of nine employees and self-employed persons; (ii) an aggregate net turnover of at least EUR 15,000; (iii) who have a valid business permit; and (iv) have had to stop their activity due to a government decision in the context of COVID-19 can apply for immediate and non-refundable financial aid of EUR 5,000. The granting of this aid is independent of other existing and future aid instruments. Estonia – Direct support for hotels and restaurants and touristic companies in the amount of 25 million EUR. Hotels got 10 million EUR and restaurants 7 million EUR. That was to support small and medium companies. Big hotel groups with a yearly turnover of more than 3 million were excluded. Applications are over. Netherlands - A one-off compensation of EUR 4,000 for SMEs that are affected by the measures taken by the government in respect of COVID-19 (e.g. restaurants, bars and gyms).
Wage subsidies	**The government covers parts of or the entire wage of employees in sectors that are heavily hit or it should provide income support for laid-off workers** *Examples:* Denmark – The staff was sent home with a compensation of 75-100% of the usual salary by the government. Estonia – Salary support was payed in order for employees to keep their working places for April, May and June. The government covered up to 70% of the minimum wage and the employer/ the company had to add 150 EUR or more per employee. The amount of the salary support was up to 1000 EUR, which was paid out of the Unemployment Board of the State. These subsidies have been distributed according to the turnover loss from March until May. This support was applicable until the end of June. Ireland – A temporary (12 weeks) income support scheme will be available to employers who have suffered a 25% decline in turnover and are unable to pay normal wages / outgoings and retain employees. Italy - Tourism's companies that have to stop or reduce their activities due to Coronavirus can apply to the wage subsidies fund: ordinary redundancy payment for companies with more than 5 employees, extraordinary redundancy payment for companies up to 5 employees. In both cases, wage integration amounts to 80% of salary within a maximum imposed by INPS (National Institute for Social Security).

	Seniority is not required, but beneficiaries must be employed before February 23rd, 2020.
State support for illness benefits	**The state takes over parts of the illness benefits payed to employees fallen ill with COVID-19** *Examples:* Ireland - When a worker is told to self-isolate or has been diagnosed with COVID-19 by a medical professional, they can apply for an enhanced COVID-19 Illness Benefit payment of EUR 350 per week which will be paid for a maximum of two weeks where a person is self-isolating and for a maximum of ten weeks if a person has been diagnosed with COVID-19. Sweden – The government has temporarily assumed the sick pay responsibility from April to the end of July. During August and September, the government will compensate employers for higher sick pay costs due to the COVID-19 pandemic. UK – Compensation are given to businesses in order for them to pay illness benefits which are related to COVID-19.
Compensation loss turn-over	**Compensations for income lost due to restrictions on exercising activities distributed in order to prevents lacks of liquidity** *Examples:* Austria – Hardship fund for one-person enterprises and micro-entrepreneurs in order to insure liquidity. Self-employed persons receive emergency aid as partial compensation for lost income. The funding period has been prolonged to 6 months and applications are possible until 31 December. Finland – There had been a mass payment of compensation. It is direct support without an application process which will be payed by the end of June. For the compensation for the reemployment of employees can be applied for until the end of October. Sweden – Swedish companies that show a loss of turnover that occurred as a direct result of the COVID-19 outbreak of at least 30% in the months of March and April 2020 as compared to the same period last year, can apply for support of 75% of losses, calculated on the basis of fixed costs.
Loan guarantees	**These are loan payments for a given period of time guaranteed by the government or moratoriums introduced by the government** *Examples:* Finland – EUR 12 billion of new financing (loans, guarantees) for SMEs through Finnvera plc (a specialised financing company owned by the State of Finland). Finnvera plc shall act as guarantor for the loans provided by the local banks. Hungary – A payment moratorium until 31 December 2020 will apply with respect to all credit facilities, loans and financial leases provided in a business context during which the borrower (who may be a natural or legal person with any exceptions specified by

