



**COUNTRY
COMPARATIVE
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The Legal 500 Country Comparative Guides

Germany

AVIATION FINANCE & LEASING

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This country-specific Q&A provides an overview of aviation finance & leasing laws and regulations applicable in Germany.

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GERMANY

AVIATION FINANCE & LEASING



1. What international aviation conventions has your jurisdiction signed and/or ratified?

Germany is a party to the main following multilateral agreements relating to international carriage:

- Convention on International Civil Aviation (Chicago) – 8 June 1956.
- International Air Services Transit Agreement (Chicago) – 8 June 1956.
- Convention on the international recognition of rights in aircraft (Geneva) – 5 October 1959.
- Convention for the Unification of Certain Rules Relating to the Precautionary Attachment of Aircraft (Rome) – 12 January 1937
- Convention for the unification of certain rules relating to international carriage by air (Warsaw) – 29 December 1933.
- Protocol to amend the Warsaw Convention (The Hague) – 1 August 1963.
- Convention, supplementary to the Warsaw Convention, for the unification of certain rules relating to international carriage by air performed by a person other than the contracting carrier (Guadalajara) – 31 May 1964.
- Convention for the unification of certain rules relating to international carriage by air (Montreal) – 28 June 2004.
- Convention on offences and certain other acts committed on board aircraft (Tokyo) – 16 March 1970.

2. If your jurisdiction has signed and ratified the Cape Town Convention: a. Which qualifying declarations (opt-in and opt-out) has your jurisdiction made under the Cape Town Convention? b. Does the Cape Town Convention take priority over conflicting national law?

a. Which qualifying declarations (opt-in and opt-out) has

your jurisdiction made under the Cape Town Convention: Germany has not signed the Cape Town Convention

b. Does the Cape Town Convention take priority over conflicting national law? n/a as German has not signed the Cape Town Convention

3. Will a court uphold the choice of a foreign governing law in respect of the following contracts and if so, please also state any conditions or formality requirements to this recognition a. Lease and b. Security document (for example, mortgage)?

a. Lease Under German law, the parties can convene that the lease contract is subject to a foreign governing law.

In contractual relationships, Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) applies in respect the applicable substantive law. Article 3.1 allows the parties to the contract to choose the law applicable to the contract. The relevant court is bound the parties' choice of law unless the restrictions pursuant to Articles 3.3, 3.4 or 6.2.2 e are fulfilled. Exceptionally, as per to Article 6 of the German Introductory Act to the Civil Code (EGBGB) the application of a foreign legal norm is not possible if the result of the application is obviously incompatible with fundamental principles of German law.

b. Security document (for example, mortgage) The applicable law in the field of law in rem is contained in the Introductory Act of the Civil Code (EGBGB). Article 43.1 refers to the law of the place where the property is located for movable and immovable property. The law does not provide for a choice of law. The highest German Civil Court has held that a choice of law is inadmissible (judgment of 25 September 1996 – VIII ZR 76/95).

4. Please confirm whether it is (i) customary and (ii) necessary to also take a local law mortgage and if so, why?

Since a choice of law cannot be made for the applicable substantive law with regard to mortgages, the question of whether this is customary and necessary is not applicable for Germany.

5. Are foreign judgments recognized and enforceable by courts of your jurisdiction and if so, please also state any conditions or formality requirements to this recognition (for example, do you require a local court order confirming such recognition)?

Generally, German courts recognise and enforce foreign court judgments if certain requirements are met (for example, if there is a bilateral treaty in place).

Judgments from EU countries are recognised under Regulation (EC) 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

On 2 July 2019, the European Union and 44 trade partners signed the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters.

In the absence of an international treaty, each state is free to determine whether and under what conditions it will recognize and enforce foreign judgments in its territory.

The recognition and enforcement of foreign judgments is governed in Germany under Articles 328, 722, 723 of the Civil Procedure Code (ZPO).

6. Is your aircraft registry an owner-register (registering ownership interests) or an operator-register (registering interests as operator)? Please also state any conditions, procedural steps or formality requirements for such registration and explain how this is evidenced (for example, the issuance of a Certificate of Registration)

The competent body for aircraft registration is the German Civil Aviation Authority (*Luftfahrt-Bundesamt*) (LBA), which is based in Braunschweig. Registration is

effected automatically by the LBA when granting the certificate of airworthiness.

