

Luxembourg, 21 April 2020

COVID-19: LOANS GUARANTEED BY THE STATE

The coronavirus crisis has serious consequences for the economy of our country. In this context and in order to support entrepreneurship and Luxembourg trade, the Ministry of Finance and eight Luxembourg banks united within the ABBL have cooperated closely to set up a state guarantee system for loans granted as of 18 March 2020 to companies affected by the COVID-19 pandemic.

This mechanism complements the support measures for companies taken spontaneously by the banking sector, more particularly [a moratorium on existing loans](#).

The [law of 18 April 2020](#) (in French) specifies the conditions to be fulfilled in order to be able to claim this guarantee by the state.

To date, eight local banks have signed an agreement with the State Treasury allowing them to offer loans guaranteed by the state to their professional customers.



1) What is the state guarantee?

The state guaranteed loan is a loan that a bank makes to a business or professional, despite the current high economic uncertainty, thanks to the guarantee that the state provides on a very significant part of the loan.

This loan remains a loan from a bank to a company: it is not a loan from the state.

Member of



This recourse to the banking networks for the granting of these loans was desired so that the device could quickly and very widely bring the necessary cash to companies and professionals throughout the territory, to help them to overcome the major economic stress that we are currently experiencing, and to support them in the recovery phase.

The state guarantee is remunerated according to a scale which depends on the size of the company and the duration of the guaranteed loan. This guarantee commission, collected by the State Treasury from the lending institution, is borne by the borrower.

2) Which companies are eligible?

Companies, legal or natural, established in Luxembourg and who are suffering from temporary financial difficulties following the COVID-19 pandemic. More specifically, these are:

- Artisans
- Tradespeople
- Manufacturers
- Farmers and wine-growers
- Liberal and independent professions in the broad sense
- Associations and foundations.

The following are however excluded:

- Companies primarily engaged in promoting, owning, renting and trading in real estate
- Companies whose main activity is the holding of interests in other companies
- Corporations or natural persons in difficulty on 18 March 2020, or
- Companies convicted at least twice for contravening the provisions prohibiting illegal work or the employment of illegally staying third-country nationals.

3) What loans are eligible?

Loans, lines of credit, investment loans or overdraft facilities that have the following characteristics are eligible:

- A maximum duration of 6 years
- Granted between 18 March 2020 and 31 December 2020, and
- Granted to deal with a temporary financial difficulty following the COVID-19 pandemic.

4) What is the maximum guaranteed amount?

The same company can only benefit from loans covered by the state guarantee for a maximum amount of:

- 25% of the turnover achieved in 2019 or, where applicable, the last year available
- For young, innovative companies created before 31 December 2019, double the total payroll for 2019 or, if applicable, the last year available

- For young, innovative companies created after 31 December 2019, the estimated annual salary cost for the first two years of activity.

In the event that several loans are granted to the same company, the state guarantee is acquired in the chronological order in which these loans are granted, and provided that their cumulative amount remains below the authorised ceiling.

The loan contract may provide that its repayment becomes immediately due as a result of the provision by the borrower of intentionally incorrect information to the lending institution.

The state guarantee covers a percentage of the amount of capital, interest and accessories. This percentage is set at 85%, the balance of 15% being borne by the credit institution. The amount to be compensated corresponds to the loss recognised.

In practice: anyone who thinks they can meet the conditions to be able to apply for a Government-guaranteed loan is invited to contact their bank. This can be done by appointment or via the bank's available digital channels (e-mail, chat, mobile application) or by phone. Documentary evidence will be requested in order to comply with the request.

For bank loans granted before 18 March 2020, a moratorium of up to six months may be granted by participating banks under conditions approved by them.