	law) is not be obliged to pay any principal, interest or fees. The payment moratorium applies to loans already drawn under contracts existing at midnight on 18 March 2020. Ireland – The Irish Government will guarantee 80% of loans (up to EUR 1 million) made by banks to viable small and medium sized enterprise (“SMEs”). This applies to term loans, demand loans and performance bonds. The Irish Government has also introduced a EUR 200 million working capital scheme. Loans of between EUR 25,000 and EUR 1.5 million with a maximum interest rate of 4% can be applied for. Security is only required for loans in excess of EUR 500,000.
Short-time work	**In order to avoid unemployment, schemes have been developed to make short time work more reachable for employers rather than laying employees off** *Examples:* Austria - The Corona short-working model is available since 1 June 2020. Employees can be registered for short-time work up to 100 percent. This model can initially be completed for up to 3 months. If necessary, it can be extended for another 3 months. France – More flexibility has been given to employers to temporarily suspend employment contracts or reduce the working time or compel employees to take leave with an increase of subsidies paid by the government (paying up to 70% of employees' wages (of up to EUR 350 a week). Working hours for sectors assisting in the COVID-19 crisis can be increased. Sweden – A part-time employment scheme/short-term layoffs have been created. As a consequence, 39% of the employees (working for a living) in the industry have had their working hours reduced (maximum by 80%, in which case the employer's wage cost will decrease by 72% - this Max. can only be reached in May, June and July). The scheme can be applied for 6 months with the possibility to extend it for another 3.

II – Examples of measures to be taken at national level in the long run

Measures	*Description*
Application of the SURE Mechanism	This mechanism is to be applied by Member States. It was approved by Council (EU Member States) on 19 May 2020. SURE is a temporary scheme which can provide up to €100 billion of loans under favourable terms to member states. The instrument enables Member states to request EU financial support to help finance the sudden and severe increases of national public expenditure, as from 1 February 2020, related to national short-time work schemes and similar measures, including for self-employed persons, or to some health-related measures, in particular at the work place in response to the crisis.

	The Commission will raise funds on international capital markets on behalf of the EU. SURE loans will be backed by the EU budget and guarantees provided by member states according to their share in the EU's GNI. The total amount of guarantees will be €25 billion. Therefore, **Member States need to provide their guarantees to make the mechanism available, as soon as possible** The instrument will then be operational until 31 December 2022. On the proposal from the Commission, the Council may decide to extend the period of availability of the instrument, each time for a further 6-month period, if the severe economic disturbances caused by the COVID-19 outbreak persist. **Action by HOTREC members**: Ask respective governments to provide the necessary guarantees to the SURE mechanism asap!
Reduction of VAT	It is essential that reduction of VAT is applicable to the hospitality sector. This is an easy measure to be implemented by governments with direct benefit for consumers and business in general. Moreover, it should also cover other companies in the touristic field. For instance: spas, amusement parks, museums, conferences but also domestic passenger transport, sports and cultural services.
Tax relaxations	The most efficient tax related measures, next to VAT reduction, which should be considered to be implemented in the long run are: 1. Reduction (or suspension) of social contributions or corporate income tax. 2. Deferral on fines and interests for late tax payments. 3. Extension of time for filing tax returns.
Promoting state grants over state loans	For businesses in the hospitality sector, grants have been more effective State Aid measures. The criteria for receiving loans have been shown to constitute a too high access hurdle. The many administrative steps to be completed seem to make loans less reachable.
Restructuring loan and dept payments	In order to support businesses of the hospitality sector overcome months of, in some cases, extreme turn-over losses, it should be considered to lobby for measures that allow re restructuring of loan and other dept repayments. Possible measures could include: 1. Implementation of low or zero interest rates on loans 2. The restructuring of payment in instalments or the deferral of payments.
State funding/ support for re- and up-skilling of workers	This includes support for redefining business models according to the standards of the 'new normal' and possibly the deductibility of costs for trainings for the staff members. *Example:* Estonia – The money remaining from the direct support will likely be used to support smaller and medium companies in redefining their business (including business models and readjustment of employee's skills).