A separate procedure is therefore not carried out for entry in the register, but only the procedure for airworthiness in accordance with Articles 8 et seq. of the Air Traffic Licencing Regulation (*Luftverkehrs-Zulassungs-Ordnung* – LuftVZO) takes place. For the application for the certificate of airworthiness, both the owner and, in the case of a difference in persons, the operator (“*Halter*”) of the aircraft must be indicated. In this case, both the owner and the *Halter* are entered in the aircraft register.

Upon registration, the owner receives a certificate of registration. This must always be carried with the aircraft when it is operated.

Therefore, obtaining a certificate of airworthiness is a prerequisite for registration of an aircraft in the Aircraft Register.

7. Is there a security document register in your jurisdiction where a mortgagee's interests will be recorded? If so, please also state any conditions, procedural steps or formality requirements for such registration and explain how this is evidenced (for example, the issuance of a certificate or official stamp on the security document)

In Germany, aircraft mortgages are registered in the Aircraft Mortgage Register (*Register für Pfandrechte an Luftfahrzeugen*) at the Local Court in Braunschweig.

The application procedure is governed by Articles 79 et seq. of the German Act on Rights on Aircraft (*Gesetz über Rechte an Luftfahrzeugen*).

An application for registration of an aircraft mortgage can only be filed once the aircraft is registered on the Aircraft Register of the German Civil Aviation Authority (*Luftfahrt-Bundesamt*) (LBA). The application for registration of an aircraft mortgage must:

- Indicate the aircraft register number for the relevant aircraft.
- Be drafted and filed by a German notary by way of a notarial deed in the German language.

The notarial deed must be filed at the Local Court in Braunschweig and include the following documents and information:

- The application for registration of the mortgage, which indicates:
- the mortgage amount;
- whether interest is payable;
- the interest rate; and
- the start of the interest period.
- General information on the aircraft, including the:
 - page number of the Aircraft Register on which the aircraft is registered;
 - nationality and registry mark of the aircraft;
 - aircraft type;
 - serial number of the airframe; and
 - name and place of residence of the aircraft owner.
- An affidavit confirming that the mortgagor is the sole owner of the aircraft and that the aircraft is not mortgaged to another person or entity.
- An affidavit confirming the value of the aircraft.
- Confirmation that the mortgagor owes the secured obligations to the mortgagee.
- A declaration subjecting the aircraft to immediate enforcement proceedings in the case of default under the mortgage, which includes enforcement measures against the mortgagor.
- Confirmation that the mortgagee can obtain an enforceable copy of the notarial deed.
- Confirmation that the mortgagor must bear the costs of the notarial deed and of registration of the mortgage in the Aircraft Mortgage Register.

On receipt of the application, the Local Court of Braunschweig will request payment of the registration fees. The amount of these fees is based on the value of the mortgage and is calculated in accordance with the provisions of the German Court Fee Act (*Gerichtskostengesetz*).

The aircraft mortgage is registered once the payment of the fees is made and once the Court has reviewed and approved the required documents. Registration of an aircraft mortgage takes about two to three days from receipt of payment by the Court.

There is no separate mortgage register for aircraft engines and spare parts in Germany. An aircraft mortgage can only be registered over the whole aircraft. Spare parts or engines attached to the aircraft are not identified separately in the Aircraft Mortgage Register. The engines and spare parts are considered as parts of the aircraft. A registered aircraft mortgage will also cover spare parts and engines if both:

- The aircraft owner is also the owner of the spare parts and engines.
- The engines and spare parts are attached to the aircraft.

The parties can agree that an aircraft mortgage extends to engines and spare parts that are located elsewhere and are not attached to the aircraft. However, it is not possible to grant a mortgage solely over the engines and/or spare parts.

8. What is the effect of registration of: a. Ownership interest (for example, proof of title to third parties of ownership) b. Lease (for example, perfects the status of the Lessor under the Lease) c. Security document (for example, secures priority over later registered security). If there are any interests that could rank prior to the security document please state these

a. Ownership interest (for example, proof of title to third parties of ownership) The effect of registration of an aircraft in the German Aircraft Register is that the aircraft is authorised to operate. Registration in the Aircraft Register does not establish ownership over the aircraft. Therefore, an incorrect registration does not create a legal presumption of ownership for a person registered incorrectly.

b. Lease (for example, perfects the status of the Lessor under the Lease) The effect of registration of an aircraft lease is that the lessee is registered as the operator of the aircraft. The operator/lessee of the aircraft is liable for any damage caused by the aircraft. The aircraft owner only bears liability in respect of the aircraft if the lessee is not registered as operator.

c. Security document (for example, secures priority over later registered security). If there are any interests that could rank prior to the security document please state these Security documents secures priority over later registered security. A registered aircraft mortgage takes priority over subsequently registered mortgage and other charges over the aircraft.

