

CORPORATE FINANCE & AUDIT ALERT

April 2020

Tax
Law
Audit
Advisory
Accounting



OVERVIEW OF THE PREMISES OF THE "ANTI-CRISIS SHIELD" - CHANGES IN THE FUNCTIONING OF THE POLISH DEVELOPMENT FUND (PFR)

On the night of 27-28 March 2020, the Polish Parliament adopted a law extending the powers of the Polish Development Fund (PFR) so that it can better support entrepreneurs in the face of the coronavirus epidemic. This is one of the acts from the "anti-crisis shield" package, namely an amendment to the act on the system of development institutions prepared by the Ministry of Development.

The act provides for the extension of financing possibilities and the scope of PFR activities so that the Council of Ministers can entrust it with the implementation of the programme for providing financial support to entrepreneurs in relation to the crisis situations caused by COVID-19, thus extending the current range of the PFR activities.

Below we present the main changes in the functioning of the PFR introduced by the amendment being part of the "anti-crisis shield" package.

PFR TASKS	<p>The tasks of the PFR, which so far have involved providing financing to entrepreneurs, have been extended to include in particular crisis situations, including those caused by the spread of the coronavirus infectious disease.</p> <p>In addition, a new task was introduced, defined as preventing or mitigating the effects of crisis situations, including the effects of the COVID 19 pandemic, by providing funding or repairing/paying for damage or loss caused by these situations</p>
PFR FINANCING SOURCES	<p>Depending on the objectives, the PFR may be financed from the Minister's subsidy for regional development, earmarked subsidies from the state budget and funds from the European Union budget, treasury securities (for the increase of the PFR share capital).</p> <p>Additionally, the State Treasury may grant a guarantee or surety for the repayment of liabilities arising from loans taken or bonds issued by the Polish Development Fund.</p> <p>In the original Act on PFR, the maximum limit of financing from the state budget was PLN 300 million (for 2019-2028). The amendment to the act modified this amount to PLN 11.7 billion (2020-2029), including PLN 6.7 billion in 2020 and PLN 3 billion in 2021.</p>
WHO WILL BENEFIT FROM PFR FINANCING	<p>According to the existing rules, PFR is to provide funding to entrepreneurs, in particular micro, small and medium-sized businesses (see the table below).</p> <p>An entrepreneur is an entity conducting business activity, regardless of its legal form. As a rule, the programmes implemented so far by PFR were addressed to all categories of business entities</p>

(large enterprises, SMEs, start-ups, foreign companies and local governments) and we assume that a similar principle will apply under aid programmes related to COVID-19.

Entity category	Average yearly employment	Annual turnover net (EUR)	Total balance sheet assets (EUR)
Micro-entrepreneur	< 10 employees	< 2 million	< 2 million
Small entrepreneur	< 50 employees	< 10 million	< 10 million
Medium-sized entrepreneur	< 250 employees	< 50 million	< 43 million
Large enterprise	> 250 employees	> 50 million	> 43 million

NOTE: In order for an entrepreneur to be qualified to a given group, the conditions of employment and of the annual turnover or the sum of balance sheet assets must be met jointly.

Financing may be allocated, among others, for such categories as: investments, support of entrepreneurs, environmental protection, R&D, training and consulting, recruitment and employment of disadvantaged and disabled employees, **prevention or repair of damage caused by natural disasters, other crisis situations, including the spread of COVID-19**, and other undertakings crucial for the development of the state.

Financing is provided by the PFR directly or through capital funds in the form of:

- taking up or acquiring shares, stocks, subscription warrants, bonds, receivables and joining partnerships,
- granting loans, guarantees and sureties.

GOVERNMENT AID PROGRAMME IN VIEW OF COVID-19

The amendment to the act contains a provision **allowing for creating a government programme for granting financial support to entrepreneurs in view of COVID-19**

The programme will be financed with funds transferred from the state budget, with the total value of funding planned for 2020 to amount to **PLN 1.7 billion** and will be transferred through the Industrial Development Agency S.A. in the form of an issue of treasury securities.

IN PRACTICE

The aim of the adopted changes is to expand the catalogue of forms of granting financing to entrepreneurs by, i. a., enabling the acquisition of shares or stocks of companies or the purchase of bonds, increasing the availability of the PFR support, and eventually adding to the budget handled by the PFR.

In order to benefit from the PFR support, one should apply to one of the programmes published on the PFR's website (<https://pfr.pl/>) or to the institution directly responsible for the program. Depending on the form of support chosen, it is possible, among others, to:

- obtain financing with a de minimis guarantee (in most banks),
- have capital financing granted by taking up and acquiring minority shares, as well as bonds,
- obtain loans and credits on preferential terms directly from the PFR funds.

Entrepreneurs interested in the PRF support should be prepared to meet formal requirements, including submitting analyses of their economic and financial situation, liquidity forecasts, short and long term budgets, which may pose a challenge given the time pressure and difficult operating conditions due to the coronavirus.

The team of TPA Poland's advisors and Baker Tilly Woroszyńska Legal's lawyers combines all the required competences for this type of consulting: financial analysts, legal and tax advisors and auditors.

This document was prepared for informational purposes only and is of a general nature. Every time before taking actions on the basis of the presented information, we recommend obtaining a binding opinion of TPA Poland and Baker Tilly Woroszyńska Legal experts.

CONTACT



Krzysztof Horodko

*Managing Partner,
Audit&Advisory*

+48 603 935 516

krzysztof.horodko@
tpa-group.pl



Monika Tuzimek

*Partner,
Audit&Advisory*

+48 607 763 761

monika.tuzimek@
tpa-group.pl



Maciej Krokosiński

*Associate Partner,
Audit&Advisory*

+48 604 999 393

maciej.krokosinski@
tpa-group.pl



Tomasz Manowiec

*Director,
Corporate Finance*

+48 795 554 311

tomasz.manowiec@
tpa-group.pl

TPA is a leading international consulting group, offering comprehensive business advisory services in 12 countries of Central and Southeastern Europe.

In Poland, TPA is one of the largest consulting companies. We provide international corporations and large domestic companies with effective business solutions in terms of tax advisory, transaction advisory, financial audit, corporate finance, accounting outsourcing, real estate investment consultancy as well as payroll administration services and HR consulting.

Baker Tilly Woroszyńska Legal is a law firm focused on providing services to entrepreneurs in all key areas of their business activity. The law firm team consists of lawyers with many years of international experience in the field of transactions and advisory. As a member of the **TPA consulting group and an independent member of Baker Tilly International**, a global network providing comprehensive advisory services, the law firm combines advantages of integrated, interdisciplinary 'one-stop-shop' services with the local expertise and global reach of the advisory group.

TPA Poland and Baker Tilly Woroszyńska Legal are the exclusive representatives of **Baker Tilly International** in Poland - one of the largest global networks of independent consulting companies.

www.tpa-group.pl | www.bakertilly.pl