Marketing of (domestic) tourism. Ex.: voucher scheme	The state should encourage and enhance the marketing of the country. This especially applies to promoting domestic travel. It should also be recommended to preference domestic (agricultural) products. A very efficient way to promote domestic tourism, would be the introduction of a **Voucher-scheme** which may be used for local restaurants, bars and accommodation or other touristic facilities. *Examples:* Luxembourg – In Luxembourg vouchers with a 50 EUR value will be distributed to every Luxembourgian resident older than 16-year-old, as well as to every commuter, who works in Luxembourg. This voucher may be used as of 15 July until the 31 December for any accommodation in Luxembourg that is participating in the programme. Registration is free of charge. Each voucher may only be used one time, but if more than one person stays in one room, they may be cumulated. Multiple nights may be booked. The voucher is only applicable for the expenses for overnight accommodation. Austria – In the 2nd half of June, every registered household in Vienna received a voucher which may be used at participating restaurants, bars and cafés in the city. Single-households received a 25 EUR voucher and multi-person-households a 50 EUR voucher. About 950 000 household received the voucher. The cost for the scheme were about 40 million EUR. HOTREC survey on patronage voucher scheme

Measures to be taken at EU level

Measure	*Description*
Encouraging reduction and harmonization of VAT	Encourage EU to adopt Recommendation on low and generalized VAT for the tourism industry (e.g. food, accommodation, transports, museums, tourist attractions). Share best practices and examples among HOTREC Members on reduced VAT rates and their positive impact on the sector to support advocacy at national level

Adequate EU funding easy to use by micro-enterprises and SME's	Objective: tourism to become even more sustainable and ready to address the digital transition. A better offer to travellers should be provided
	
	Examples:
	
	• The industry needs help to cope with the the green transition and the digital transformation, two of the key priorities of the European Union, namely for:
	  ○ **EU support for strategic national upskilling action**
	    ▪ Training the workforce – in order for clients to receive an attractive offer

	▪ Enhance skills to support the green and digital transition (e.g. employees to be able to access and use aggregate tourism data to provide a more attractive offer, to behave in a sustainable friendly way); o Products need to be improved in terms of quality – sustainability friendly; o Raise energy efficiency; o Reduce carbon footprint; o Reduction of food waste; o Promotion of sustainable water sources; o Renewal of buildings (e.g. investments related to energy-efficiency of buildings; use of sustainable energy; eco-renovations; installation on electric car recharging infrastructure or use of the most efficient green technologies) • Creation of a **specific budget line for tourism on the Multiannual Financial Framework 2021-2027 (**that would help implement some of the previous actions) • Relevant portion of the budget dedicated to tourism recovery should be included in **infrastructure funds** – these are easier to access by companies at national level.
EU guide for companies and Member States	A guide for companies and Member States that explains what the available financial support for the hospitality sector is, both in the **MFF and in the Recovery Plan,** is fundamental. Instructions on how to apply for the financial aid should be provided in a very simple, concise way. It is to note that 90% of our companies are micro-enterprises.
Promoting state grants over state loans	For businesses in the hospitality sector, grants have been more effective State Aid measures. The criteria for receiving loans have been shown to constitute a too high access hurdle. The many administrative steps to be completed seem to make loans less reachable.
Postponement of the Strong Customer Authentication Regulation	According to the European Commission, a further postponement to implement rules on Strong Customer Authentication (SCA) beyond 31 December 2020 seems unlikely. HOTREC will however continue supporting communication and campaigns aiming to further defer this deadline by at least 6 months, and preferably by one year, as the meeting the current deadline is likely to create major burdens over the course of the next 6 months and difficulties throughout 2021 for hospitality businesses.