9. What types of lease are recognized in your jurisdiction (for example, translation, notarization, apostille, legalization etc.)?

The main options available for financing the purchase of an aircraft in Germany are:

- Operating leases.
- Direct bank loans.
- Finance leases.
- Export financing.
- Portfolio financing.
- Cash payment.

The most common option for financing the purchase of an aircraft is leasing, either under an operating lease (short-term leasing) or under a finance lease (long-term leasing).

10. What formalities are required to perfect Lessor's rights under a lease in your jurisdiction?

There is no specific register for aircraft leases in Germany.

An aircraft lease is not in itself registered in the Aircraft Register. However, if both the owner and the operator (that is, the lessee) of the aircraft are registered when the aircraft is registered, it is implied that the aircraft is a leased aircraft.

An aircraft lease must be approved by the LBA. The application form must be filed with the LBA at least four weeks before the intended start of the lease. The following documents and information must be provided to the LBA with the application form:

- Aircraft type.
- Aircraft registration number.
- Aircraft serial number.
- Name and address of the operator and the owner.
- Copy of the certificate of airworthiness.
- Copy of the lease agreement or description of the lease agreement, including the financial agreements.
- A declaration signed by the lessee that the parties are aware of their responsibilities.
- Proof that the foreign air carrier (if any) has a valid operating permit and a valid air operator certificate (AOC), and that the aircraft subject to the lease is listed in the AOC of the foreign air carrier (in the case of a wet lease).
- Proof that the aircraft is insured against damages covered by the statutory liability of German air carriers.

11. Are the ownership rights relating to engines recognized as separate and

distinct from the ownership of the rest of the aircraft in your jurisdiction? Please highlight any separate registration, filing or additional formalities that are required to be completed to perfect Lessor's interest in the engines

Under German law, the ownership rights relating to engines are recognized as separate and distinct from the ownership of the rest of the aircraft.

A separate registration concerning the engines does not exist in Germany.

Engines cannot individually be subject to an aircraft mortgage. An aircraft mortgage can only be registered over the whole aircraft.

The following forms of security can be taken over engines under German law:

- Retention of title (*Article 449, German Civil Code (Bürgerliches Gesetzbuch) (BGB)*).
- Chattel mortgage (*Articles 929 and 930, BGB*).
- Lien (*Articles 1204 et seq., BGB*).

These forms of security are not registered in any official register, but are solely based on the agreement between the grantor of the security and the secured party.

12. What form does security over aircraft generally take in your jurisdiction?

- Aircraft mortgage
- Retention of title
- Chattel mortgage
- Lien (on the engine)

13. Are there any particular terms or characteristics that such a security document must take (for instance, a cap on the secured liabilities)?

An aircraft mortgage must be registered in the Aircraft Mortgage Register at the Local Court in Braunschweig. It is not possible to register aircraft liens or any other security interests in the Aircraft Mortgage Register. Only aircraft mortgages can be registered. The application for registration of a mortgage must state the mortgage amount, whether interest is payable, the interest rate and the start of the interest period.

Since the aircraft mortgage is an accessory security interest, the amount of the secured liability is

determined by the claim the security is based on. Accordingly, a cap on the secured liability does not exist. A maximum amount can be determined up to which the aircraft shall be liable.

14. Are there any perfection requirements for such security document? If so, please state any conditions, procedural steps, formality requirements or documentation (for example, corporates, list of directors etc.) required to effect this

In Germany, aircraft mortgages are registered in the Aircraft Mortgage Register (*Register für Pfandrechte an Luftfahrzeugen*) at the Local Court in Braunschweig.

The application procedure is governed by Articles 79 et seq. of the German Act on Rights on Aircraft (*Gesetz über Rechte an Luftfahrzeugen*).

An application for registration of an aircraft mortgage can only be filed once the aircraft is registered on the Aircraft Register of the German Civil Aviation Authority (*Luftfahrt-Bundesamt*) (LBA). The application for registration of an aircraft mortgage must:

- Indicate the aircraft register number for the relevant aircraft.
- Be drafted and filed by a German notary by way of a notarial deed in the German language.