More information:
ANNEX - I - Table comparing the interest rates of loans granted at national level

Country	*Loan Interest Rates*	*Comments*
Belgium	1,25%	State-backed loan scheme. In addition, a fee needs to be payed +0,25% for SMEs and +0,5% for large enterprises. The loan has a general maturity of 12 months. For SMEs, it can be prolonged up to 36 months.
		The federal government and the Belgian National Bank have established a guarantee scheme for 50m EUR for loans and credit lines with a maximum term of 12 months
	4,5%	Regional loan scheme. For credits to SMEs and self-employed persons in Flanders. Credits in the amount of 25 000 EUR up to 2m EUR are being distributed.
	reduced	Regional loan scheme. “Ricochet” Loan: Loans for companies in the Wallonia area for up to 45 000 EUR, of which up to 30 000 EUR are guaranteed by SOWALFIN. The rest (and up to 15 000 EUR) are distributed by SOWALFIN for a 0% interest rate.
Croatia	reduced	“ESIF Micro Loans”: Loans to micro- and small enterprises – 50% of the loan will be paid by the European Structural and Investment Funds at 0% interest rate and the other 50% by a commercial bank at market interest rates.
Cyprus	0 %	For a period of 9 months the interest on loans and credits is suspended. 800m EUR made available for companies with up to 250 employees.
Czech Rep.	0,25 %	This is the rate of the Czech National Bank. Rates had been lowered two times before reaching this number since 16 March.
	0 %	Loans from 18 000-540 000 EUR to SMEs and self-employed persons by Czech-Moravian Guarantee and Development Bank. Small and medium-sized companies may receive guarantees of up to 80% from the “COVID II program” by this bank and the Ministry of Industry and Trade.
Denmark	0 %	Loans to SMEs to the amount of the VAT and tax on labour costs paid in March 2020.
Estonia	4 %	Business or investment loans of max. 5m EUR/company distributed by the KredEx Foundation.
France	0,25-0,5% for state guarantee Bank rates still apply	No payment in the first year. At the end of the year, companies with an annual turnover of under 50m EUR pay an interest rate of 0,25%, the others, 0,5%. In the years after, the rate can rise up to 2%. This rate describes only the rate to be paid to the state to ensure that the loan is guaranteed. The different banks’ rates still apply. Amount of loan capped at 25% of the annual turnover (without taxed) of 2019.
		Guarantee Scheme for new money loans in the amount of 300bn EUR introduced. The guarantee can cover between 70-90% of the loan, depending on the size of the company.
Germany	3 %	“KfW-Schnellkredit”: Loan with max. 10-year maturity to the max. amount of 3-month turnover in 2019 or max. 500 000

		EUR per/company with max. 50 employees or max. 800 000 EUR/company with more than 50 employees.
		Guarantee programmes exist on federal and Länder level. The federal programme operates with a guarantee rate of up to 80% which will be paid by the Bürgschaftsbanken (Bank for guarantees) of the Länder.
Greece	Low	Refundable advance payment to companies to be paid back in 5 years with 1,5 years grace period. These payments are given out under the condition not to lay off workers.
		2bn EUR government guarantee scheme on working capital loans.
	0%	The government will cover 100% of the interest rates in form of a subsidies for two years for new loans given out by the Entrepreneurial Fund of the Hellenic Development Bank.
Hungary	Max. 2,5 %	"Funding for Growth GO!" Scheme: Loans between HUF 1 million and HUF 20 billion for SMEs.
	0 %	Obligation to pay capital and interest on all loans signed by individuals and companies will be suspended until the end of the year.
Ireland	Max. 4 %	SBCI COVID -19 Working Capital Loan Scheme: loans between EUR 25,000 and EUR 1.5m for a period of 1 to 3 years.
	4,5 %	MicroFinance Ireland: Funding expended to 20m EUR for COVID-19 loans.
		Loans to SMEs will be guaranteed by the Irish "Covid-19 Credit Guarantee Scheme". The loans can have a term between 3 months and 6 years. Interest rates will be below market rates.
Latvia	reduced	The interest rates for loans from for SMEs will be reduced by 50% and by 15% for large companies. This applies only to loans for businesses from the tourism sector.
Lithuania	0 %	This rate only applies to tax loans distributed in order to maintain business liquidity.
Malta	reduced	Government will be financing up to 2.5% of the interest rates of bank loans taken out by businesses hit by the COVID19 pandemic. The measure is envisaged to last two years with annual costs of EUR 20 million.
Netherlands	2 %	Government supplied loans of max. 10 156 EUR for 3 years for self-employed persons with liquidity problems. (EUR 2.2 billion of direct support to self-employed, EUR 2.4 billion of credit lines, EUR 300 million of implementation costs for local governments.)
	2 %	Interest rates have been lowered. In addition, SMEs may ask for extensions of the guarantee to obtain a loan. Further, SMEs can receive a guarantee to refinance short-term loans. This also applies to loans under the system of microcredits.
Norway	Min. 0 %	For F-loans handed out by the Norwegian Central Bank (Norges Bank), which have a maturity of one week, one month or three months, the policy rate applies as interest rate, which is currently 0% since the beginning of June. For F-loans with a longer maturity, the interest rate is the policy