The notarial deed must be filed at the Local Court in Braunschweig and include the following documents and information:

- The application for registration of the mortgage, which indicates:
- the mortgage amount;
- whether interest is payable;
- the interest rate; and
- the start of the interest period.
- General information on the aircraft, including the:
- page number of the Aircraft Register on which the aircraft is registered;
- nationality and registry mark of the aircraft;
- aircraft type;
- serial number of the airframe; and
- name and place of residence of the aircraft owner.
- An affidavit confirming that the mortgagor is the sole owner of the aircraft and that the aircraft is not mortgaged to another person or entity.

- An affidavit confirming the value of the aircraft.
- Confirmation that the mortgagor owes the secured obligations to the mortgagee.
- A declaration subjecting the aircraft to immediate enforcement proceedings in the case of default under the mortgage, which includes enforcement measures against the mortgagor.
- Confirmation that the mortgagee can obtain an enforceable copy of the notarial deed.
- Confirmation that the mortgagor must bear the costs of the notarial deed and of registration of the mortgage in the Aircraft Mortgage Register.

On receipt of the application, the Local Court of Braunschweig will request payment of the registration fees. The amount of these fees is based on the value of the mortgage, and is calculated in accordance with the provisions of the German Court Fee Act (*Gerichtskostengesetz*).

The aircraft mortgage is registered once the payment of the fees is made and once the Court has reviewed and approved the required documents. Registration of an aircraft mortgage takes about two to three days from receipt of payment by the Court.

15. Summarize any captive insurance regime in your jurisdiction as applicable to aviation.

Under German law, there are different types of insurance relating to the relationship of the person to the aircraft:

- liability insurance of the *Halter*: The *Halter* of an aircraft is obliged to take out liability insurance for personal injury and property damage that may occur during operation of the aircraft (Article 43.2 of the German Aviation Act (*Luftverkehrsgesetz* – LuftVG).
- The air freight carrier also generally requires liability insurance for personal injury and damage to goods (Article 50 LuftVG).
- Aviation hull insurance protects the aircraft and is therefore important for the owner of the aircraft. It is an all-risk insurance that covers damage to a private or business aircraft.

16. Are cut-through clauses under the insurance and reinsurance documentation

legally effective in your jurisdiction?

According to German law, a direct claim of the injured party against the insurer and not against the insured person exists only in the cases of Article 115 of the German Insurance Contract Act (*Versicherungsvetragsgesetz* – VVG). Such a direct claim can only be considered if

1. either liability insurance is mandatory as per the German Act on Compulsory Insurance (*Pflichtversicherungsgesetz* – PflVG),
2. insolvency proceedings have been opened concerning the assets of the policyholder or the application for opening insolvency proceedings has been rejected due to lack of assets or a provisional insolvency administrator has been appointed or if
3. the whereabouts of the policyholder are unknown.

Since, on the one hand, the liability insurance of the *Halter* results from Article 43.2 LuftVG and, on the other hand, the air carrier liability insurance results from Article 50 LuftVG and both are not provided for in the PflVG, there is no direct claim against the insurer under Article 115 VVG.

17. Are there minimum requirements for the amount of third-party liability cover that must be in place in your jurisdiction?

In Germany, there are minimum coverage amounts for liability insurance.

For liability in respect of passengers, the minimum insurance cover is 250,000 SDR per passenger. For liability in respect of baggage, the minimum insurance cover is 1,288 SDR per passenger. For liability in respect of cargo, the minimum insurance cover is 22 SDR per kilogram in commercial operation. These figures, however, do not apply with respect to flights over the territory of the Member States carried out by non-Community air carriers and by aircraft operators using aircraft registered outside the Community that do not involve a landing on, or take-off from, such territory.

In respect of liability for third parties, the minimum insurance cover per accident, for each aircraft, depends on the MTOW. For instance, the minimum insurance for an aircraft with an MTOW of less than 500,000 kilograms would be 500 million SDR and for an aircraft with 500,000 kilograms or more, the minimum insurance would be 700 million SDR.

18. Can a mortgagee (or equivalent security interest holder) or lessor following an event of default under a mortgage (or equivalent security document) or lease, respectively, take possession of the aircraft without judicial intervention in your jurisdiction? Please also state any conditions, procedural steps, formality requirements or documentation (for example, original, legalized, translated Lease/Mortgage, corporates etc.) required to effect this

No, this is not possible.