		rate plus 15 basis points (6 months loan) and plus 30 basis points for F-loans for 12 months.
		State loan guarantees available for loans to SMEs. There is an initial package of 50m NOK.
Poland	0,5%	The reduction of the interest rates was proposed by the National Bank of Poland and adopted in April. The reduced rate applies to loans to companies and households.
Portugal	4%	Max. 1,5m EUR/company with an 80% state guarantee on the debt. This financiyl support will cost around 400m EUR.
	0%	Max. 750 EUR/month per employee times 3 or max. 20 000 EUR/micro-company in the tourism sector.
Romania	0%	Loan guarantees by the Ministry of Finance: 80% for SME, 90% for microenterprises. The Ministry will cover 100% of the interest rate. Amount of loan to be determined by the average expenditure on working capital for the last two fiscal years or max. RON 5 million for medium enterprises, RON 1 million small businesses and RON 500,000 for micro enterprises.
Slovakia	3,9 %	As of end 2020: Loans of up to 2m EUR to microenterprises for operating costs - 90% guaranteed by the Slovak Investment Holding.
	1,8 %	As of end 2020: Loans between 2m and 20m EUR to SME for operating costs - 80% guarantee by EXIMBANKA.
Spain	0 %	For loans from the Secretariat of State Tourism.
		State guarantee scheme introduced which will cover up to 80% of the loans given out to SMEs and self-employed persons. The guarantee is valid for up to 5 years and for loans to the amount of up to 2.5m EUR. The guarantee is managed by the Instituto de Crédito Oficial (ICO). Three guarantee tranches have been approved so far.
Sweden	0,1%	Riksbank e rbjud s banks to weekly borrow an unlimited amount of money secured with three-month maturity at an interest rate of 0.10 percentage points above the repo rate. This bank's repo rate is its policy rate and currently at 0%.
	Determined by lending bank	70% of the new loans is guaranteed by the Swedish government (this is max. 75m SEK/company). The entire guarantee scheme will cost about 100 bn SEK.
Switzerland	0 %	This applies to loans of up to 500 000 Swiss francs. SMEs can ask of credits of max. 10% of annual turnover or max. 20 million Swiss francs. Maturity of 5-7 years.
	0,5 %	This applies to loans of at least 500 000 Swiss francs. The loans are guaranteed 85% by the federal government and 15% by the lending bank. SMEs can ask for credits of max. 10% of annual turnover or max. 20 million Swiss francs. Maturity of 5-7 years.
	0 %	For loans to non-profit enterprises in the cultural sector and sport events.
UK	0 %	This will apply for the first 12 months of the loans. Small firms (max. 45m GBP in turnover) may receive max. 5m GBP.