Under German law, the enforcement of the already registered lien is effected by means of a compulsory auction. According to Article 171a of the Compulsory Auction of Immovable Property Act (*Zwangsversteigerungsgesetz* – ZVG), the general provisions apply to this procedure. Accordingly, the auction cannot be carried out by the creditor himself, but the Local Court of Braunschweig as the court of enforcement of the matter will act on application by the creditor. This application must contain both proof that the debtor is the owner of the aircraft (extract from the aircraft register) and the enforcement order. The court can then order the compulsory auction in accordance with Article 19 ZVG. The debtor is no longer able to sell the aircraft after service of the court order. The aircraft will be taken into custody together with the court order for compulsory auction in accordance with Article 171c.2 ZVG.

19. How can a mortgagee (or equivalent security interest holder), lessor under a lease or designee/beneficiary of an IDERA deregister the aircraft? Please also state any conditions, procedural steps, formality requirements or documentation (for example, original, legalized, translated Lease/Mortgage/IDERA etc.) required to effect this

If the content of the aircraft register does not correspond with the actual legal situation, the deletion from the aircraft register can be requested.

The mortgagee must initiate legal proceedings before a competent court. As part of this process, the mortgagee must prove that he has a contractual right to repossess the aircraft and request its removal from the aircraft

register.

20. Can the government or the lessee lawfully prevent the repossession or deregistration and if so, in what circumstances

The lessee can file an action against the enforcement in accordance with Article 767 ZPO. This is possible if the lessee raises objections that concern the claim established by the judgment itself (return of possession, deregistration from the aviation register). However, the grounds on which the action for avoidance of enforcement is based may only have arisen after the end of the oral hearing, in which objections should have been raised at the latest.

21. If judicial intervention is required, please describe the process? Please also state any procedural steps, length of time to complete and advise as to documentation required

To repossess or deregister an aircraft against the will of the current possessor, the mortgagee must initiate legal proceedings before a competent civil court. As part of these proceedings, the mortgagee must prove that it has a contractual right to repossess the aircraft. The court will then order the current possessor to return the aircraft.

An interim injunction can be granted in the case of urgency and if there is a risk of deterioration of the aircraft. It only takes several days to obtain an interim injunction, whereas it can take several months to more than one year (in the case of an appeal) to obtain a final judgment.

If the debtor agreed to immediate enforcement under a notarial deed, a mortgagee can also enforce its rights without prior legal proceedings.

A mortgage is enforced by way of public auction of the aircraft.

22. How is legal title transferred under the laws of your jurisdiction? Please also state any conditions, procedural steps, formality requirements or documentation (for example, corporates etc.) required to effect this

Airframe To transfer ownership of an aircraft, the owner must deliver the aircraft to the buyer, and both parties must agree that ownership is transferred to the buyer. If the buyer is already in possession of the aircraft, an agreement on the transfer of ownership is sufficient. A contract for the sale of an aircraft does not need to be notarised. The aircraft must then be registered with the German Civil Aviation Authority.

Engine To transfer ownership of an engine, the owner must deliver the engine to the buyer, and both parties must agree that ownership is transferred to the buyer. If the buyer is already in possession of the engine, an agreement on the transfer of ownership is sufficient. The sale contract does not need to be notarised.

23. Are there any restrictions on the sale of an aircraft following enforcement (for example, the requirement to obtain a court order or conduct a public auction or other action in order to sell the aircraft upon enforcement)

Enforcement is carried out by means of compulsory auction (see question 18). If this was successfully carried out by a public auction of the aircraft, the purchaser acquires ownership of the aircraft with the acceptance of the bid in accordance with Article 90.1 ZVG. The registered lien expires as the creditor's claim is satisfied from the proceeds of the auction. As the new owner, the purchaser may freely dispose of the aircraft. The change of ownership must be notified immediately to the relevant authorities in accordance with Article 11.2 LuftVZO.

24. Would lease rentals be subject to tax (for example, withholding or income tax)? Please also state if there are any conditions for such tax to be imposed and any steps usually taken to mitigate this

Lease rentals are subject to tax. However, they are tax deductible since the monthly leasing instalment is part of the operating expenses. A prerequisite is that the aircraft is used commercially. Leased vehicles are only deductible from income tax in Germany if they are not used for private purposes but the business use share is more than 50%. With regard to VAT, the leasing instalments are subject to VAT under German tax law since the service recipient / lessee pays the instalments in order to receive the service.

25. Would a sale of an aircraft in your jurisdiction incur sales tax? Please also provide details of amount or calculation and any steps usually taken to mitigate this

The relevant provision for the acquisition of new aircraft is Article 1b of the VAT Act (*Umsatzsteuergesetz* – UstG). According to this law, only the cross-border supply of new vehicles within the EU is subject to VAT in the recipient country. Aircraft with a maximum take-off weight of more than 1,550 kilograms are expressly mentioned therein.

26. Are there any restrictions on the import or export of aircraft in your jurisdiction and would such importation or exportation incur any liability as to customs or taxes? Please also state if any consents or approvals are required and the procedural steps taken to obtain these, and any procedural steps or formality requirements to mitigate any taxes

In Germany, the export of war weapons and military equipment generally requires a licence under the Foreign Trade and Payments Ordinance (AWV). For certain countries and organisations, an export ban is also imposed under Section 74 AWV and an import ban under Section 77 AWV. Which aircraft are subject to these regulations is described in Annex I of the AWV under No. 0010.

In addition to these two categories, there are also so-called dual-use goods. These are economic goods that were produced for civil purposes but can also be used in the military sector. Their imports and exports are governed by the EC Dual-Use Regulation 428/2009.

The import turnover tax is levied by the German customs administration in addition to customs duties and special excise duties when goods are imported from third countries. Pursuant to Article 21.2 of the VAT Act (*Umsatzsteuergesetz* – UstG, the provisions on customs duties apply mutatis mutandis to import turnover tax. In German law there are national customs exemption regulations, see Articles 11 et seq. Customs Regulation (*Zollverordnung* – ZollVO). According to Articles 16, 21 ZollVO, for example, in-flight supplies or operating materials of aircraft are exempt from import duties.

27. Are there any foreign exchange

restrictions on transfers of funds

The relevant provisions for money and capital movements with other countries are contained in the Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung* – AWV). Article 54 AWV prohibits the effecting of payments and other benefits under certain conditions. Articles 63 et seq. AWV stipulate reporting obligations for capital and payment transactions. According to no. 1, for example, the settlement of foreign debts is prohibited which were waived for the Federal Republic of Germany in the course of the London Agreement of 1953. Articles 63 et seq. AWV stipulates reporting obligations for capital and payment transactions. This is the case, for example, when a German citizen abroad or a foreigner in Germany reaches a certain majority of a company or a certain amount of assets.

28. How successful have foreign creditors and lessors been in enforcing their security and lessor rights over and successfully repossessing aircraft in a timely manner?

n/a

29. What government led reforms affecting creditor and lessor rights are currently underway in the aviation sector in your jurisdiction?

The Corona pandemic is more likely to lead to reforms aimed at maintaining and stabilising the aviation sector. There are no concrete plans with regard to creditors' rights or lessors' rights.

30. Please describe any interesting legal development in your jurisdiction (for instance, decided court cases or arbitral awards) which affect creditor and lessor rights?

In a judgment of 18 June 2020, the Higher Regional Court in Munich ruled that in the case of a revocation of a leasing contract the lessee is entitled to repayment of all leasing instalments without the lessor having the possibility of deducting compensation for use.

31. Please discuss any relevant governmental regulations implemented in

your country to help alleviate the financial and other difficulties faced by airlines in your jurisdiction caused by CoVid 19 and whether that will impact rights of lessors (who lease aircraft to the airlines) and lenders (who finance such aircraft which are mortgaged in favour of the lenders)? Are such governmental regulations expected to be in place until the difficulties faced by airlines caused by the CoVid 19 subside or are they more long term?

In order to alleviate the difficulties faced by airlines due to CoVid19, the German Government has introduced new simplified regulations for short-time work. VAT was reduced for a limited period of time from 1 July 2020 to 31 December 2020. The reduced tax rate was decreased from 7% to 5% and the regular tax rate was reduced from 19% to 16%. There are also other bridging aids. In particular, small and medium-sized enterprises that suffer a turnover decline of at least 30% due to CoVid 19 can receive financial bridging aid:

Up to 100% of eligible fixed costs in the event of a turnover drop of > 70 %

Up to 60% of the eligible fixed costs in the event of a turnover drop of $\geq 50\%$ and $\leq 70\%$.

Up to 40% of the eligible fixed costs in the event of a drop in sales $\geq 30\%$ and $< 50\%$

in the eligible month compared to the corresponding month in 2019.

These fixed costs can also include rent, leases or leasing instalments.

For the period of July-September 2021, the German State also grants financial restart aids for companies affected by Covid-19.

In addition, the State is trying to create investment incentives through additional financial means (loss carry-back, postponement of the due date of import turnover tax, modernisation of the corporate tax law, introduction of temporary degressive depreciation). Also, support is provided to companies to create investment incentives.

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